



KULIM (MALAYSIA) BERHAD 197501001832 (23370-V)

# **ABOUT** OUR REPORT

This Integrated Report covers the activities of Kulim (Malaysia) Berhad for the Financial Year Ended 31 December 2020 ("FY2020") up to 15 March 2021, being the last practicable date before the printing of this report.

The Integrated Report aims to provide concise, relevant and reliable information. A supplementary section of the Integrated Report which expands on the Group's issues and individual stakeholder requirements is available on the Group's website at www.kulim.com.my



#### **Contents:**

Primary source of information on our Group's financial and non-financial performance across our operations in Malaysia and Indonesia.

GOVERNANCE AND FINANCIAL REPORT

2020

SCAN ME

#### Contents:

Our Governance and Financial Report outlines our comprehensive approach towards protection of value in our activities together with our Financial Performance of the year.

#### Regulations Complied:

- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- International Integrated Reporting Framework ("IIRF")
- Malaysian Code on Corporate Governance 2017 ("MCCG")
- United Nations' Sustainable Development Goals ("SDGs")
- · Global Reporting Initiative ("GRI") Standards

# SCOPE AND BOUNDARY OF REPORTING

#### **Reporting Period**

Our report is produced and published annually. It provides material information relating to our strategy and business model, operating landscape, material risks, stakeholder needs and concerns, performance, governance and prospects, covering the period FY2O2O up to 15 March 2O21.

#### **Operating Businesses**

The report includes the primary activities of the Group, our business clusters, key support areas and subsidiaries.

#### Financial and Non-Financial Reporting

The report extends beyond financial reporting and includes non-financial performance, including opportunities, risks and outcomes attributable to, or associated with our key stakeholders, which have a significant influence on our ability to create value.

#### **REPORTING FRAMEWORKS**

Kulim's Integrated Report, and the contents of this report are guided by the principles and requirements of the following:

- International Integrated Reporting Framework ("IIRF")
- Malaysian Code on Corporate Governance 2017 ("MCCG")

Our **Financial Statements** for the FY2020 have been prepared in accordance with:

- · Malaysian Financial Reporting Standards
- · International Financial Reporting Standards
- · Companies Act 2016

Our **Sustainability Statement** is guided by:

- Global Reporting Initiative ("GRI") Standards
- We have also incorporated the United Nations' Sustainable Development Goals ("SDGs") in our approach to sustainability

#### NAVIGATION ICONS

Key Content Elements are represented by navigation icons. Throughout our reporting, these navigation icons are used to reflect the interconnectivity and interdependencies between the content elements.

- S Financial Capital
- Natural Capital
- Manufactured Capital
- Intellectual Capital
- R Human Capital
- Social and Relationships Capital
- Building Resilience
- Delivering Value to Stakeholders
- Grow Sustainable Business
- Human Capital Development
- ( Compliance
- Product Quality
- ( Carbon Emissions
- Occupational Health and Safety
- (A) Human Rights and Labour Practices
- MCV/HCS Protection and Management
- (a) Economic Performance
- Employees
- Business Partners
- Workers
- Shareholders
- 🎯 Media
- Suppliers
- **Unions**
- Government and Regulators
- Communities and Outgrowers
- (Customers
- NGOs
- Management
- **Environmental Concerns**
- (I) Climate Change
- ( Food Security and Supply
- Supply Chain Management and Traceability
- Mechanisation and Automation

#### **MATERIALITY AND MATERIAL MATTERS**

We apply the principle of materiality in assessing what information should be included in our Integrated Report. This report therefore focuses particularly on those issues, opportunities and challenges that impact materially on Kulim and its ability to be a sustainable business that consistently delivers value to shareholders and stakeholders. Our material matters influence and informs our long-term business strategy, targets, and short-to-medium-term business plans.

The Material Identification Process is a group-wide responsibility and requires input from all business units and divisions, and an assessment of the risks and opportunities in our operating environment. The input and feedback from all our stakeholders are also considered. Ranking the identified issues and prioritising in order of relevance and potential impact is a collaborative effort. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

#### **COMBINED ASSURANCE**

We employ a coordinated assurance model to assess and assure various aspects of our business operations, including elements of external reporting. These assurances are provided by management and the Board, internal audit and independent external service providers, including our external auditors and providers of limited assurance on selected sustainability information. For further information on the scope of the services performed by our external assurance providers, please refer to Kulim's Financial Report.

#### FORWARD-LOOKING STATEMENTS

The Integrated Report may contain forward-looking statements with regard to Kulim's future performance and prospects. These statements relate to events that may or may not occur in the future due to a number of factors including risks and uncertainties, which could cause actual results to differ materially from those expressed or projected by the forward-looking statements.



Tan Sri Dr. Ali Hamsa Chairman



# WHAT'S INSIDE

# Kulim (Malaysia) Berhad

Integrated Report 2020



#### COVER RATIONALE

The COVID-19 pandemic continues to adversely impact the global palm oil industry. Nevertheless, Kulim remains steadfast in mitigating the challenges by implementing strategic initiatives and building on the strength of our business segments.

We have strengthened our presence across the value chain by leveraging our expertise in the plantation sector as well as exploring new opportunities in agribusiness. This will reduce over-dependence on upstream activities and offer long-term potential for growth and profitability. We have also implemented cost optimisation initiatives and ensured sustainable practices in all our operations.

We are confident that Kulim will continue to stay focused and resilient to overcome adversity and drive growth across our diverse business segments.

About Our Report

## Overview of Kulim

004 Who We Are

OO4 Our Vision | Our Mission |
Corporate Values | Corporate
Philosophy

006 Brief Profile of Kulim

008 2020 Key Highlights

008 Financial | Business | Sustainability

O10 Awards & Achievements |
Our Strategic Business Alliances/
Collaborations/Joint Ventures |
Our Certifications |
Competitive Advantage

012 What We Do: Segment Highlights

013 How We are Structured

014 Our Presence: Group's Operations

016 Our Integrated Value Chain

018 Key Milestones



# Key Messages

024 Chairman's Statement

028 Managing Director's Statement

034 Chief Financial Officer's Statement

038 Responding to the Impact of COVID-19

# Value Creation at Kulim

- 042 Kulim's Approach to Value Creation
- 044 Our Six Key Capitals
- 046 Our Value Creating Business Model
- 048 Performance by Capitals
- 050 Stakeholder Engagement
- 056 Value We Create for Our Stakeholders

# Management Discussion & Analysis

- A. Strategic Review
- 064 Operating Landscape
  - 064 Market Review & Outlook
  - 066 Key Market Trends
- 068 Material Matters
- 074 Key Risks & Mitigation
- 076 Our Strategic Road Map
- 078 Our Strategic Thrusts
- B. Business Review
- 082 Core Business: Agriculture Operations
  - 084 Plantation
  - 089 Research & Development
  - 092 Agribusiness
- 096 Others
  - 096 Intrapreneur Venture
  - 098 Oil & Gas
- C. Performance Review
- 101 5-Year Financial Highlights
- 102 5-Year Financial Summary
- 105 Value Added Statements & Value Distribution
- 106 Simplified Group Statements of Financial Position
- 107 Human Capital Statistics
- 108 5-Year Plantation Statistics
  - 108 Malaysia
  - 109 Indonesia

# 5 Leadership

- 110 Corporate Information
- 111 Board Diversity
- 112 Board of Directors
- 114 Board of Directors' Profiles
- 120 Senior Management's Profiles
- 124 Organisation Structure
- 125 Value Creation Through Responsible Governance

# 6) Ensuring Sustainable Value Creation

- 132 Sustainability Statement
- 154 Event Highlights 2020
- 158 In the News

# Additional Information

- 160 Properties of the Group in Malaysia
- 167 Corporate Directory

Further information can also be found on our website:



http://www.kulim.com.my



## WHO WE ARE



INTRODUCING
THE NEW KULIM
CORPORATE IDENTITY

We are delighted to unveil our new logo as part of the ongoing evolution of our brand. Our refreshed logo better embodies who we are and symbolises a new era for the organisation.

# KULIM

Kulim (Malaysia) Berhad incorporates a new greyish-blue tone that defines the organisation's future wisdom communicated under the "Contrax" typeface. The word 'KULIM' also unfolds the duotone greens of apple and lime encased in a rising formation to manifest growth with value.

Significantly, Kulim (Malaysia) Berhad remains focused and active in driving the pursuit of sustainable growth and creating value through future innovation.

# OUR VISION

To be the most progressive, efficient, profitable and respectable agribusiness company in the region.

#### CORPORATE VALUES

**Kulim (Malaysia) Berhad** believes that the spirit of caring is integral to the prosperity and survival of our business. Our concept of caring integrates and extends beyond our capital providers, to include our employees, our society and our environment.



# OUR MISSION

- Committed to generate sustainable growth and profits, and to consistently enhance our stakeholders' values;
- To provide extensive professionalism and innovation to drive business forward;
- To achieve operational excellence through continuous improvement and best practices;
- Produce trusted products and services of superior values;
- To strive towards high business ethics and governance; and
- To be an exemplary corporate citizen responsible to the society and environment.

It means building our **COMPETITIVE** capacity with intense biasness towards **ACTION** in generating profitable growth whilst being firmly guided by our pledge to be **RESPONSIBLE** and **ETHICAL** 



We ensure our shareholders are rewarded with superior returns.



We teach and nurture the same spiri among our employees.



We contribute and enrich the lives of our community and society.



We treat the earth with respect for it has given us our reason for being.



We care, so we share

# CORPORATE PHILOSOPHY

#### **BUSINESS POLICY**



Our operation is currently focused on plantation and agribusiness – a balanced growth strategy with involvement in industries that will reduce income and profit fluctuations for the Group; of which will be managed with due skill, care and prudence.

#### ETHICS POLICY



Our business is conducted to the highest standards of ethics, integrity and governance, and governed by the various operating standards, policies and procedures.

#### PEOPLE POLICY



Our people are given top priority, in which we are committed to developing their career success while ensuring the immediate and long-term benefits of the organisation and other stakeholders are not jeopardised.

#### SUSTAINABILITY POLICY



We believe in the goal of Sustainable Development as the cornerstone of our business policy, which recognises the responsibilities in safeguarding the environment in the course of our business operations.

# WHO WE ARE: BRIEF PROFILE OF KULIM

#### KULIM (MALAYSIA) BERHAD

Kulim (Malaysia) Berhad ("Kulim") traces its history back to 1933 when Kulim Rubber Plantations Ltd was incorporated in the United Kingdom. Kulim was later incorporated as a public listed company and was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad) in 1975. In 1976, Johor Corporation ("JCorp") became the major shareholder of Kulim. On 4 August 2016, pursuant to the completion of a Selective Capital Reduction and Repayment ("SCR") exercise, Kulim became a wholly-owned subsidiary of JCorp and was removed from the official listing of Bursa Malaysia Securities Berhad.

Over the years, Kulim has grown to become a diversified plantation company and continues to strengthen its position by securing new hectarages. Kulim Group's total oil palm planted area boosted to 63,509 hectares at the end of 2020, across Malaysia and Indonesia.

With approximately 9,027 employees, Kulim is looking at the expansion of its plantation segment to agribusiness which includes oil palm, pineapple, other crops, smart farming and livestock whilst driving innovative efforts; set on becoming one of the leading plantation and agribusiness players in Malaysia.

01

# CORE BUSINESS: AGRICULTURE OPERATIONS



#### PLANTATION

Kulim is principally involved in upstream and midstream oil palm operations currently spanning across Malaysia and Indonesia.

Kulim was amongst the earliest palm oil producers to be certified to the Roundtable on Sustainable Palm Oil ("RSPO") standard. Our management and growth strategy is fundamentally guided by "Vision 30:30", which aims to raise fruit yields to 30 tonnes per hectare and palm product extraction rates to 30%, balanced with sustainable development principles.





2020 KEY HIGHLIGHTS



REVENUE

RM1.41 Billion

LOSS BEFORE TAX

RM398.95 Million

PRESENCE

2 Countries Malaysia & Indonesia



TOTAL EMPLOYEES

9,027 Employees







OVERVIEW OF KULIM















Kulim will leverage its expertise in plantation by focusing on agribusiness, which includes pineapples, other crops, smart farming and livestock.



VENTURE

Intrapreneur Venture ("IV") Division is involved in a diverse range of businesses including support operations for plantations, agricultural machinery, oil palm nursery, training and OSH-related services, as well as IT-related and insurance broking services.



PINEAPPLES





SMART FARMING



Kulim is involved in the provision of support services for the Oil arthetaGas industry, including the transportation of clean petroleum products and fabrication of pipelines in Malaysia as well as investments in the upstream Oil & Gas activities particularly in Indonesia.





# **2020 KEY HIGHLIGHTS**

FINANCIAL HIGHLIGHTS

**REVENUE** 

RM1.41 Billion

[FY2019: RM1.21 Billion]

**(** 17%)

LOSS BEFORE TAX

RM398.95 Million

[FY2019: RM127.85 Million]

**GROUP CASH POSITION** 

RM170.23 Million

**DIVIDEND TO SHAREHOLDERS** 

RM52 Million

**NET GEARING** 

Ratio: 0.76 Times

**GROSS GEARING** 

Ratio: 0.82 Times

BUSINESS HIGHLIGHTS

#### **PLANTATION**



Acquisition of
8,917 hectares
oil palm estates
through lease of four
JCorp estates



Commissioning fourth biogas plant at Palong Cocoa Palm Oil Mill ("POM")

in September 2020

Increased Pasir Panjang POM capacity from 45 Tonnes Per Hour ("TPH") to 60TPH



Average Selling Price

CPO: RM2,753 pmt [FY2019: RM2,182 pmt]

**(**26%**)** 

PK: RM1,625 pmt [FY2019: RM1,289 pmt]

[ 26%]

#### **RESEARCH & DEVELOPMENT**



Through Kulim-MPOB collaboration, clone P325 was officially recognised as an **"elite clone"** — **won the Malaysian Innovative Product Gold Award** at the International Invention, Innovation & Technology Exhibition ("ITEX") 2020, Kuala Lumpur



#### SUSTAINABILITY HIGHLIGHTS

#### **ENVIRONMENTAL HIGHLIGHTS**

High Conservation Value ("HCV") Forest Area

59.08 ha (buffer zones) 403.08 ha (jungle patches)

Obtain MSPO Supply Chain Certification Standard ("SCCS") for all mills in March 2020

Completed transition to new RSPO Principle & Criteria 2018 Certification Mill Water Consumption

1.10 m³ per tonne FFB

Elephant Encroachment

75 incidences

#### **OSH HIGHLIGHTS**

Lost Time Accident Rate ("LTAR")

1.48

(Target Below 10)

Severity Rate

1.46

(Target Below 3.5)



#### **SOCIAL HIGHLIGHTS**

Average Training Hours Per Employee

40 hours/5 man-days

Contribution

RM17.20 Million

for Corporate Responsibility Initiatives

COVID-19 CR Assistance

RM0.76 Million

#### 2020 KEY HIGHLIGHTS

#### AWARDS/ACHIEVEMENTS



#### KINCENTRIC Best Employers Malaysia 2020

• Best Employer 2020 (GLC Category)



#### National Annual Corporate Report Awards (NACRA) 2020

 Best Annual Report of Non-Listed Organisations (Gold Category)



#### OUR STRATEGIC BUSINESS ALLIANCES/COLLABORATIONS/JOINT VENTURES



Malaysian Palm Oil Board



Agrobank



Jabatan Kemajuan Islam Malaysia



Malaysian Nuclear Agency



Malaysian Pineapple Industry Board



Gas Malaysia



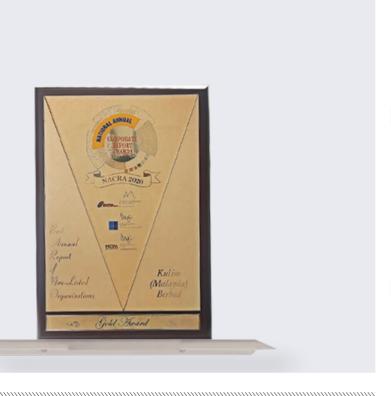








OVERVIEW OF KULIM



#### COMPETITIVE ADVANTAGE



#### SUSTAINABLE BUSINESS GROWTH

Stellar and proven track record with more than 80 years of experience in plantation and diversified industries for greater sustainable returns.



#### **EFFICIENCY IN FINANCIAL MANAGEMENT**

Financial allocation strategies will always be put in place to withstand any market conditions.



#### STRONG SUSTAINABILITY AND SOCIAL **RESPONSIBILITY PRACTICES**

Socially and environmentally responsible corporate citizen, ensuring business accountability to deliver long-term value.



#### **CONTINUOUS EMPLOYEE CAPABILITY DEVELOPMENT**

Developing a talent pipeline to propel the organisation towards achieving high productivity through operational excellence and continuous capability development.

#### OUR CERTIFICATIONS



**RSPO** 



MSP0











ISO 9001: 2015



ISO 14001: 2015



ISCC

# WHAT WE DO: **SEGMENT HIGHLIGHTS**

#### CORE BUSINESS - AGRICULTURE OPERATIONS



\*as at December 2020

Agribusiness

\*as at December 2020



60,064 ha



**Planted** 268 ha

Production

2,316 tonnes



Planted 100 ha



Oil Palm Planted

56,147 ha

28 ESTATES

Landbank

MILLS



\*as at March 2021



Cucumber

Plot A

160 bags

: Plot B (Total Production): (Total Production): (Total Planted)

: Plot C 18,496 kg 11,941 kg 1,395 bags

\*as at December 2020

Bitter Gourd Japanese Cucumber Plot C Plot C (Total Planted)

(Total Planted) 125 bags



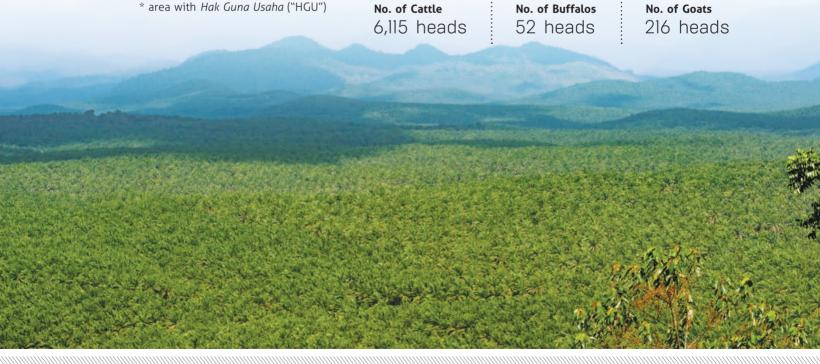
Oil Palm Planted

14,511 ha\*

7,362 ha

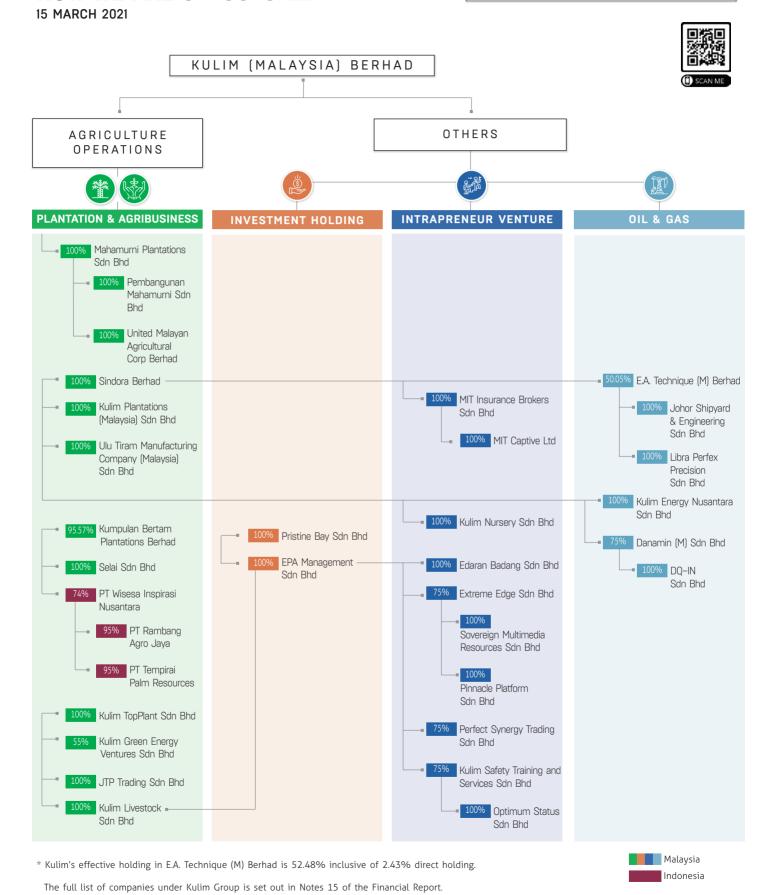
\* area with Hak Guna Usaha ("HGU")

Livestock



2 3 4 5 6

OVERVIEW OF KULIM



# **OUR PRESENCE:** GROUP'S OPERATIONS

# (\* **ESTATES** 1. Palong 2. Kemedak 3. Mungka 4. Labis Bahru 5. Sepang Loi UMAC 6. 7. Sg. Sembrong 8. Sg. Tawing RC IC QS MC 9. Tereh Selatan IC QS MC 10. Sindora 11. Rengam 12. Kuala Kabong RC IC MC RC IC QS MC 13. Sedenak 14. Mutiara 15. Enggang 16. Tereh Utara 17. Selai 18. Pasir Panjang 19. Basir Ismail 20. REM RC IC MC 21. Ulu Tiram 22. Bukit Layang 23. Siang 24. Sg. Papan RC IC MC 25. Tunjuk Laut 26. Pasir Logok RC IC MC 27. Bukit Kelompok RC IC MC

RC IC MC

# (\* **MILLS**

RC HC QS IC MC SC 1. Sedenak POM

2. Sindora POM

3. Pasir Panjang POM RC HC

4. Tereh POM

QS IC MC SC 5. Palong Cocoa POM RC HC

#### **AGRIBUSINESS**

1. Pineapple



2. Coconut



Smart farming



4. Livestock



### **ESTATES**

1. PT Rambang Agro Jaya

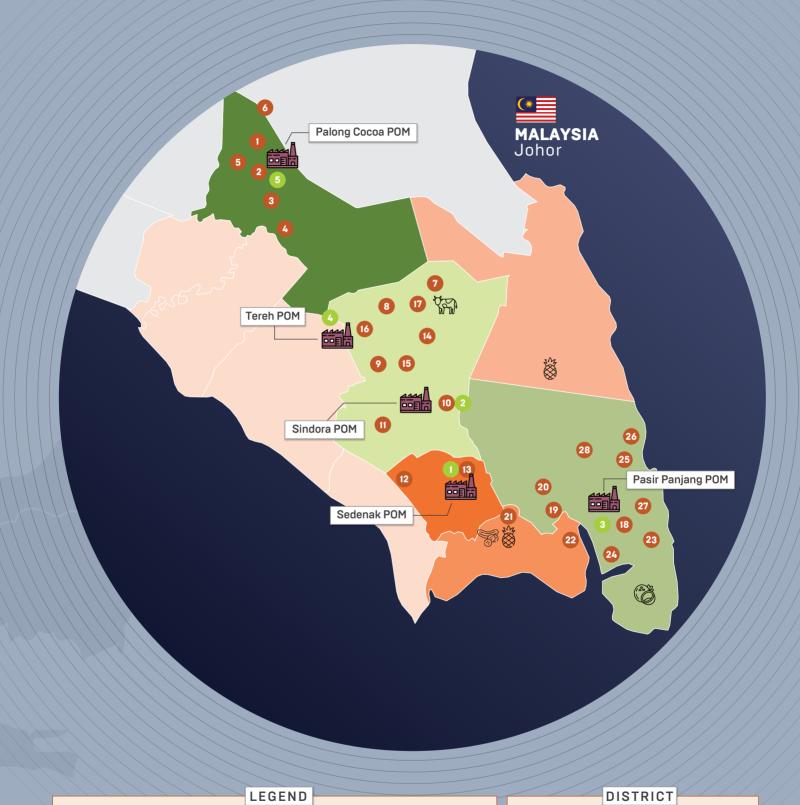
**PLANTATION** 

2. PT Tempirai Palm Resources



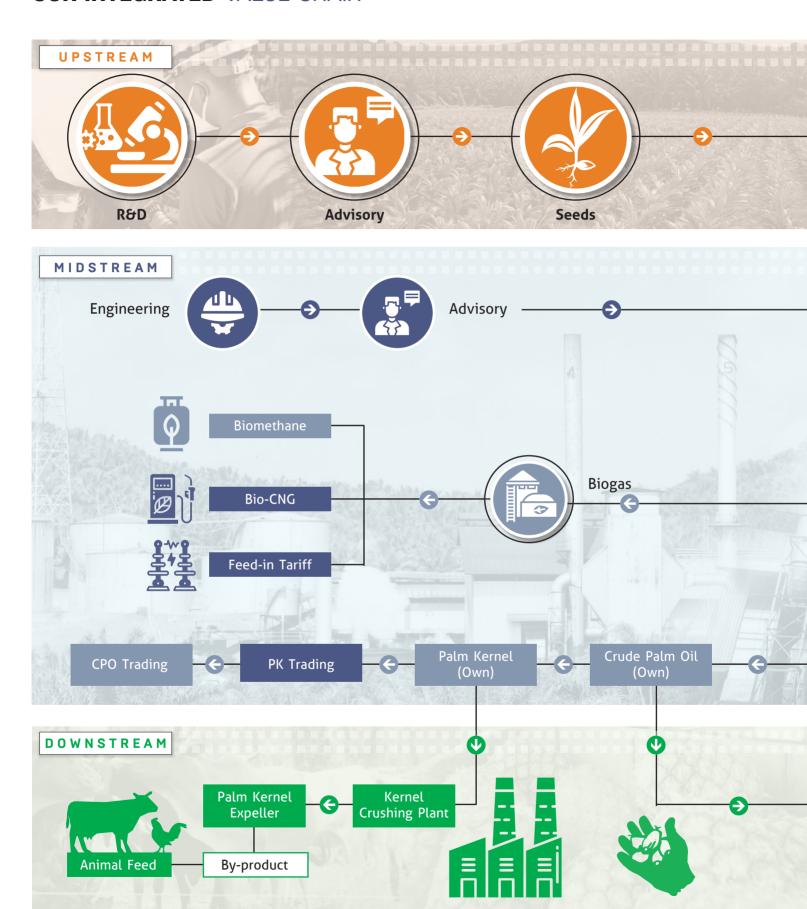
28. Bukit Payung

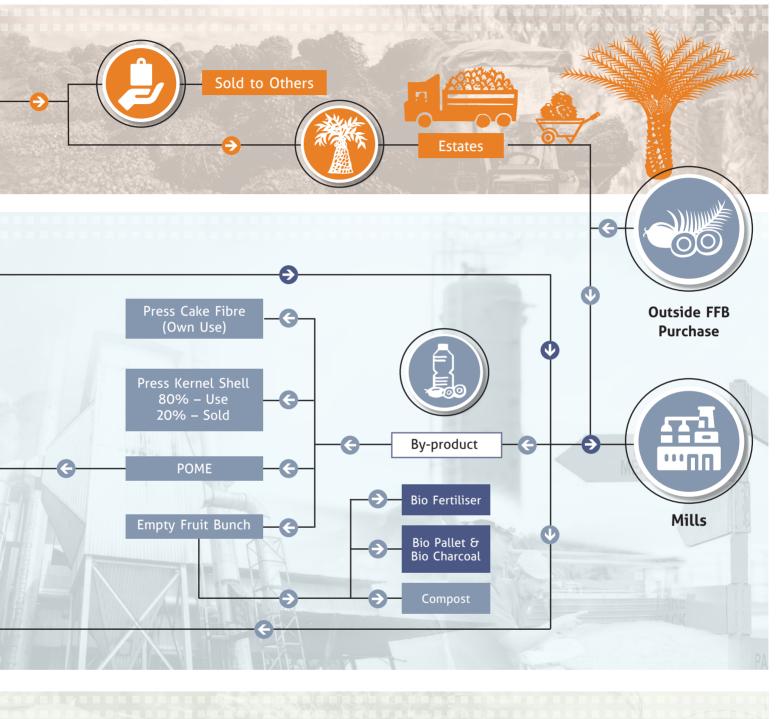
3 4 5 6 7

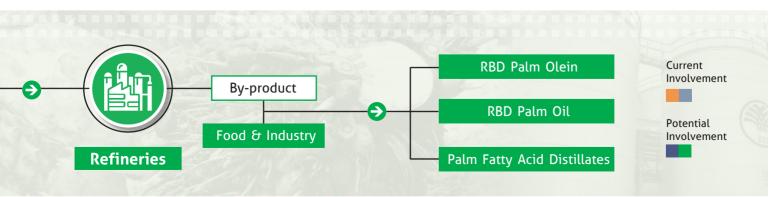




# **OUR INTEGRATED VALUE CHAIN**







# **KEY MILESTONES**

#### THE BEGINNING

1933

Incorporation of Kulim Rubber Plantations Ltd ("KRPL") in the United Kingdom ("UK") on 4 July.

1975

Incorporation of Kulim (Malaysia) Sdn Bhd on 3 July and was later made public as Kulim (Malaysia) Berhad on 18 August. On 14 November, Kulim was listed on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as the Main Market of Bursa Malaysia Securities Berhad).

1976

The Johor State Economic Development Corporation (now known as Johor Corporation or JCorp) became a shareholder of Kulim.

#### **INCORPORATION AND GROWTH**

1947

KRPL began operations with a 190 hectares rubber plantation in Johor, Malaysia.

1988

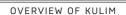
Kulim acquired 60% equity in Selai Sdn Bhd.

#### **REBRANDING AND RESTRUCTURING**

**1970** 

On 16 July, KRPL changed its name to Kulim Group Limited ("KGL") and listed its shares on the London Stock Exchange ("LSE").







Kulim acquired 49% equity in Yule Catto Plantations Sdn Bhd, now known as Mahamurni Plantations Sdn Bhd ("MPSB"), which owns 7,033 hectares of oil palm with a palm oil mill and rubber estate.

Kulim constructed the 21-storey modern intelligent building, Menara Ansar, which was completed and launched in 1997.

### **DIVERSIFICATION AND GROWTH**

1994

Kulim diversified into the oleochemicals business by acquiring 91.38% of Natural Oleochemicals Sdn Bhd ("NatOleo") in July.

The acquisition of MPSB was completed along with Mutiara Estate and Sungai Sembrong Estate.



Kulim's regional expansion began with the acquisition of 90% stake in New Britain Palm Oil Limited ("NBPOL") in Papua New Guinea ("PNG").

Kulim's subsidiary, Kulim Plantations (Malaysia) Sdn Bhd, ventured into plantations in Indonesia through a 60% stake in PT Padang Bolak Jaya and PT Multrada Multi Maju in Sumatera.

Johor Land Berhad ("JLand") became a subsidiary of Kulim and was subsequently listed on the Main Board of KLSE.





#### **KEY MILESTONES**



Kulim acquired the remaining 40% stake in Selai Sdn Bhd.



Kulim completed a capital distribution-inspecie of its entire holding of JLand shares in March, signalling the Group's exit from the property business.



Kulim divested all of the Group's plantation in Sumatera in March.



Kulim made an entry into Kalimantan, Indonesia when it acquired 100% equity in EPA Management Sdn Bhd ("EPA").

Kulim acquired 92.99% stake in Kumpulan Bertam Plantations Berhad, injecting an additional 1,016 hectares of plantation lands into the Group.



# DIVERSIFICATION AND FURTHER GROWTH



Kulim purchased 52% stake in QSR Brands Bhd ("QSR"), the operator of Pizza Hut and controlling shareholder of KFC Holdings (Malaysia) Bhd ("KFCH").

2007

Divestment of Kalimantan plantations in August, marking the Group's exit from the plantation operations in Indonesia.

# OVERVIEW OF KULIM

#### SUSTAINABLE GROWTH

2011

Kulim completed its capital restructuring exercise, involving a share split, bonus shares and free warrants in March.

2008 Sindora became a 77%-owned subsidiary of Kulim in May, adding plantation land and bringing in a number of Intrapreneur Venture

companies into the Group.

Kulim acquired six parcels of oil palm estates measuring approximately 13,687 hectares and two palm oil mills from JCorp.

Sindora became a wholly-owned subsidiary of Kulim and was delisted from Bursa Malaysia Securities Berhad effective 30 November

The disposal of business and undertakings by QSR and KFCH was concluded in January. Both companies were delisted from Bursa Malaysia Securities Berhad effective 7 February.

Kulim acquired 60% stake in Danamin (M) Sdn Bhd, a company involved in Oil & Gas servicing activities in June.

2009

Official RSPO certification was accorded to Kulim-owned plantations in Malaysia in January.

Estate swap with Sime Darby Plantation Sdn Bhd ("SDP") in September, involving Sindora's Sungai Simpang Kiri Estate and SDP's Sungai Tawing Estate, to realise potential rationalisation benefits of their respective locations.



On 3 October, Kulim entered into a Conditional Sale and Purchase Agreement ("CSPA") with PT Graha Sumber Berkah ("PT GSB") for the acquisition of up to 75% stake in PT Wisesa Inspirasi Nusantara ("PT WIN"), which gave it control over approximately 40,645 hectares of oil palm estate in Central Kalimantan.

#### **KEY MILESTONES**



On 2 May, Kulim converted the Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in Asia Economic Development Fund Limited ("AEDFL") and capitalised accumulated interest into ordinary shares of AEDFL, which entailed AEDFL becoming a 54.21% owned subsidiary of Kulim.

Kulim, via its wholly-owned subsidiary company Kulim Energy Nusantara Sdn Bhd ("KENSB"), had on 24 October entered into a Joint Operating Agreement ("JOA") with PT Radiant Bukit Barisan E&P ("PT RBB") and PT GSB to participate in the exploration and development of Oil & Gas field in South West Bukit Barisan Block ("SWBB Block"), Central Sumatera, Indonesia.

On 10 December, KENSB entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") with PT Citra Sarana Energi ("PT CSE") and its existing shareholders for acquisition of 60% equity interest in PT CSE.

E.A. Technique (M) Berhad, an indirect subsidiary of Kulim held through Sindora, was admitted to the Main Market of Bursa Malaysia on 11 December.



2015

On 26 February, Kulim concluded the disposal of 73,482,619 ordinary shares in NBPOL, representing 48.97% equity interest in NBPOL to SDP for total consideration of approximately GBP525.4 million (equivalent to approximately RM2.75 billion).

On 5 November, Kulim received a letter from its major shareholder, JCorp, requesting for the Company to undertake a Selective Capital Reduction and Repayment ("SCR") exercise.



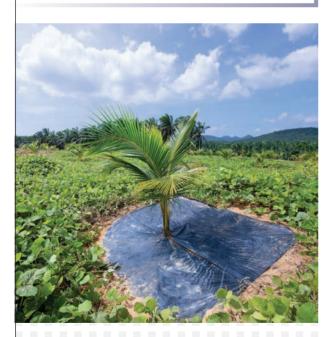


2016

On 10 February, KENSB entered into a Supplemental Agreement with PT CSE, PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of CSSPA entered on 10 December 2014, including the purchase consideration from USD133.55 million to USD80 million.

On 23 June, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ"), adding 8,345 hectares of planted oil palm in South Sumatera to the Group's landbank.

Kulim was delisted from Bursa Malaysia Securities Berhad on 4 August.



2017

On 28 December, Kulim completed the disposal of Menara Ansar to Waqaf An-Nur Corporation Berhad ("WanCorp").

Kulim completed the Rationalisation of Investment in Indonesia Plantation at Central Kalimantan ("BarUt") on 28 December.

2019

On 1 October, Kulim and MTC Orec Sdn Bhd entered into a Subscription and Shareholders Agreement ("SHA") for the formation of Kulim Green Energy Ventures Sdn Bhd ("KGEV") as a joint venture company for biomethane commercialisation.

On 8 October, KGEV and Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP") entered into a Gas Purchase Agreement for the supply of biomethane.

#### **FUTURE-PROOFING**

2020

Acquisition of 8,917 hectares oil palm estates through the lease of four JCorp estate.

# CHAIRMAN'S

STATEMENT

# DEAR STAKEHOLDERS,

It is an honour for me to be appointed as the new Chairman of Kulim (Malaysia) Berhad, a position assumed on 1 March 2021. I am looking forward to work with my fellow Board members and the Senior Management Team to continue building on the Company's strong operating and financial performance".



KEY MESSAGES













#### CHAIRMAN'S STATEMENT





As I write this message, most countries – Malaysia included – have entered a third wave of the COVID-19 pandemic. Although vaccinations have been approved and administered, it will take time before a sufficient number of people receive the required doses for immunity. Until then, the world will still have to observe social distancing, good hygiene and other Standard Operating Procedures ("SOPs") as part of the "new normal".

Yet, as the American poet Robert Frost wisely stated, "life goes on". People and organisations alike just have to adapt to the sweeping changes around us as best as possible. In some ways, the call for change is positive for businesses as it forces a rethink of fundamental issues, such as our broader purpose within the context of society and how best we can create real value.

At Kulim, the process of change began prior to the pandemic, when we decided to streamline our operations and create a leaner organisation that is focused on an essential commodity: food. Amid the pandemic-related uncertainties, however, we questioned our longer-term objectives; and realised that to attain the sustainable growth envisaged we would need to once again be listed on Bursa Malaysia. A five years' Transformation Programme was therefore outlined to guide us to this end.

This programme is as comprehensive as it is detailed, entailing organisational and corporate restructuring, the integration of Environmental, Social and Governance ("ESG") principles into our business model, and a strengthened governance framework to ensure integrity as our purpose to serving our stakeholders.

#### **DIVIDEND**

As a result of our ongoing transformation, we have incurred substantial impairment losses. However, this is a small price to pay in return for the expected long-term benefits. In 2020, these impairment costs resulted in Kulim recording a loss of RM398.95 million. Because the loss does not reflect any weakening of our fundamentals, I am pleased to share that the Board has approved a total dividend payment of RM52 million for the year 2020. This is in line with our commitment to creating sustainable shareholder value.

#### SOCIAL & ENVIRONMENTAL PERFORMANCE

As a state-owned entity, playing a socio-economic development role comes naturally to Kulim. While being profit-driven, we see our businesses as vehicles for the betterment of local communities. In addition to contributing in a significant manner to food security, we also pride ourselves on providing fair and equitable employment.

No less than 73% of our total workforce are foreign but we treat them the same as local hires, offering the same rights and benefits including housing and health coverage. As of January 2020, we have created greater inclusiveness by providing our foreign employees with the same SOCSO protection as local employees. Committed to keeping our workers safe during the pandemic, we have not just adhered to all SOPs as required by the Ministry of Health and the Malaysian Palm Oil Association ("MPOA") but also made available additional medical staff at our operating units, and established an online counselling platform to help manage any mental stress.





Environmentally, we have always operated in a manner that respects and protects our natural surroundings. Kulim was among the first plantation companies in the world to obtain the RSPO certification, and we continue to strengthen our commitment to sustainability while incentivising our smallholders to do the same.

In light of the urgency to mitigate climate change, we are placing greater emphasis on reducing carbon emissions in our operations. Over the years, we have invested in biogas plants to capture methane, one of the most potent Greenhouse Gases ("GHGs"), from our effluent, and convert it into energy. Today, we are increasing our methane-capturing efficiency and capacity and looking at feeding the gas onto the national grid while also supplying a highly compressed form to third parties. This would serve the dual purpose of lowering our carbon footprint while creating a new and viable source of revenue.

#### STRENGTHENED GOVERNANCE

In last year's Integrated Annual Report, we indicated plans to attain the MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification. Towards this end, our newly established Integrity Unit has developed an Anti-Bribery Plan, reviewed three existing policies related to integrity: our Conflict of Interest, Gift and Entertainment, and Whistle-Blowing policies; while developing three new policies: an Anti-Bribery and Corruption Policy, a Due Diligence Policy and a Referral Letter Policy. These came into effect as of 10 September 2020.

Our Integrity Unit also carried out various initiatives to create awareness of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 within Kulim as well as among our contractors, suppliers and business associates. The objective is to ensure integrity in all our dealings and those of our partners.

We had hoped to be ABMS certified by the end of 2020, but SIRIM's audit exercise was delayed due to the pandemic, and we now expect to obtain the certification in the second quarter of 2021.

#### **ACKNOWLEDGEMENTS**

Despite operating in very challenging times, Kulim is at an exciting juncture in our ongoing journey, poised on the cusp of a new transformation. To achieve the goals we have set requires the full commitment of our team, who proved their capabilities over the last few months. To each employee, I would like to express my heartfelt gratitude for your dedication to Kulim. I would also like to acknowledge our Senior Management for their sound leadership and extend a warm welcome to our newly appointed Managing Director, Mohd Faris Adli Shukery, who brings with him many years of plantation experience in the private sector. The Board has confidence in his ability to build a stronger, more focused Kulim, and will provide him with all the support he needs. I also take this opportunity to congratulate Fawzi Ahmad and Abdullah Abu Samah who were appointed to the Board as Independent Non-Executive Directors on 1 January 2021.

A special note of appreciation also goes to our former Chairman, Datuk Anuar Ahmad who resigned on 1 March 2021, and the outgoing Independent Non-Executive Director, Dr. Radzuan A. Rahman who resigned on 31 December 2020. Their leadership and contributions have helped bring the Group to greater heights.

The Board is also fully appreciative of all our other stakeholders – our parent company Johor Corporation ("JCorp"), our shareholders, business partners, associates, consultants, financiers and government authorities in Malaysia and Indonesia – who contribute in various ways to our sustainable operations. Many aspects of the immediate future carry a high degree of uncertainty. But one thing is for sure: all our plans and strategies going forward are geared towards creating increasing value for you.



**Tan Sri Dr. Ali Hamsa** Chairman

# MANAGING DIRECTOR'S

STATEMENT

# DEAR STAKEHOLDERS.

It gives me pleasure to present Kulim's Integrated Report 2020 as the Company's recently appointed Managing Director. Kulim has a legacy in Malaysia's plantation sector that dates back to 1933. Although it diversified into various businesses over the years, agriculture has always been its mainstay and today, we are at an exciting inflection point as we seek to reclaim our identity as a leading and formidable plantation and agribusiness player".



#### MANAGING DIRECTOR'S STATEMENT

Agribusiness has always played a key role in economies; and with the pandemic its importance has been further heightened. With border closures and supply chain disruption, it has become even more critical for countries to ensure food security in order to safeguard the well-being of their populations. As a state-owned entity, we have a very strong ethos of social service and are purpose-driven to fulfil this role in Malaysia.

Today, in fact, we seek to further enhance our food production capacity and capabilities. Despite the challenges of the current operating environment, we believe we are in the right position and have the right resources to once again be listed on Bursa Malaysia. We have developed a concrete strategy to achieve this objective, and outlined various initiatives to prepare us for the Initial Public Offering ("IPO"). We are excited about embarking on this new phase of growth as we continue to create value for our shareholders and stakeholders.

#### **OVERVIEW OF 2020**

As the most affordable and accessible edible oil, palm oil was relatively unravaged by the pandemic. Although prices, already low from an unfavourable environment in 2019, dipped in the initial three months of the Movement Control Order ("MCO") in Malaysia, they subsequently rose to end the year on a decade-high. This was the result of increasing demand and reduced supply – the latter from less than optimal harvesting activity due to manpower shortage, as well as lowered harvest volume due to the delayed impact of drought and haze from the previous year.

Domestic demand from the food and beverage sector – hotels, restaurants, and cafes – increased with the relaxation of movement restrictions from mid-year onwards; while international demand was boosted by the Government's implementation of zero export duty for six months from July to December 2020. Reflecting increased demand, Malaysia's Crude Palm Oil ("CPO") stockpile dropped to a new low of 1.26 million tonnes at the end of December 2020, as compared to 2.0 million tonnes at the end of December 2019¹.

Labour shortage, a perennial issue in the sector, was more pronounced in 2020 due to border closures caused by the pandemic preventing the entry of foreign workers who make up a significant number of plantation hands. Together with the weather-impacted harvest, average monthly CPO production dropped 3.6% from 1,654,864 tonnes in 2019 to 1,594,744 tonnes in 2020<sup>2</sup>.

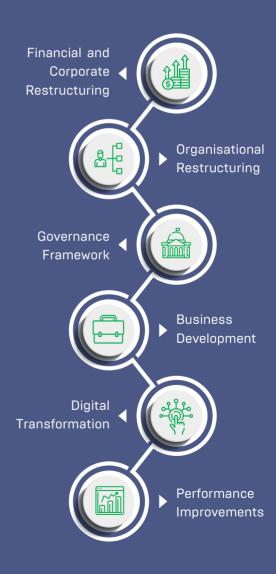
#### STRATEGIC REALIGNMENT

To ensure success in our journey to become a leading, and listed, plantation and agribusiness company, we set up a Transformation Office and outlined a detailed transformation programme comprising six key components, namely Financial and Corporate Restructuring, Organisational Restructuring, Governance Framework, Business Development, Digital Transformation and Performance Improvements.

Under Financial and Corporate Restructuring, Kulim has been streamlining our operations through the termination of loss-making ventures, and divestment of non-performing businesses as well as non-core assets to focus on the plantation and agribusiness segment, where we have the competencies and experience.

#### <sup>1</sup> http://mpoc.org.my/monthly-palm-oil-trade-statistics-2020/

#### TRANSFORMATION PROGRAMME



<sup>&</sup>lt;sup>2</sup> http://mpoc.org.my/monthly-palm-oil-trade-statistics-2020/

KEY MESSAGES









As part of our Organisational Restructuring, we are enhancing our organisation structure and implementing available technologies to facilitate remote work, supporting the latter with more flexible hours and the ability of employees to enjoy better work-life balance.

To promote a culture of integrity, Kulim is working towards the MS ISO 37001:2016 certification for ABMS and we expect to be certified in the second quarter of 2021. Apart from that, we remain committed to ESG principles recognising the importance of ESG imperatives in everything we do as an organisation. We will also review and reinforce our risk management and governance structures to facilitate our transition into a public listed company.

Currently, we are involved primarily in the upstream segment of the oil palm industry which leaves us exposed to fluctuations in CPO prices. To mitigate this risk, and as part of our new growth strategy, we will be venturing into the downstream segment with an established player. This will also enable us to capture better margins along the entire value chain.

We have set the goal of increasing our oil palm planted area from 63,509 hectares to 80,000 hectares, and made progress in 2020 by entering into an agreement to lease 8,917 hectares of planted land from JCorp for a period of 45 years. The four estates involved will be managed by Mahamurni Plantations Sdn Bhd ("MPSB"), wholly-owned by Kulim.

We have also identified Renewable Energy ("RE") as a sector to be fully leveraged through our oil palm business. Methane from biogas released at our mills is currently captured and converted into electricity for internal use. However, much more can and will be done, as we believe this would be beneficial and contribute not only to our financial but also our environmental performance. Our plan is to install biogas plants in all our mills by 2025. To date, four mills have commissioned their biogas plants with the remaining one in Tereh Palm Oil Mill to be completed in the first half of 2021.

In addition, we are setting up biomethane and biocompressed natural gas ("bio-CNG") plants – the former to extract methane from biogas and feed this into Gas Malaysia's grid, and the latter to compress the methane for storage into bottles which will be supplied directly to Gas Malaysia's clients.

We are also exploring other new growth areas in agribusiness, and seek to develop an integrated farming model that involves pineapples, smart farming and the planting of other crops as well as livestock and trading. While underlining Kulim's sustainability, this would also allow us to fulfil our mandate to support economic development in Johor and the nation's food security programme specifically.

The year saw us make further progress in terms of digitalisation of our corporate processes and procedures. We implemented new systems for enhanced management, operations, administration and accounting while setting up a new network infrastructure to integrate all data from across all our operations onto a central database stored in our headquarters. Though centralised, the data can still be accessed easily by any of our operating units. Currently, our Digital Division is in the process of transforming and moving towards Microsoft 365 which will benefit Kulim as a whole.

#### FINANCIAL PERFORMANCE

I am pleased to share that, for the year 2020, the Group achieved 17% growth in revenue from RM1.21 billion in 2019 to RM1.41 billion. This was mainly due to the increase in the price of CPO and Palm Kernel ("PK") which averaged RM2,753 and RM1,625 per tonne, as compared to RM2,182 and RM1,289 per tonne in 2019.

However, we incurred a higher Loss Before Tax ("LBT") of RM398.95 million compared to RM127.85 million in FY2019, mainly due to impairments of Indonesia Oil & Gas, Indonesia Plantation and E.A. Technique (M) Berhad ("EA Tech"). Despite the impairments, the Group's cash flow remained healthy, and we were able to uphold our commitment to shareholders with the Board approving a total dividend payment of RM52 million for the year under review.



RM1.41 Billion

[FY2019: RM1.21 Billion]





031

#### MANAGING DIRECTOR'S STATEMENT

#### **RESEARCH & DEVELOPMENT**

Research and Development ("R&D") forms an important component of our business, as we seek continuously to improve the quality of our plant materials for optimal yield. In addition to our R&D work, we have been collaborating with the MPOB on different oil palm clones and, after seven years of research, a jointly developed Clone P325 was officially recognised as an "elite clone" (a Planting Material of Choice) producing an average Fresh Fruit Bunch ("FFB") of 30 tonnes per hectare a year, an Oil Extraction Rate ("OER") of 28.1%, and CPO of 8.5 tonnes per hectare a year. Recognising its superiority, the clone won the Malaysian Innovative Product Gold Award at the International Invention, Innovation and Technology Exhibition ("ITEX") 2020, Kuala Lumpur.







#### **BUILDING A STRONG WORKFORCE**

Since joining Kulim, I have been struck by the high level of dedication demonstrated by our employees. I truly believe this is one of our greatest strengths, and am also pleased to see how, as a responsible employer, we are playing our part to develop our people professionally while caring for their emotional and physical well-being.

Various programmes are conducted for our corporate employees to nurture their competencies as well as to build a strong talent pipeline. We also ensure a high level of engagement through various platforms, many of which were conducted online this year, respecting the need to maintain social distancing.

We are fortunate in that our plantations are situated away from urban centres, hence there was lowered risk of our workers contracting COVID-19. Nevertheless, we adhered strictly to all SOPs as prescribed by the Ministry of Health to keep our workers safe. Recognising the mental stress of workers unable to return to their families, we provided support in every way possible to keep morale high.

KEY MESSAGES



Efforts to develop our employees and nurture job satisfaction through effective engagement have led to a stream of awards by HR industry practitioners. This year, for the first time, we were named the Best Employer in Malaysia in the Government Linked Company ("GLC") category by Kincentric. The award's strict assessment criteria mirror Kulim's focus on people development and human resources strategies that enable us to build a futureready workforce that meets evolving industry needs.

Another significant achievement was our Integrated Annual Report 2019 winning the Gold in the National Annual Corporate Report Awards ("NACRA") 2020 for the Best Annual Report in the Non-Listed Organisations category.

#### OUTLOOK

Despite the development and administration of COVID-19 vaccines, there are still many variables in the pandemic world that governments need to control. This means an environment of continued uncertainties in 2021 which industries and businesses will have to take into their stride. Anticipating a prolonged and deeper impact on the economy, Kulim is focused on developing resilience in our supply chains, protecting our revenues and managing our profitability while reconfiguring capital allocation for a post-COVID-19 future. Guided by our transformation programme, we will work towards achieving our goal to deliver sustainable long-term returns and value to shareholders as well as other stakeholders.

Ultimately, the success of our ongoing journey depends on our people; and I would like to take this opportunity to thank the entire Kulim family for their dedication to the Group over the years while seeking their continued commitment to achieving the targets that have been set. Our plans may be ambitious, but by working together we can transform into the leaner, stronger organisation envisaged.

On behalf of the Senior Management Team, I would like to extend my deepest gratitude to our newly appointed Chairman, YBhg. Tan Sri Dr. Ali Hamsa, and all Board members for their leadership, guidance and trust. I would also like to take this opportunity to convey our heartfelt gratitude and appreciation to the former Executive Director, Tuan Haji Zulkifly Zakariah, for his leadership and guidance at the organisation before stepping down upon retirement. Finally, my sincere appreciation goes to my colleagues on the Senior Management Team and all employees for their dedication and commitment. Your support are truly appreciated and has indeed made the difference.

We look forward to achieving many more milestones in the near

future.

Mohd Faris Adli Shukery Managing Director





**KINCENTRIC: Best Employer in** Malaysia 2020 (GLC category)



NACRA 2020: Best Annual Report of **Non-Listed Organisations** (Gold category)









# CHEF FINANCIAL OFFICER'S

STATEMENT

The year 2020 was challenging on various fronts. In addition to COVID-19, which caused supply chain disruptions and, more pertinently, labour shortage, the Group also faced volatile and generally decreasing oil prices which had an impact on our Oil & Gas business. Overall, however, the palm oil industry was not as affected by the pandemic as many other sectors, given that palm oil is an essential and widely used edible oil. This enabled us to continue to produce a relatively steady set of financial figures. It gives me pleasure to add that, based on our performance, Kulim has continued to create value for our shareholders, with the Board approving a total dividend payout of RM52 million for FY2020".

#### CHIFF FINANCIAL OFFICER'S STATEMENT

#### FINANCIAL PERFORMANCE

CPO and PK prices increased in FY2020, averaging RM2,753 and RM1,625 per tonne, against RM2,182 and RM1,289 per tonne respectively in FY2019. This contributed to an increase in the Group's revenue by 17% to RM1.41 billion from RM1.21 billion in 2019, despite lower production.

However, the increase in revenue was not reflected in our bottom line, which was impacted by impairments related to Indonesia Oil & Gas, Indonesia Plantation and EA Tech. Recognition of these costs resulted in a further deepening of the Group's LBT from RM127.85 million in FY2019 to RM398.95 million. On a more positive note, despite the impairments, the Group's cash flow remained healthy.

#### **SEGMENTAL PERFORMANCE**

#### **Plantation**

Boosted by higher CPO and PK prices, our Oil Palm Plantation business continued to be the main contributor to the Group's revenue, at RM1.02 billion or 72% of the total. This revenue was, however, dampened by lower sales volume for CPO compared to the previous year due to decrease in oil palm crop production coupled with less frequent delivery during the MCO.

#### Oil & Gas

Revenue from Oil & Gas support services came in at RM334.15 million, marking a 9% increase from RM307.52 million in FY2019. However, the segment incurred LBT of RM306.41 million compared to LBT RM92.51 million in the previous year mainly due to one-off impairments. These included impairment on the Indonesia Oil & Gas joint venture investments, impairment of vessels and provision for litigation settlement between EA Tech and Malaysia Marine and Heavy Engineering ("MMHE").

#### Intrapreneur Venture ("IV")

Revenue from this segment was comparable to that achieved in the previous year at RM26.46 million, with Extreme Edge Sdn Bhd registering the highest revenue of RM15.86 million. However, most of the companies under the IV portfolio suffered setbacks due to the pandemic with the result that, overall, the segment recorded an LBT of RMO.88 million, compared to a PBT of RMO.25 million in FY2019.

Apart from that, consolidation of accounts from the different segments has been facilitated by the implementation of a new accounting system called Sigma Conso. This has created a more efficient and effective consolidation of the Group financial statements to cater to the reporting requirements which are getting tighter.

#### STRATEGY & PRIORITIES

In view of the current operating landscape, the Management conducted a deep-dive into Kulim's business model and operations, with the result that a new strategy has been outlined to ensure optimal use of resources for our continued sustainability. Among others, the following key initiatives are being implemented:

- An internal restructuring which involves the consolidation of plantation assets, acquisition of brownfield oil palm plantations, novation for strategic financing and operational improvements;
- A corporate restructuring entailing the divestment of underperforming businesses and monetisation of non-strategic assets such as landbank; and
- Opportunities for effective cost saving and cost optimisation with appropriate measures to prudently manage financing costs and costs of operations across the board.

As a result of these initiatives, we believe Kulim will be a leaner, more streamlined and efficient organisation – one that we can once again list on Bursa Malaysia Berhad. The idea is to raise more funds to be able to finance further growth in what we have identified as being our core business going forward: Agriculture.

#### MAINTAINING OUR FINANCIAL POSITION

#### Cash Flow

The Group's capital and cash flow requirements are rigorously prepared and monitored. We review our working capital levels regularly to maintain minimum cash requirement levels, while taking into account potential business opportunities as well as variability.

#### Liquidity

To ensure sufficient liquidity while meeting our financial obligations, we match our cash inflows and outflows with sufficient credit facilities. At the same time, we seek to reduce our gearing level by repaying debts from the proceeds of divestment of non-core business and monetisation of non-strategic assets.

#### **Capital Management**

The primary objective of the Group's capital management is to ensure we maintain a strong capital base and healthy capital ratios in order to support our business and maximise stakeholder value.

#### Costs

The Group continues to implement cost saving and cost optimisation initiatives to manage our financing costs prudently, and to mitigate external volatilities, including that of CPO prices – in the future. To reduce our financing costs, we monitor both our internal and external borrowings, pare down as and when there is excess cash. We also constantly review inter-company borrowings.











KEY MESSAGES



#### **RISK MANAGEMENT**

Other than the financial risk of liquidity, which we manage by balancing our funding needs with standby credit facilities while divesting investments as well as monetising non-core assets (as mentioned above), we face certain operational risks, as below:

Risk Description	Mitigation Strategies
Prolonged and unpredictable adverse weather – Prolonged rains and drought affect replanting works such as land preparation, manuring and weeding.  Impact: Palm oil growth FFB production FFB evacuation and CPO delivery Financial loss	<ul> <li>Planning of replanting and routine programmes to avoid dry weather and heavy rains</li> <li>Reduce harvesting interval prior to or during rainy season</li> <li>Avoid field work maintenance and fertiliser application during wet season</li> <li>Scheduled programme of road maintenance</li> </ul>
Risk of fire – Fire incidents in estates pose a significant safety threat to workers. The incident may be caused by dry weather, electrical faults or human negligence.  Impact: Loss of crop Financial loss	<ul> <li>Zero burning policy</li> <li>Fire extinguishers are placed at strategic locations</li> <li>Smoke detectors/fire alarms installed in buildings</li> <li>Awareness training on safety for better understanding among staff and workers</li> <li>Annual inspections to ensure no illegal electricity extension</li> </ul>

#### **OUTLOOK**

Moving into 2021, we will continue to enhance our performance, operational efficiency and productivity with the Agriculture segment as our core business. By focusing the Group's resources towards achieving our transformation objectives, we are confident of remaining at the forefront of the plantation and agribusiness industry.



· Additional cost for replanting

#### **RESPONDING TO THE IMPACT OF**

# COVID-19

While the pandemic forced the Malaysian Government to impose an MCO in March 2020, the oil palm plantation sector was not required to shut down as palm oil is considered an essential commodity. This meant that Kulim was able to continue with our principal business throughout the year.

In doing so, however, we recognised the need to ensure all SOPs were adhered to. Indeed, the safety of our employees became our key priority, and saw us adopt a more vigilant stance on the well-being of our people – at our plantations as well as our office premises.



Meanwhile, certain aspects of the MCO, such as restrictions on cross-border movement, had a significant impact on our operations. Below, we provide an account of how the pandemic affected our value chain while describing actions taken to minimise negative outcomes.

#### **IMPACT ON OPERATIONS**

Business	Risk	Mitigation Strategies		
Plantation	<ul> <li>Restrictions on cross-border movement leading to labour shortage in our estates and mills</li> <li>Delays in construction work and commissioning of projects</li> </ul>	organise job fairs to attract and recruit more local workers.  Recruited about 200 Malaysian workers from nearby villages to work		
Agribusiness – Livestock	<ul> <li>Due to SOPs, most of our customers cancelled their <i>Qurban</i> orders</li> <li>Requirement by government for <i>Qurban</i> to be conducted at approved Department of Veterinary Services ("DVS") sites</li> </ul>	<ul> <li>Selai Cattle Project and the plantation division applied for a temporary slaughter house at Basir Ismail Estate. Built for use during Eid al-Adha only, it was approved by the Majlis Perbandaran Pasir Gudang and DVS.</li> <li>With this temporary slaughter house, Selai Cattle was able to fulfil demand for <i>Qurban</i>.</li> </ul>		

KEY MESSAGES

#### **EMPLOYEE SAFETY & WELL-BEING**

To ensure the well-being of our employees, we undertook the following measures:

- Daily temperature screenings for employees and visitors; the latter were also required to fill up health declaration forms
- Social distancing measures enforced across our operations
- Regular sanitisation of company vehicles and operation units
- Employees displaying signs of COVID-19 to stop work immediately, consult a doctor at the nearest medical facility, and report outcome to their supervisor
- For cases of potential vulnerability, employees are to selfquarantine at home
- Employees who have been in proximity with a potential carrier to leave the work area immediately
- Additional medical staff were made available at operational sites

- · Adherence to MPOA guidelines including:
  - Ensuring all workers, including foreign workers, are paid monthly according to minimum wage requirements
  - Ensuring sufficient food supplies and medical care at all plantations
- Provide support and reassurance to foreign workers unable to return home during the MCO
- Through our Estate Operation Department and Kulim Safety Training and Services Sdn Bhd ("KSTS"), we conducted RTK-Antigen Screening Programme for foreign workers at all operating units from 11-28 February 2021
- Office workforce was reduced to 50%-70% by encouraging staff to work from home
- Provided online counselling for employees affected by COVID-19 through our holding company, JCorp
- Distributed cash to about 200 employees in need following a Kelab Sukan & Rekreasi Tiram ("KSRT") As-Sajadah COVID-19 donation drive

#### **EMPLOYEE ENGAGEMENT**

We kept employees updated on COVID-19-related news and regulatory requirements through:

- Regular announcements and circulars on:
  - ✓ KMB Restricted Movement Order (in both Bahasa Malaysia and English)
  - ✓ Travel restrictions
  - ✓ SOPs for operating units
  - ✓ SOPs on preventive measures and risk reduction
  - ✓ SOPs for management teams on safeguarding employees' health and safety
  - ✓ SOPs on workflow
- ✓ Guidelines by relevant authorities such as the Ministry of Health, MPOA and Ministry of Plantation Industries and Commodities on the handling of COVID-19
- ✓ MCO do's & don'ts

- COVID-19 daily updates via email and briefings during roll calls
- · Awareness posters shared via email

As a result of our efforts, a survey conducted as part of our social impact assessment revealed that employees felt secure and had no issues complying with the new SOPs.

For office-based employees, we ensured a smooth transition to work from home by quickly implementing a Virtual Private Network ("VPN"), which not only keeps employees connected to work but also connects operating units with our Head Office. Direct access to the Head Office has enabled our operating units to speed up various administrative processes. To engage and communicate in real time with employees at home, we organise online meetings through Microsoft Teams.

#### CONTRIBUTING TO THE NATION/COMMUNITY

As a responsible company, Kulim also enhanced our community efforts:

- Through Kulim Pineapple Farm, we donated 23,925 kg of fresh pineapple, 1,750 cups of cut fruits and 15,984 cans of Melita pineapple juice worth RMO.11 million to frontliners
- Provided accommodation in Kulim Training Centre, Kota Tinggi, for 80 Army personnel on COVID-19 assignment to assist the Police, commencing 6 January 2021
- Contributed RMO.76 million to Hospital Sultanah Aminah Johor Bahru, government COVID-19 fund, frontliners, hemodialysis patients undergoing Home Surveillance Order for COVID-19, NGOs and the community





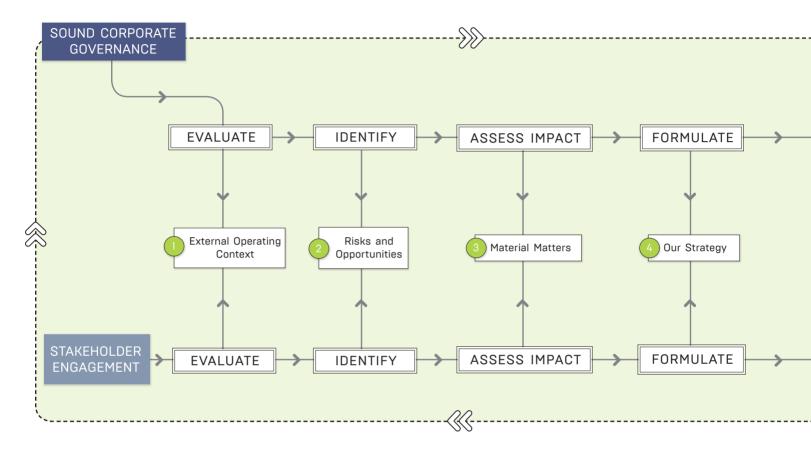






#### KULIM'S APPROACH TO VALUE CREATION

Our value creation story illustrates our journey of creating sustained value for all our stakeholders and within that journey, various elements are considered that could impact our ability to achieve our stakeholder goals. By analysing our operating context and stakeholder needs and concerns, we identify risks and opportunities. By considering this, we have determined which matters are most important to Kulim's value creation in the short, medium and long-term. We use these as points of reference to guide our strategy and to ensure we report on those matters that could have a material effect on our ability to deliver stakeholders value.





# **EVALUATE EXTERNAL OPERATING CONTEXT**

Our performance and our ability to create value are closely related to the macroeconomic environment within which we operate.

We analyse our operating context and identify mega trends, risks and opportunities which have the greatest impact on our ability to create value in the short, medium and long-term. These include global growth trends, commodity market volatilities and growth cycle dynamics, geopolitical tensions, competitive landscape, increasing social, regulatory and environmental requirements.



# IDENTIFY RISKS AND OPPORTUNITIES

Our strategy is impacted by risks that could materially impact the delivery of value to our stakeholders. We are committed to effective risk management, identifying the risks and opportunities presented by our business landscape and operations, whilst pursuing our strategic and business objectives with the ultimate aim of ensuring sustainable value creation, business continuity and growth.

#### STAKEHOLDER ENGAGEMENT

Frequent and proactive engagements with key stakeholders allow us to understand and be responsive to stakeholder needs and expectations; subsequently to prioritise what each stakeholder values the most.

The nature and quality of these relationships allow us to deliver sustained value to all our stakeholders and determine the continued success, growth and sustainability of our business.



## ASSESS IMPACT OF MATERIAL MATTERS

Material matters are issues that have the potential to impact our value creation and

our ability to deliver on our strategy in the short, medium and long-term. These are identified through a process of analysing the macro-environment, our operating context, the resources we rely on, as well as feedback from our stakeholders.

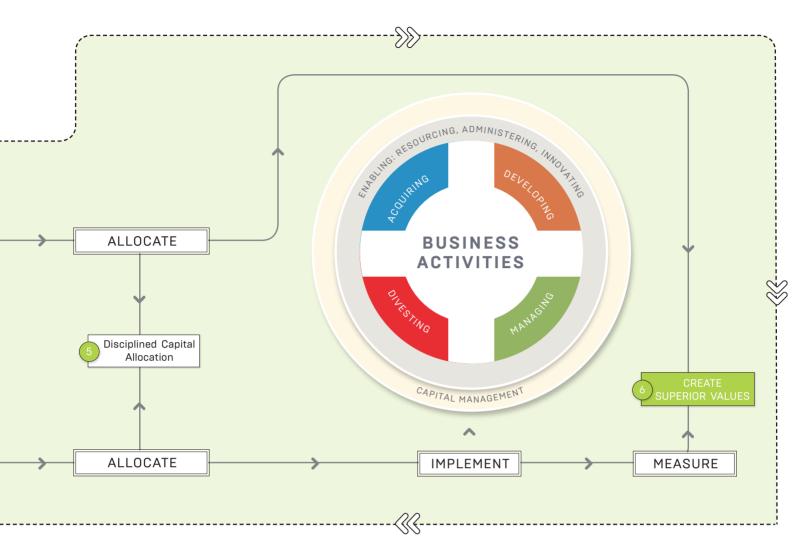
During our materiality review, we identified seven material issues arising from our prioritised matters. These matters inform our strategy to manage the risks and maximise the opportunities that present themselves.



#### FORMULATE OUR STRATEGY

Our strategy is focused on creating sustainable value in the near, medium and long-term. Responding to emerging market trends and the challenging business landscape, our strategies are devised to drive and strengthen our core business and ensure value creation.





Our strategic direction and execution are guided by our four Strategic Pillars, to achieve our Vision "To Be the Most Progressive, Efficient, Profitable and Respectable Agribusiness Company in the Region".



#### **DISCIPLINED CAPITAL ALLOCATION**

Our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us, how we use them, our impact on them, the value we deliver and the trade-offs made between these capitals.

The execution of our strategy relies on the disciplined allocation of the six capitals: Financial Capital, Natural Capital Manufactured Capital, Intellectual Capital, Human Capital, and Social and Relationships Capital. We optimally deploy our resources and align our relationships to drive growth, reinforce, resilience and deliver sustainable value for all our stakeholders.

#### **VALUE CREATING BUSINESS MODEL**

We seek to actively manage our activities and their impacts to ensure we enhance the positive and minimise the negative outcomes of our business model, thereby ensuring value creation for all our stakeholders.



#### **CREATE SUPERIOR VALUES**

The ultimate purpose of our business is to create long-term value for our shareholders and stakeholders. We track our operational outcomes through various Key Performance Indicators, which are measured against our strategies and strategic performance.

Our values are geared towards achieving our goals:

- · A source of sustained growth in total returns for shareholder and stakeholder
- · An employer of choice for employees

- · A differentiated provider of quality products for our customers
- The preferred partner for our suppliers and business associates/partners
- · A responsible community participant

#### SOUND CORPORATE GOVERNANCE

At Kulim, governance is not simply a matter of compliance; rather it is embedded into our organisation and binds all the elements of our value creation story together. Governance is integrated into the way we think and thus the way we operate, ensuring we make choices which are aligned with our values and strategic objectives to enable long-term value creation, while being accountable for our actions.

Our Board is committed to ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Group's strategy, as well as continue to create and protect value ensuring the sustainability of our business.

#### **OUR SIX** KEY CAPITALS

We create value by leveraging six key capitals. Our capitals are broadly categorised into financial, natural, manufactured, intellectual, human, and social and relationship capitals. All six capitals are important to our operations and in creating a healthy balance between our ESG pillars. This process is built on a strong foundation of corporate values and principles, robust business strategies and risk management framework. The effective interplay between the capitals allows the Group to achieve values that benefit all stakeholders and may change in compositions according to actions taken as we focus on different areas that are strategic to our sustainable growth.

We believe it is important for our stakeholders to understand our capitals as this helps to create greater clarity on what we do as an organisation, and the various factors that have an impact on our performance, as well as how we build on our key capitals to create added value for them.



#### FINANCIAL CAPITAL



Financial capital is defined by the pool of funds available for use in our operations. It is key to sustain the growth of our business as investments of this capital are needed to ensure all other capitals are used effectively for the smooth running and growth of our business activities. We are continuously implementing cost optimisation measures to grow our financial capital as well as to balance stakeholder value with sustainable growth.

■ Total Assets: RM6.14 billion ■ Gross Gearing Ratio: **0.82** times

■ Total Equity: RM2.73 billion ■ Dividend Payout:

RM52 million



#### NATURAL CAPITAL



We seek to minimise our environmental footprint by reducing our consumption and waste generation through biogas, biomethane and bio-CNG. At the same time, we ensure optimal usage of precious resources to mitigate our impact on the climate and environment as much as possible. The Group has robust and effective procedures and policies in place to address these concerns.

■ Carbon Emissions: 483,000 MT Co<sub>2</sub>e ■ Mill Water Consumption:

1.10 m<sup>3</sup> per tonne FFB

■ Biogas Production:

6,930,104 m<sup>3</sup>



#### MANUFACTURED CAPITAL



Manufactured capital are physical objects that are available to an organisation for use in the production of goods or the provision of services including equipment and infrastructure. The Group invests in manufactured capital to improve the performance of our mills, biogas plants and other equipment that are key components of our business operations. These key assets help us deliver quality products and ensure that we become the most profitable and respectable plantation company.

- Total Estates:
- Total Mills:
- 4 Biogas Plants:

■ 1 R&D Centre:

- √ 28 (Malaysia)
- **5** (Malaysia)
- √ Sedenak POM
- √ Pasir Panjang POM
- √ Palong Cocoa POM
- Kulim **Agrotech Centre**

- ✓ 2 (Indonesia)













#### INTELLECTUAL CAPITAL



We invest significantly in improving the values of intellectual capital. The investment is important for innovations to improve our efficiency. We are making headways in Research & Development as well as through collaborations to enhance the value of the agriculture operations. We also encourage innovative thought processes and approaches that have the potential to increase value to the sector. We have implemented new systems for enhanced management, operations, administration and accounting which allow us to maintain our competitive edge and deliver long-term sustainable value.

- Mechanisation:
  - √ Scissor Lift Trailer
  - √ Bin System
- R&D Collaboration:
  - √ MPOB and the Malaysian Nuclear Agency on various agriculturalrelated areas of research
- Digital Transformation Technology:
  - √ Management Kulim Cognos Analytics, Kulim Convene, etc.
  - ✓ Operating Kulim In-Field Data Execution and Analytics System (IDEAS), Drone, etc.
  - √ Administration E-HRMS, i-Plantation Checkroll, etc.
  - √ Accounting JD Edwards EnterpriseOne, Sigma Conso, etc.
  - √ Network Virtual Private Network (VPN)



#### **HUMAN CAPITAL**



Our employees are key to our success. With operations across Malaysia and Indonesia, we ensure all our employees are taken care of through various key initiatives and we constantly engage with them through meaningful programmes that look after their well-being, safety and upgrading of their skills. Without them, we would not be able to fully leverage other capitals to create value.

- Upskilling Programmes:
  - √ Johor Corporation Leadership Programme (JLP)
  - √ Advanced Johor Corporation Leadership Programme (AJLP)
  - √ Cadet Planter Programme

■ Training Cost:

RM0.69 million



#### SOCIAL AND RELATIONSHIP CAPITAL



As a responsible corporate citizen, we contribute continuously to the communities in which we operate. We contribute through institutions and programmes for the community, children and education, people's welfare, infrastructure, culture and religion, amongst others. Areas we have helped out in including disaster relief efforts, community outreach programmes and humanitarian assistance.

- Community Development: RM17.20 million
- Community Development Programmes:
  - √ Yayasan Johor Corporation
- √ COVID-19 CR Assistance
- √ Pintar Harapan Tuition Programme
- √ Kelab Bola Sepak Johor Darul Takzim ("JDT")
- √ School Uniform Project

#### **OUR VALUE** CREATING BUSINESS MODEL

Our business model is built across our business segments which actively interact and integrate with one another, thus ensuring resources are utilised to the fullest. We actively manage our activities and their impact to ensure we enhance the positive and minimise the negative outcomes of our business model, thereby sustaining values for all stakeholders.

#### CAPITAL INPUTS



- Total Equity = RM2.73 billion
- Total Assets = RM6.14 billion
- Cash Position = RM170.23 million

# Natural Capital Planted Area:

- Oil Palm
- Malaysia = 56,147 ha
- Indonesia = 7,362 ha
- Pineapple = 268 ha
- Coconut = 100 ha

#### Manufactured Capital

- · 28 estates (Malaysia)
- · 2 estates (Indonesia)
- 5 Mills
- 4 Biogas Plants
- 1 R&D Centre

#### Intellectual Capital

- Kulim Agrotech Centre consists of five operating units: Tissue Culture, Genomic Laboratory, Plang Breeding Laboratory, Ulu Tiram Central Laboratory and R&D Management Office
- Increased mechanisation with greater use of bin system for internal evacuation

#### A Human Capital

- Total Employees = 9,027
- General Workers (Field Work) = 6,648

#### Social and Relationship Capital

- RSPO membership since 2004 and almost all of our plantations have been fully certified since January 2009
- Empowerment of women through Women OnWards ("WOW") Programme
- · Community development via:
  - Yavasan Johor Corporation
  - Pintar Harapan Tuition Programme
  - School Uniform Project
- COVID-19 CR Assistance
- Kelab Bola Sepak Johor Darul Takzim ("JDT")

#### **CORPORATE VALUES**









- Competitive
- Action
- Responsible
- Ethical

# STRATEGIC THRUSTS

- Productivity Improvement
- Cost Management
- Unlocking Value
- Human Capital Development
- Corporate Responsibility
- Expansion/Diversification

#### **MATERIAL MATTERS**

- Compliance
- Product Quality
- Carbon Emissions
- Occupational Safety and Health
- Human Rights and Labour Practices
- HCV/HCS Protection and Management
- Economic Performance

CORE BUSINESS - AGRICULTURE OPERATIONS



PLANTATION



AGRIBUSINESS

OTHERS



INTRAPRENEUR VENTURE



OIL & GAS

ECOM

#### **EXTERNAL ENVIRONMENT**

Manpower Shortage Fluctuations of CPO and PK Price Prolonged Global Economic Downturn Competition from other Edible Oils

Exchange Rate Fluctuations

COVID-19 Pandemic













VALUE CREATION AT KULIM

#### VISION

To be the most progressive, efficient, profitable and respectable agribusiness company in the region.

- MISSION
- Committed to generate sustainable growth and profits, and to consistently enhance our stakeholders' value;
- To provide extensive professionalism and innovation to drive business forward;
- To achieve operational excellence through continuous improvement and best practices;
- Produce trusted products and services of superior values;
- To strive to attain high business ethics and governance; and
- To be an exemplary corporate citizen that is responsible to the society and environment.

·	overhelit and best practices,		
OUTPUTS	VALUE WE CREATE		SDGs
<ul> <li>Financial Capital</li> <li>Sustainable and profitable growth</li> <li>Sustainable dividend over time</li> </ul>	Financial Capital  Revenue = RM1.41 billion  Dividend = RM52 million	<b>A</b>	***
S Financial Capital  • Sustainable and profitable growth  • Sustainable dividend over time   No Polyage  Natural Capital  • Reduce emissions  • Key focus and investment in the circular economy where waste is converted to renewable energy  Manufactured Capital	Natural Capital  • Carbon emissions = 483,000 MT CO <sub>2</sub> e  • Biogas production = 6,930,104 m <sup>3</sup>		ind ind ind ind ind ind ind ind ind ind
<ul> <li>Sales of certified sustainable products of high quality</li> <li>Sustainable palm oil practices</li> <li>RSPO &amp; MSPO Certified for all estates &amp; mills</li> </ul>	Manufactured Capital  CPO Production = 316,066 tonnes  FFB Production = 1,145,090 tonnes  OER = 21.04%  KER = 5.31%  YPH = 22.93 tonnes	E R S	1 == 2 == 0
Intellectual Capital  • Focus on R&D and efficiency to optimise yield enhancement  • Innovation and digitalisation  • Enhancement of mechanisation and automation    B. Human Capital  • Inculcate an inclusive work environment  • Healthy and viable work environment  • Uplifting the economic and social condition of communities in	<ul> <li>Intellectual Capital</li> <li>Improvement in efficiencies through technological advancement</li> <li>Reduce reliance on manual labour</li> <li>Bin system coverage = 16,810 ha</li> </ul>	STAKEHOLD	**************************************
Human Capital  Inculcate an inclusive work environment  Healthy and viable work environment	Human Capital  Staff Turnover Rate = 5.11%  Training Cost = RM0.69 million  Staff Cost (wages & benefits) = RM285 million	<b>A A A A A A A A A A</b>	1
Social and Relationship Capital  • Uplifting the economic and social condition of communities in which we operate  • Preserve the environment through conservation efforts	<ul> <li>Social and Relationship Capital</li> <li>Contribution to conservation initiatives: <ul> <li>59.08 ha buffer zones area</li> <li>403.08 ha jungle patches</li> </ul> </li> <li>RM17.20 million contribution for corporate responsibility initiatives</li> </ul>		

#### **PERFORMANCE BY CAPITALS**

When making decisions on how to manage and grow our business, we take into account the resources and relationships that are critical to our ability to create values. We refer to these as the six capitals. Inputs of each are needed for the effective production and delivery of Kulim's products and services, thereby generating values for all our stakeholders.



#### **Financial Capital**

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019
• EBITDA (RM'000)	(47,949)	183,110
Current Ratio     (times)	0.99	0.88
• Net Assets (RM'000)	2,725,194	3,232,931

#### **ACTIONS TO ENHANCE OUTCOMES**

- Ensure robust financial capital management
- Practise stringent cost optimisation
- · Heighten risk management and solidify our governance practices
- · Assess various funding alternatives for our growth initiatives

#### **TRADE-OFFS**

Increasing our financial capital is key to sustaining growth across all other capitals, such as manufactured capital, intellectual capital and human capital. It also allows for investment in operations to promote resource efficiency, thus reducing negative impacts on other capitals.



#### **Natural Capital**

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019
• Carbon Emissions (MT CO₂e)	483,000	482,000
Palm Kernel     Shells Production     (MT)	98,362	90,912
Biogas Production (m³)	6,930,104	3,781,857

#### **ACTIONS TO ENHANCE OUTCOMES**

- We consume both renewable and non-renewable energy to generate electricity to optimise the use of renewable resources
- We offset emissions by planting oil palms and setting aside areas for conservation
- Our biogas plants use methane captured from POME to generate renewable energy, which we use to power our mills and surrounding estates

#### **TRADE-OFFS**

Addressing the impact to natural resources from our business processes requires utilisation of our financial, manufactured and human capitals. Various green initiatives are aimed at reducing our impact on the environment.



#### **Manufactured Capital**

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019
Sales of Palm Shells (tonne)	20,338	23,014
Sales of Palm Fibre (tonne)	13,006	9,170

#### **ACTIONS TO ENHANCE OUTCOMES**

- · We utilise biogas produced for power generation and flaring
- Our palm kernel shell and palm fibre are sold for use as renewable sources of energy

#### **TRADE-OFFS**

We fully utilise POME, a waste-product of CPO that releases significantly more methane gas compared to other gases. However, the high organic content of POME carries great potential for our biogas production, a source of renewable energy used to improve plant performance and pursue our growth projects.









#### VALUE CREATION AT KULIM

We continue to allocate our capital and resources efficiently to create long-term values for shareholders. This requires making trade-offs, assessing the availability and quality of capital inputs, balancing the short and long-terms plans and making tough decisions. Below are the primary trade-offs we made and the rationale behind our decisions.



#### **Intellectual Capital**

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019
Clonal Planting Material (ramets)	40,000	30,000
<ul> <li>Mechanisation:         Bin System         Coverage         (hectares)</li> </ul>	16,810	4,478

#### **ACTIONS TO ENHANCE OUTCOMES**

- We collaborated with the MPOB and the Malaysian Nuclear Agency on various agriculturalrelated areas of research
- We actively invest in the best technologies to further advance our agricultural operations.

#### **TRADE-OFFS**

Our intellectual capital is key in growing our business. This is important to our customers, with whom we work closely to provide innovative products as well as ensure timely and reliable supply. Investment for R&D and new technology would result in short-term reduction of our financial capital, but ultimately leads to longer-term growth.



#### **Human Capital**

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019	
Total Employees	9,027	9,135	
• Employee Turnover (%)	5.11	5.71	
• Staff Cost (Wages & Benefits) (RM'000)	285,065	285,273	
Training Cost per Employee (RM)	539	1,466	

#### **ACTIONS TO ENHANCE OUTCOMES**

- Develop leadership capability readiness for a key positions as and when the need arises
- Ensure the placement of the right person with the right skills for the right job at the right time
- · Continue building critical skills, source talent and further succession planning

#### TRADE-OFFS

We believe the provision of competitive salary and benefits, investments in talent development, and spendings on safety and health will create a productive, safe and healthy workforce. This high quality human capital will generate values across the business, positively affecting manufactured, social and relationship and intellectual capital.



#### Social and Relationship Capital

# CREATING VALUE FOR OUR STAKEHOLDERS

CAPITALS	2020	2019	
Elephant     Encroachment     (incidences)	75	61	
Corporate     Responsibility     Initiatives     (RM'000)	17,200	17,000	

#### **ACTIONS TO ENHANCE OUTCOMES**

- We launched Kulim Wildlife Defenders ("KWD") to focus our efforts on eliminating poaching at our estates
- We work closely with the Wildlife Conservation Society ("WCS") and the Johor Department of Wildlife to strengthen our internal monitoring and control
- We made sure the contributions were channelled to institutions and programmes for the community

#### **TRADE-OFFS**

We will continue building community trust by integrating corporate responsibility and sustainability in all our business processes and contribute to the well-being of the communities in which we operate. Our collective efforts are aimed towards building peaceful relations with our external stakeholders.

#### **STAKEHOLDER** ENGAGEMENT

We continuously engage with our key stakeholders ranging from our internal workforce to external parties. Through these engagements, we are able to keep abreast of our stakeholders' perceptions and expectations as well as of market trends in the area of sustainability, and act on this input to improve our practices. The ultimate objective of our stakeholder engagement is to put in place various monitoring and grievance mechanisms for proactive and fair assessments, and resolution of potential conflicts of our business that should positively contribute to value creation.



#### **Employees**

#### WHY WE ENGAGE

Our employees are our greatest asset and key business success.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Operational performances review
- · Training and development
- Company intranet and newsletters
- Special briefing
- · Governance and Ethics Programmes
- · Annual performance appraisal
- · Employee Surveys
- · Dialogues/Townhall
- · Internal roadshows and presentations

FREQUENCY OF ENGAGEMENT (WHEN)







#### **VALUE PROPOSITION**

- · Following climate survey, we benchmarked and reviewed our salaries while initiating career and succession plans
- Initiate performance appraisal
- Assess competency training needs
- Conducted performance management clinic
- Initiated online Peers and Reserve Performance Feedback System ("PARFEED")
- Conducted C.A.R.E. programmes
- Conducted employee engagement survey

#### **KEY CONCERNS (WHAT)**

- Awareness on updated policy
- · Awareness on operational improvement
- Understanding sustainability implementation
- · Create better communication among employees
- · Focused talent development programmes to build leadership and talent
- · Focus on integrity in the workplace
- · Health, safety and human rights
- · Work-life balance

#### **RESPONSE**

We provide continuous staff engagement for employees to develop themselves. We also enhance staff benefits to be more reflective of current practices and industry standards.

We believe this will further motivate and facilitate our staff to perform their best and thrive. We motivate, upskill and provide them with a positive and rewarding work environment.



#### **Business Partners**

#### WHY WE ENGAGE

We continuously maintain efforts to build good relationships and rapport with our business partners to ensure they leverage our business portfolio.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Dialogues and relationship investments
- Group/one-on-one meetings
- · Operational site visit
- Publication Integrated Report
- Updates on Group's website
- Roadshow/awareness programme

FREQUENCY OF ENGAGEMENT (WHEN)



#### **VALUE PROPOSITION**

- · Ethics, values and governance, advocating and embedding sustainability
- RSPO and MSPO certification, labour policies and human rights, grievance mechanism, sustainability risk and opportunity, socially responsible landbank expansion
- Growth opportunities across divisions, mergers and acquisitions, divestments, capital allocation and corporate
- Operational developments, risk or opportunities across divisions

#### **KEY CONCERNS (WHAT)**

- · Health, safety and human rights
- · Company performance
- Ethical business practices
- Regulatory compliance
- Awareness on integrity

#### RESPONSE

Kulim conducts proactive engagements with business partners to ensure a continuous supply of high quality, differentiated and innovative products for a competitive market.













#### VALUE CREATION AT KULIM

#### FREQUENCY OF ENGAGEMENT

M Monthly

As and When Necessary

Q Quarterly A Annually



#### **Workers**

#### WHY WE ENGAGE

We believe our workers will contribute to our continued business growth and success. Therefore we nurture them to ensure a motivated and high-performing workforce.

#### **ENGAGEMENT PLATFORMS (HOW)**

- Social Impact Assessments
- Surveys
- · Group/one-on-one meetings
- · Operational and official visits
- · Engagement sessions

FREQUENCY OF ENGAGEMENT (WHEN)





#### **VALUE PROPOSITION**

- Provide attractive salary and benefits
- · Training and facilities are provided to Women OnWards ("WOW") projects and operating unit to help them to market the products during company events and festive seasons and encouraging business entrepreneurships
- · Awareness on economic and social achievements as well as challenges for women in future

#### **KEY CONCERNS (WHAT)**

- · Workers welfare and well-being
- Exposed activity to the public
- · Enhance social environment
- Women's empowerment
- Engagement session programme for workers
- · Health, safety and human rights

#### **RESPONSE**

Kulim conducts an Annual Social Impact Assessment that looks into the welfare of our workers and local community with the view to raising their living standards.



#### **Shareholders**

#### WHY WE ENGAGE

We see engaging with our shareholders as an opportunity to align our business practices with their needs and expectations in which helping us drive long-term sustainability and shareholders' values.

#### **ENGAGEMENT PLATFORMS (HOW)**

- Group/one-on-one meetings/conference
- · Operational visit
- Publication Integrated Report
- Updates on Group's website
- Dialogues and relationship investments

FREQUENCY OF ENGAGEMENT (WHEN)





#### **VALUE PROPOSITION**

- Ethics, values and governance, advocating and embedding sustainability
- · Growth opportunities across divisions, mergers and acquisitions, divestments, capital allocation and corporate governance
- · Volatility in CPO prices, demand-supply dynamics, enhancement of operational efficiency and strengthening leadership position
- · Operational developments and risk or opportunities across divisions

#### **KEY CONCERNS (WHAT)**

- · Responsible and ethical business practices
- · Dividend payout
- · Growth of company earnings
- · Financial and economic performance
- Business future prospect
- · Regulatory compliance

#### **RESPONSE**

Kulim will remain committed to generate sustainable returns through superior performance for our shareholders. We will continuously be looking at various strategic initiatives to deliver optimal value to our shareholders.

#### STAKEHOLDER ENGAGEMENT



#### Media

#### WHY WE ENGAGE

The media is an important communication channel that helps us convey key information to our stakeholders.

#### **ENGAGEMENT PLATFORMS (HOW)**

- Press release
- · Media announcement
- Fact sheet

FREQUENCY OF ENGAGEMENT (WHEN)







#### **VALUE PROPOSITION**

- Operational developments at Group and Division level
- Sustainability and Corporate Responsibility developments

#### **KEY CONCERNS (WHAT)**

- · Business performance and growth
- Environmental management
- · New innovation and technology
- Ethical business practices and regulatory compliance
- Access to timely, reliable and transparent information
- · Provide fair and balanced view of organisation

#### RESPONSE

We encourage frequent engagement sessions with the media to enhance networking and sharing of business and growth information. We also ensure speedy response to media requests to address media interests and fulfil stakeholders concerns.



## **Supplier**

#### WHY WE ENGAGE

Our suppliers contribute critical inputs for our business chain to function effectively and efficiently.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Engagement meeting
- Site visit
- · Contract supplier
- · Interview and negotiation

FREQUENCY OF ENGAGEMENT (WHEN)





#### **VALUE PROPOSITION**

- Tender procedure/negotiation
- · Fair opportunities and negotiation processes
- Opportunities and partnerships that assist in growing their business

#### **KEY CONCERNS (WHAT)**

- · Health, safety and human rights
- · Address sustainability concern in supply chain
- · Building better business relationship
- · Ethical business practices
- · Effective communication
- · Awareness on integrity

#### RESPONSE

Ongoing routine meeting and focus group session has helped establish effective solutions to minimise and address gaps and identify targets areas for improvement.



















#### VALUE CREATION AT KULIM

#### FREQUENCY OF ENGAGEMENT

M Monthly As and When

Necessary

Q Quarterly





#### **Unions**

#### WHY WE ENGAGE

To ensure the rights and welfare of our workers are protected and provides conducive working environment.

#### **ENGAGEMENT PLATFORMS (HOW)**

- Conference
- · Group/one-on-one meeting

FREQUENCY OF ENGAGEMENT (WHEN)







#### **VALUE PROPOSITION**

- · Terms and conditions of plantation staff and workers through Collective Bargaining Agreement ("CBA")
- · A work environment that promotes sustainability

#### **KEY CONCERNS (WHAT)**

- · Health, safety and human rights
- · Professional and personal growth opportunities in a changing business environment
- · Conducive working environment
- · Staff health and well-being

#### **RESPONSE**

Our core labour standards reiterates the rights of employees to form and/or join trade unions. We maintain good relations with the union leaders and work collaboratively to sign CBA which set out policies on work-related issues.



#### **Government and Regulators**

#### WHY WE ENGAGE

Government and regulators establish the legal framework for our operations, in which we must comply and cultivate an ethical and risk-aware culture that complies with regulations.

#### **ENGAGEMENT PLATFORMS (HOW)**

- Regular engagement and communication
- · Corporate responsibility initiatives
- · Sports and recreation activities
- · Site visit by Government agencies

FREQUENCY OF ENGAGEMENT (WHEN)







#### **VALUE PROPOSITION**

- · Sustainability, social issues, local communities and sectorial development
- Attend discussion/meeting with local state government to discuss issues on biodiversity/sustainability
- · Support of nation building efforts and national agenda

### **KEY CONCERNS (WHAT)**

- · Regulatory compliance
- Environmental management
- · Health and safety
- · Ethical business practices

#### RESPONSE

We comply with all relevant regulations and guidelines that protect other stakeholders' interests.

#### STAKEHOLDER ENGAGEMENT



#### **Communities and Outgrowers**

#### WHY WE ENGAGE

We foster a mutually beneficial relationship and care for the society and the environment in which we operate while contributing towards the progress of our nation.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Humanitarian assistance
- Disaster relief efforts
- · Community outreach and development programmes
- Interview and questionnaires
- · Smallholder Inclusion Programme
- · Engagement with local communities

FREQUENCY OF ENGAGEMENT (WHEN)



#### **VALUE PROPOSITION**

- · Response to communities affected by environmental disasters as well as the needs of vulnerable community groups through programmes
- Meeting and engagement for certification with FFB suppliers/smallholders
- Conducted annual RSPO awareness programme

#### **KEY CONCERNS (WHAT)**

- Monitoring over smallholders
- Provision of support elements (i.e. donations)
- Provide training and other forms of support for smallholder

#### RESPONSE

Kulim's continuous effort to reach out to the local communities to maximise the positive impact of our community initiatives towards building a sustainable future for all.



#### Customers

#### WHY WE ENGAGE

Our company's business growth depends on our customers who support our products. We strive to grow this through the delivery of superior quality products.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Joint venture and ad-hoc meeting
- Customer Satisfaction Survey
- · Periodic briefing/visits

• Our Certified Sustainable Palm Oil ("CSPO") is sold to buyers via Identity Preserves ("IP").

**VALUE PROPOSITION** 

- Mass balance and Green Palm Book and Claim traceability mechanism-ISCC Oil EU and ISCC Plus
- · RSPO and MSPO Certifications
- HALAL Certifications
- MSPO Supply Chain Certification Standard
- ISO 9001:2015 Certification on Quality System
- ISO 14001:2015 Certification on Environment System

#### **KEY CONCERNS (WHAT)**

- · Meeting quality requirements and demands needs
- · Awareness and initiatives
- · Enhanced operations
- Environmental issues
- · Sustainability in supply chain

#### **RESPONSE**

By delivering high quality products, we will ensure customer satisfaction, ensure health and safety as well as added value to our business presence.

FREQUENCY OF ENGAGEMENT (WHEN)



















#### VALUE CREATION AT KULIM

#### FREQUENCY OF ENGAGEMENT

M Monthly

As and When

Necessary

**Q** Quarterly





#### **NGOs**

#### WHY WE ENGAGE

NGOs have the power to influence the viability and sustainability of our business operations. Therefore, we provide opportunities to improve community well-being and livelihoods through collaboration with relevant NGOs for the benefit of all.

#### **ENGAGEMENT PLATFORMS (HOW)**

- · Consistent dialogue and engagement
- · Charitable contributions

FREQUENCY OF ENGAGEMENT (WHEN)



#### **VALUE PROPOSITION**

- Support of social and environment policies and corporate responsibility programmes
- Implementation of responsible business practices, compliances to local and international law
- Support charitable contributions organised by NGOs

#### **KEY CONCERNS (WHAT)**

- · Biodiversity and deforestation management
- Protects human rights
- Provision of support elements (i.e. donations)

#### RESPONSE

Kulim carries out community development programmes through institutions and programmes for the community, children and education, people's welfare, infrastructure, culture and religion amongst others to help us keep abreast of socio – economic developments that can impact our environment and business.



#### Management

#### WHY WE ENGAGE

The Management is responsible for the oversight and overall management of the Group by providing guidance and direction with regards to sustainability, strategic planning, risk management, succession planning, financial and operations to meet shareholders' obligations and expectations.

#### **ENGAGEMENT PLATFORMS (HOW)**

Consisted discussion and communication

FREQUENCY OF ENGAGEMENT (WHEN)



# KEY CONCERNS (WHAT)

VALUE PROPOSITION

· Operation related issues that affected performance of

· Business growth and increased yields

· Design future direction of the Company

- Prevent violations of human rights
- · Improve operational efficiency, including reducing waste
- · Regulatory compliance

the Company

#### **RESPONSE**

Kulim will continue to thrive on the back of our strong management and dedicated team of employees who have contributed their knowledge, expertise and commitment to the Group.

#### **VALUE WE CREATE** FOR OUR STAKEHOLDERS



#### **Employees**









#### **VALUE CREATED**

- · Competitive remuneration and attractive benefits
- · Safe work environment and focus on employees' well-being
- · Career growth prospects
- Opportunities for continuous professional development through learning and skills training
- · Work-life balance
- · Inclusivity through fair employment practices and emphasis on gender equality

#### **VALUE FOR KULIM**

- · Engaged employees make valuable contributions towards delivery of business strategy and goals
- · Continuous training/professional development creates a high performance culture
- Diverse and inclusive employee profile enriches corporate perspective & enhances decision-making
- · Creation of a culture that is commercially focused and innovative

#### **RISKS**

- · Low level of skills/capabilities may affect our ability to deliver
- · Low level of engagement could impact staff retention and attraction
- · Inability to meet the expectations of employees
- · Not fully understanding/meeting the expectations of the younger generation

#### **OPPORTUNITIES**

- · Embracing technology, communication channels and change management programmes to stay ahead of the curve and increase the skills and experience of our employees in order to remain relevant
- · Efficient leadership and capability development
- Efficient and sustainable management systems and work processes

#### **BUSINESS INITIATIVES**

- Employee engagement and internal programmes such as C.A.R.E
- · Robust talent management identify potential candidates through leadership programme for divisions/ departments/estates and mills/subsidiaries in Kulim Group



#### **Business Partners**

#### **VALUE CREATED**

- · Continuous engagement with business partners ensures effective business collaboration, including high levels of safety and compliance
- · Mutual understanding towards common goals
- · Opportunities for business partners to grow in tandem with Kulim
- · Establishment of quality and supportive relationships

#### **VALUE FOR KULIM**

- · Identification of potential business opportunities
- Strong performance of joint venture entities
- · Transfer of skills and knowledge

#### **RISKS**

- · Potential conflict between business partners
- · Negative impact when partnerships go wrong causing damage to the reputation or track record of individual
- · Loss of autonomy due to shared decision-making processes

#### **OPPORTUNITIES**

- · Providing reliable supply to the ventures
- Sharing of expertise and best practices in operations
- · Extended long-term contracts
- · Deliver a superior offering that reflects our operational and commercial excellence
- · Secure new contracts
- · Close and collaborative relationships

- · Collaborated with Malaysian Palm Oil Board ("MPOB") on use of its technology applications
- · Collaborated with the Malaysian Nuclear Agency on research into new disease-resistant pineapple varieties
- Kulim Pineapple Farm is collaborating with the Malaysian Pineapple Industry Board ("MPIB") on an Agropreneur B40 programme for pineapple cultivation
- Partnership with Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP") on biomethane projects













#### Workers







#### **VALUE CREATED**

- Provision of stable and sustainable income
- Quality accommodation and facilities in the estates
- Training to ensure workers carry out their functions safely
- Provision of health/medical facilities
- Continuous engagement to hear workers' voice

#### VALUE FOR KULIM

- · An engaged workforce is more productive
- · Workers that are satisfied with work conditions are more motivated to perform
- Good relations with workers enhances Kulim's reputation and ability to attract more workers
- · Safety culture ensures continued productivity

#### RISKS

- Shortage of foreign workers due to COVID-19 pandemic
- · Difficulty in finding local workers, especially for jobs in plantation industry
- · Shortage of skilled labour

#### **OPPORTUNITIES**

- · Transform employee experience through talent mobility and agile workforce
- · Promote diversity to grow a diverse and inclusive workforce in a supportive working environment

#### **BUSINESS INITIATIVES**

- · Employee engagement and programmes through employee relations, Internalise C.A.R.E programme
- Collaborated with the Labour Department in Peninsular Malaysia to organise job fairs to attract more local workers
- Engaged with Konsulat Jenderal Republik Indonesia ("KJRI"), Johor Bahru to advise Indonesian workers to postpone their planned return home
- Introduced a Working Permit Incentive Scheme of RM100 per month for all foreign workers who prolonged their stay and continued working with Kulim
- · Provide foreign workers with the same SOCSO protection as local employees



#### Shareholders







#### **VALUE CREATED**

 Our business strategies are geared towards creating sustainable and stable returns for shareholders via dividends

#### **VALUE FOR KULIM**

- The ability to raise capital by through the issuance of shares
- Consistently high returns enhance Kulim's credit rating and attracts more investors

#### RISKS

- Shareholders are part owners of a business and can influence key corporate decisions, such as the company's direction
- · Shareholders are responsible for the liabilities of the firm and the risk of the value of the company

#### **OPPORTUNITIES**

- Sustain the trust and confidence of shareholders in order to promote business growth
- Engage constantly with shareholders to share the company's goals and objectives, in order to align shareholders' expectations with Kulim's strategies

- · Provide sustainable returns to shareholders through dividend payments
- Deliver business excellence and performance
- · Employ our financial resources effectively in pursuing our investment and growth plans
- · Ensure strong governance and maintain a culture of integrity
- · Provide timely and value-relevant information to shareholders

#### VALUE WE CREATE FOR OUR STAKEHOLDERS



#### Media



#### **VALUE CREATED**

- Provision of timely, reliable and transparent information as and when required by media
- Willingness of key management to engage personally with members of the media
- Sharing sessions for events with the media, e.g. Iftar with the media during Ramadan, informal engagements and media visits to our facilities

#### **VALUE FOR KULIM**

- Media help to strengthen our reputation and credibility by providing a fair and balanced view of our organisation
- They amplify our efforts in stakeholder advocacy
- Through the media, Kulim is able to address various stakeholder concerns

#### **RISKS**

- · Media coverage and news on Kulim does not reach a sufficiently wide base of stakeholders
- · Misleading statements delivered by media

#### **OPPORTUNITIES**

- Frequent engagement by senior management to build relationships with key media
- Expand network of "media friends" to be able to reach target stakeholders
- · Maintain open and transparent communication to increase public confidence and Kulim's reputation

#### **BUSINESS INITIATIVES**

- · Issuance of media release for every significant event
- · Various events to engage and build media relationships



#### **Suppliers**







#### **VALUE CREATED**

- As an integrated palm oil player, we are able to create economies of scale as well as support our suppliers in building a sound supply chain management system in order to expand their market access
- We also help our suppliers meet high standards of product quality as well as ESG requirements thus enhance their market value

#### **VALUE FOR KULIM**

- By developing close relationships with our suppliers we are able to ensure the principles of sustainability are imbued along our entire supply chain.
- · We also secure the supply of items that are essential to our business operations.

#### **RISKS**

- · Possibility of being defrauded by suppliers
- · Suppliers who do not comply with the relevant regulatory and legal requirements
- Supply chain disruption with unacceptable loss
- Unclear visibility of direction between Kulim and suppliers

#### **OPPORTUNITIES**

- · Establish clear guidelines on the negotiation process
- Leverage opportunities to assist our suppliers in growing their business
- Ensure open and transparent communication with our suppliers
- Increase operational efficiency and reduce costs through centralised contract management
- Ability to outsource non-core activities and partner with strategic suppliers on key activities

#### **BUSINESS INITIATIVES**

• Delivery of services aligned with Kulim's values and with a positive impact on brand and reputation





#### Unions











#### **VALUE CREATED**

· We work collaboratively with our union leaders on various issues such as working conditions, wages and benefits, among others

#### VALUE FOR KULIM

· Just as the unions play a pivotal role in protecting the rights of workers, Kulim has built a strong reputation of treating our workers with respect and providing them competitive wages as well as other benefits

#### **RISKS**

- · Unions make it harder to promote and terminate workers
- · Labour unions discourage individuality as workers are bound by the decisions of union leaders

#### **OPPORTUNITIES**

- By developing respectful relationship with our unions, we are able to come to mutually beneficial terms and conditions regarding workers.
- · We seize opportunities to engage with the union leaders on non-union related matters to build relationships based on trust.

#### **BUSINESS INITIATIVES**

We maintain good relations with the union leaders and work collaboratively to sign Collective Bargaining Agreements ("CBAs") which set out our policies on work-related issues such as working conditions, wages and benefits, among others



#### **Governments and Regulators**









#### **VALUE CREATED**

- · Through our Agribusiness, we are able to contribute towards food security
- · Job creation for Malaysians in rural areas
- · Contribute towards sustainable palm oil production and elevate stakeholders' perception of the industry

#### VALUE FOR KULIM

- · The government facilitates the running of our business by providing infrastructure and other means of
- Recognising the value of palm oil, the government has been playing its part to educate the public on its many benefits

#### **RISKS**

- Potential breaches of critical laws, regulations or licenses could result in reputational damage and financial
- · Potential inability to meet sustainability requirements impacting Kulim's reputation as being RSPO and MSPO certified

#### **OPPORTUNITIES**

- · Continuous monitoring of sustainability targets and deliberation on sustainability practices to maintain RSPO and MSPO certifications
- · Ensure all businesses are conducted responsibly and ethically in order to meet our ESG obligations
- · Our regulatory policies and guidelines allow us to keep risks in check and assure sound and stable business operations

- · Comply with all relevant regulations such as Companies Act, RSPO and MSPO
- Ensure payment of tax in all jurisdictions where we conduct business
- · Collaborate with government agencies such as MPOB, Malaysian Nuclear Agency, MPIB, etc

#### VALUE WE CREATE FOR OUR STAKEHOLDERS



#### **Communities and Outgrowers**









#### **VALUE CREATED**

- Improve rural livelihoods through job opportunities, proactive community investments (road repairs, landfilling, etc)
- Provision of financial, educational as well as medical assistance

#### **VALUE FOR KULIM**

- By empowering the communities in which we operate and protecting the environment, we ensure the continued viability of the business in the long term
- · Enhance the image and reputation of the Company

#### **RISKS**

• Difficulties in reaching out to communities, especially in rural areas

#### **OPPORTUNITIES**

- Increased engagement and awareness of Kulim's operations
- Increased outreach programmes with positive feedback
- · Resolutions of issues and concerns with the local communities
- · Outreach programmes to foster good relationship with community

#### **BUSINESS INITIATIVES**

- CR programmes to empower communities and protect the environment
- · Ensure safe operations throughout our value chain with a robust health and safety policy
- Educate local communities on the importance of environmental sustainability
- · Provide job opportunities as well as training for relevant skills for the plantation industry
- Spur economic growth via other business opportunities such as integrated farming



#### Customers







#### **VALUE CREATED**

- By understanding our customers' needs, we strive to deliver solutions that will delight them
- Delivery of superior offerings that reflect our operational and commercial excellence
- Creation of sustainable and collaborative business relationships

#### **VALUE FOR KULIM**

- · Increased positive and constructive feedback from customers
- Extension of contracts from customers

#### **RISKS**

- Impact on revenue due to reduced customers' confidence and loyalty
- Inability to meet customers' expectations may impact Kulim's reputation

#### **OPPORTUNITIES**

- Collaboration with customers on global business opportunities maximising the impact through joint ventures
- · Transparent dialogue with customers ensures continuous improvement to meet their expectations

- Delivery of the right product in the right quantity at the right time
- Collaboration with strategic partners to develop product application solutions and produce high-quality offerings
- · Feedback-gathering for further actions and improvement













#### NGOs



#### **VALUE CREATED**

- By engaging with NGOs on a variety of programmes, we contribute towards the achievement of their purpose
- Activities conducted with NGOs gain public exposure and enable the NGOs to further spread their ESG messages
- By partnering with NGOs on programmes, we provide funding for their activities

#### **VALUE FOR KULIM**

 Kulim is able to continuously enhance our social and environmental performance and find new market opportunities through partnerships with NGOs

#### **RISKS**

• Misunderstandings and other obstacles can prevent partnerships from reaching their potential

#### **OPPORTUNITIES**

- · Opportunities of business partnership with the NGOs
- · Partners combine complementary skills and resources around core business of the Company
- · NGOs provides in-kind support to meet social or environmental objectives

#### **BUSINESS INITIATIVES**

- Support of social and environment policies and corporate responsibility programmes
- Implementation of responsible business practices
- · Compliance with local and international law



#### **Management**



#### **VALUE CREATED**

- Stimulating work environment that rewards high performance
- Open culture that encourages constant two-way dialogue
- Competitive remuneration and benefits
- Professional development opportunities
- The potential to influence organisational culture and the long-term effectiveness of Kulim

#### VALUE FOR KULIM

- Our management decide on the Company's strategic direction and outline clear roadmaps to achieve our goals
- ullet Our management also lead by example, setting the tone on our corporate culture ullet values
- Through strong leadership, our management inspire all our employees and motivate the entire team to work towards a common purpose

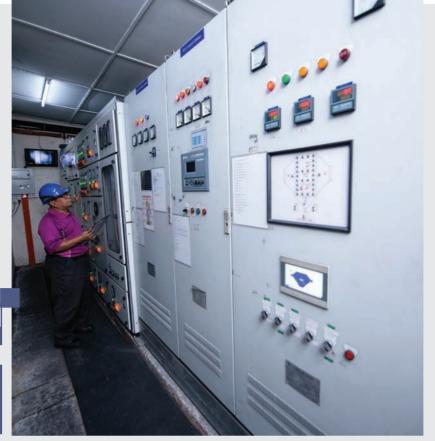
#### RISKS

- · Inability of management to fulfil their responsibilities due to lack of ability or support from their teams
- Potential conflicts when key leaders disagree on corporate strategy and/or direction
- · When leaders lose sight of the greater good of the company by focusing more on individual gain

#### **OPPORTUNITIES**

- Groom leaders from within the Company to ensure strong understanding of the culture and loyalty to Kulim
- · Create opportunities for management to engage frequently with each other to cement team spirit
- Enhance engagement between management and employees for better rapport across levels

- · Talent development programme
- Upskilling Programmes through the Johor Corporation Leadership Programme ("JLP") and Advanced Johor Corporation Leadership Programme ("AJLP")
- Leadership development programme





# MANAGEMENT SI DISCUSSION SANAGEMENT SI DISCUSSION SANAGEMENT SANAGEMENT SI DISCUSSION SI DISCUSSION











#### STRATEGIC REVIEW

#### **OPERATING LANDSCAPE**

#### MARKET REVIEW & OUTLOOK

#### STRONG DEMAND DESPITE PANDEMIC

Demand for edible oils – among them palm oil – dropped in the first quarter of 2021 as a result of various restrictions curbing movement and out-of-home consumption due to the pandemic. However, sales could not be suppressed for long given the necessity of edible oils in daily life; and by the second quarter onwards, demand started to pick up. This was further boosted by non-food applications of these oils – such as the manufacture of soaps, detergents and sanitisers; as well as to make up the biological component of biofuels. Along with reduced availability of used cooking oil and animal fats, some biodiesel manufacturers turned to vegetable oils to meet their production quotas.

#### Global Palm Oil Data

(,000)	2016	2017	2018	2019	2020	2021
Opening Stock	13,527	10,652	13,105	15,264	14,022	12,842
(+) Production	60,057	69,638	74,680	76,670	74,020	78,500
(+) Import	44,828	50,299	51,426	55,409	51,100	54,800
(-) Export	44,393	51,099	52,205	54,737	50,940	54,900
(-) Consumption	63,368	66,385	71,743	78,584	75,360	78,900
Ending Stock	10,652	13,105	15,264	14,022	12,842	12,342

Source: Oil World

Overall consumption of palm oil in particular dropped slightly (by 4.1%) from 78.58 million metric tonnes ("MT") in 2019 to 75.36 million MT, mainly as a result of a slowdown in the hospitality and F&B sectors in the two largest importing nations, China and India. To boost demand for Malaysian palm oil, the Government introduced a CPO tax exemption for exports from June to December 2020 under its economic recovery plan, Penjana. The timing was fortuitous as it coincided with India seeking to increase its CPO imports to counter high domestic prices. For the marketing year ended 31 October 2020, India's palm oil imports slumped 23% to 7.2 million MT, the lowest in nine years. However, volumes started to pick up again when the Indian Government slashed its CPO import tax at end November 2020 from 37.5% to 27.5% while maintaining the duty on crude soybean oil and crude sunflower oil at 35%.

#### PRODUCTION DECLINE DUE TO WEATHER AND VIRUS

On the production side, there was a slight dip – of 0.26% – in total edible oil output from 236.28 million MT in 2019 to 235.7 million MT in 2020. Among the key edible oils, palm oil saw the biggest drop in production – of 2.65 million MT – however it continued to dominate the oils/fats market accounting for 31.4% of the whole.

The decrease in palm oil output was due to a confluence of factors. Most critically, the delayed effects of a severe drought and reduced fertiliser application in 2019 resulted in reduced yield in the two major palm oil producing countries in the world, namely Indonesia and Malaysia. Further exacerbating the situation in Malaysia were cross-border movement restrictions and the shutdown of plantations in Sabah due to pandemic outbreaks. As approximately 85% of plantation workers in Malaysia are foreign, the inability to bring in labour meant a reduced workforce which affected harvesting, processing and transportation. This, in turn, contributed to a 300,000 MT shortfall in CPO production from the forecast of 19.4 million tonnes.

As demand started outstripping supply, CPO prices began rallying from June 2020 onwards and ended the year on a near-decade high of RM3,891/MT. For the year as a whole, the CPO price averaged RM2,700/MT.

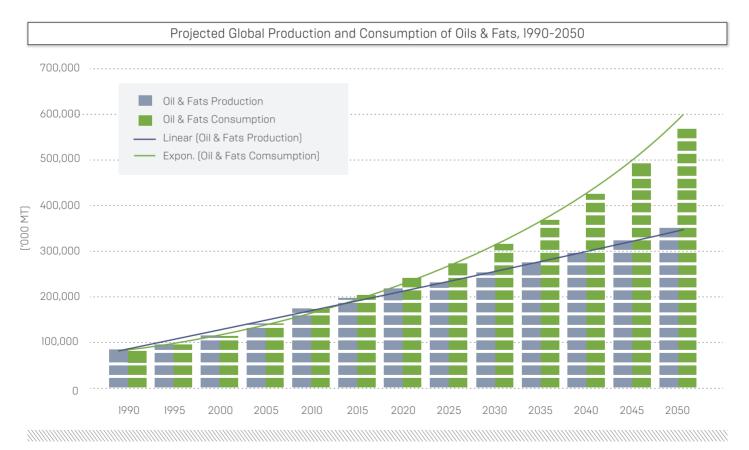


#### **OUTLOOK**

From end 2020, and continuing into early 2021, La Nina has unleashed heavy rains in Southeast Asia, causing floods which will affect harvesting hence also CPO output. As the weather stabilises, however, and plantation areas that were replanted in 2018 start to mature, yields will start to increase. Despite the likelihood of continued labour shortage, Malaysia's total output is expected to reach 19.6 million MT for the year.

With the ongoing programme to phase out palm oil from foods and biofuel in the European Union ("EU"), demand from this market is set to decrease. Compensating for this, consumption will continue to increase in the rest of the world, and particularly in China, India, Pakistan and Africa. China's imports of soya beans is increasing as it is reviving its hog industry (the animals feed on soya meal left after oil has been extracted from the bean), and this may eat into its demand for palm oil. At the same time, India in February 2021 imposed a cess tax on imported palm oil which decreases the price differential between palm oil and other imported edible oils. However, it is not likely that alternative edible oils will be able to completely replace palm oil as it remains one of the most affordable vegetable oils in the world to produce. According to an industry commentator, India is expected to increase its palm oil imports by 11% in the 2021 from 2020 marketing year as the economy recovers.

Resumption of the biodiesel programmes in Indonesia and Malaysia will further heighten demand for palm oil. Both programmes took a back seat in 2020 due to the pandemic, however there are indications that the respective governments are prepared to once again focus on developing more environmentally friendly fuels. Early in 2020, the Malaysian Government indicated its intention to increase the proportion of palm oil in the nation's biodiesel from 10% to 20% as part of efforts to reduce the country's carbon footprint. Meanwhile, in Indonesia, the Government increased the biodiesel blending mandate to 30% from 20% as of 1 January 2020, and the premier is keen on further increasing the green element of its biodiesel until it eventually reaches 100%.



Source: Oil World/MPOC estimates

To conclude, as demand for palm oil continues to increase, so will its price, which is estimated to remain above RM3,000/MT in 2021.

#### STRATEGIC REVIEW OPERATING LANDSCAPE

#### **KEY MARKET TRENDS**



Plantations production involve clearing large tracts of land which contributes to carbon emissions.



#### Kulim's response

- Adherence to social and environment policies.
- · Implementation of good agricultural practices.
- · Regular updates on environment policies.
- · Enhancing biodiversity areas.
- · Adopted zero-burning replanting technique.

#### **Potential impact**

Fines due to non-compliance with environmental laws and regulations.

#### Outlook

Continues commitment to RSPO certification, including our firm commitments on No Deforestation, No Peat, and No Exploitation.



Plantations are known to have significant environmental impact, including loss of biodiversity, deterioration of soil quality, siltation and contamination of waterways.



#### Kulim's response

- Focus on Renewable Energy through
   Consume renewable energy to generate conversion of biomass into biogas.
- Ensuring that each of our mills has biogas- Commissioned four biogas plants. capture facilities.
- Published carbon footprint report.
- electricity.

#### **Potential impact**

Reduced crop yields and biodiversity loss.

#### Outlook

Kulim aims to reduce our carbon footprint to 50% by 2025.



#### **FOOD SECURITY** AND FOOD SUPPLY

The pandemic has heighted the importance of food security. When borders shut down, supply of imported food gets cut.



#### Kulim's response

To diversify its agriculture-related businesses and venturing into new businesses such as establishment of integrated smart farming towards the production of sustainable products.

#### **Potential impact**

Dependency on imported food.

#### **Outlook**

Strengthening the long-term national food security plan.





#### SUPPLY CHAIN MANAGEMENT AND TRACEABILITY

Supply Chain Management and Traceability Developing multi-stakeholder partnerships that mobilise and share knowledge, technology and resources to create shared value and embed sustainable practices throughout the supply chain.



#### Kulim's response

- Subscribes to the RSPO traceability system, RSPO PalmTrace.
- Adopt Sustainable Practices enable to trace the origin throughout the supply chain.
- MSPO Supply Chain Certification Standard ("SCCS") audits in 2019 and received certification in March 2020.
- Supporting Outgrowers and Traders.
- Incentivising smallholders for RSPO-certified FFB.

#### **Potential impact**

Reduced crop process.

#### Outlook

- By 2021, we plan to make it compulsory for all smallholders and traders to provide their traceability information as part of our FFB purchase agreements.
- We aim to achieve 100% traceability to suppliers' plantations by 2023.



Plantations are currently very labour intensive, and Malaysia relies on foreign labour. This carries an inherent risk, as demonstrated during the pandemic.



#### Kulim's response

 Increase mechanisation and automation of systems and processes i.e. mini tractor mounted with Scissor Lift Trailer and Bin System for quicker and more efficient FFB loading and evacuation.

#### **Potential impact**

Shortage of labour intensive.

#### Outlook

The Group has also progressively stepped up its mechanisation programme to reduce reliance on manual labour.

#### **MATERIAL MATTERS**

In outlining our strategy, we take into consideration various environmental, social and governance factors that impact our performance, now and in the future. We seek to understand what our material matters are in order to better define our strategies and develop plans that focus on our most important issues. Knowledge of our material matters would also enable us to allocate our resources more effectively in order to manage any potential impact on our performance and reputation.

#### MATERIAL MATTERS IDENTIFICATION PROCESS:



#### Identification

Identifying the matters that are material to Kulim's businesses, from both the Group as well as the stakeholders' perspective. For this cycle of reporting, a total of 27 material matters were identified by the key personnel involved in driving Kulim's sustainability agenda.





#### **Prioritisation**

By assessing and ranking the material matters on its importance to the business and to Kulim's stakeholders, we were able to identify seven matters that are critical. We have expounded why these matters are material and the approach undertaken by Kulim to manage them.



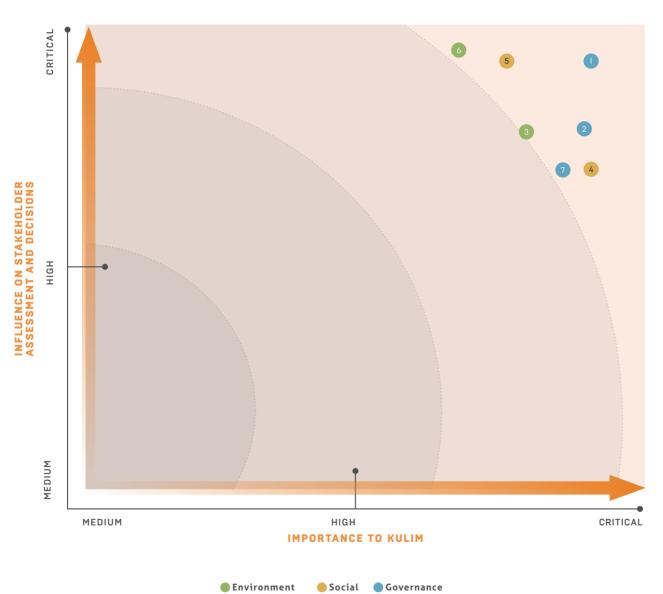


#### **Validation**

Seeking the approval of Senior Management to ensure the prioritisation of the material matters captured Kulim's efforts and approach to strengthen its sustainability performance. Material matters have the most impact on our ability to create long-term value. These matters influence how the Board and Senior Management steer Kulim (Malaysia) Berhad.

Material environmental and social matters are denoted with the colours • and • respectively, and are further discussed in Sustainability Statement on pages 140 to 149. Governance matters are denoted with the colour • and are further discussed in Sustainability Statement on pages 150 to 153.

#### **OUR MATERIALITY MATRIX**



- 1. Compliance
- 2. Product Quality
- 3. Carbon Emissions
- 4. Occupational Safety and Health
- 5. Human Rights and Labour Practices
- 6. HCV/HCS Protection and Management
- 7. Economic Performance

#### STRATEGIC REVIEW MATERIAL MATTERS



#### COMPLIANCE 1





#### WHY IT IS MATERIAL

- Compliance covers different aspects of environmental and socio-economic.
- Complying with the national laws and regulations on matters regarding environmental quality, employment, human rights, safety and health, and RSPO/MSPO compliance.
- These matters are intrinsic to our operations since non-compliance can lead to the organisation's reputation being harmed and have a negative impact on our stakeholders.

#### RELATED MATERIAL

- Occupational Safety and Health
- Human Rights and Labour Practices
- Corporate Governance and Policies
- Effluents and Waste
- Responsible Chemical Use
- RSPO and MSPO Compliance
- Environmental Quality Regulations

#### MANAGEMENT APPROACH

- · We have internal targets and performance indicators to monitor our effectiveness and continuity in meeting internal benchmarks.
- · The KPIs are set for occupational safety and health, renewable energy, product emissions, use of herbicide, water consumption and agricultural productivity.
- The regular audits, survey and site visits are conducted by RSPO certification bodies, helps to identify our strengths and areas for improvement.
- Ensuring compliance with the principles and criteria of RSPO.
- · Adhere to the applicable laws and regulations.



#### PRODUCT QUALITY 2





#### WHY IT IS MATERIAL

- Our market presence and overall economic performance heavily relies on the marketability of our oil palm products.
- High quality products will ensure customer satisfaction, protecting their safety and health as well as adding value to our business presence.

#### **RELATED MATERIAL**

- Customer Satisfaction
- · Economic Performance
- Market Presence

#### MANAGEMENT APPROACH

- · Implementation of our Quality Policy in 2008 and obtain certifications through ISO, EMS, QMS, HALAL, RSPO and MSPO compliance.
- · The policy outlines expectations for the Group's estates and mills based on the high standards of regulators, stakeholders and our customers.





#### CARBON EMISSIONS 3





#### WHY IT IS MATERIAL

- · The palm oil industry previously held a notorious reputation of contributing to carbon emissions due to its heavy land clearing and fertiliser application activities.
- Globally, efforts are undertaken to reduce anthropogenic contribution to climate change through pledges to reduce emissions that would raise the earth's temperature.

#### RELATED MATERIAL

- Compliance
- · Supply Chain Management
- Energy Usage

#### MANAGEMENT APPROACH

- · We practice management methods prescribed by RSPO that includes the utilisation of the PalmGHG V4 calculator to identify the Group's gross carbon emissions on annual basis.
- We publish a Carbon Footprint Report biennially, disclosing our performance and initiatives towards reducing emissions.
- · Four biogas plants have already been installed and in operation to reduce our dependency on non-renewable energy.
- Invest in renewable energy through biogas capture and conversion.



#### OCCUPATIONAL SAFETY AND HEALTH 4





#### WHY IT IS MATERIAL

We are committed to protecting the health and well-being of our workers especially in the high-risk plantation operations.

#### **RELATED MATERIAL**

- Compliance
- Human Rights and Labour Practices
- Responsible Chemical Use

#### MANAGEMENT APPROACH

- · We continuously provide training and briefing to our employees on aspects of safety and health.
- · Strict supervision, continuous improvement of processes are salient in our approach towards managing high occupational Safety and Health Standards.
- We have set KPIs to ensure we cultivate the safety culture amongst our employees.

#### STRATEGIC REVIEW MATERIAL MATTERS



#### HUMAN RIGHTS AND LABOUR PRACTICES 5





#### WHY IT IS MATERIAL

Plantation operations are susceptible to human right violations and unfair labour practices therefore we recognise our responsibility to protect the rights of our employees.

#### RELATED MATERIAL

- Compliance
- Workers' Union
- Grievance Mechanism
- Diversity and Equal Opportunity
- · Supply Chain Management

#### MANAGEMENT APPROACH

- · Adhering strictly to International Child Labour laws and not sanctioning the employment of labour below the age of 16 years old throughout our operations.
- · Complying with the Employment Act 1955, Minimum Wages Order 2020, Children and Young Persons (Employment) Act 1966, Worker's Minimum Standard of Housing and Amenities Act 1990, Occupational Safety and Health Act 1994, Industrial Relations Act 1967, and Factories and Machinery Act 1967.
- Our Core Labour Standards reiterates the rights of employees to form and/or join trade unions.
- · We maintain good relations with the union leaders and work collaboratively to sign Collective Bargaining Agreements ("CBAs") which set out our policies on work-related issues.



#### HCV/HCS PROTECTION AND MANAGEMENT 6





#### WHY IT IS MATERIAL

- The conversions of forests into plantation estates can lead to the loss of critical habitats for endangered flora and fauna species.
- Several of our palm oil production sites are located near or borders forested areas with notably High Conservation Values ("HCV"), High Carbon Stock ("HCS") and rich biodiversity.

#### RELATED MATERIAL

- Compliance
- · Supply Chain Management

#### MANAGEMENT APPROACH

- · Our conservation efforts includes the allocation of HCV and buffer zones area within our operating boundaries.
- · Prohibition of planting on peat areas and setting a long-term HCV coverage area are the approach towards preserving wildlife biodiversity.
- · We formulated mitigation measures that include monitoring activities and hunting prohibition in our operation ground.





#### **ECONOMIC PERFORMANCE**





#### WHY IT IS MATERIAL

- · Dry and erratic weather exacerbated by El Nino's scorching heat and suppresed rainfall can lead to reduce flowering and fruit production.
- These externalities that impact our economic performance are not within our control.
- We are required to maximise profits from the areas we operate yet our land resources are limited.

#### RELATED MATERIAL

- Agricultural Productivity
- Supply Chain Management
- Product Quality
- Customer Satisfaction

#### MANAGEMENT APPROACH

- Kulim earned RM1.41 billion in revenue in 2020, an increase of 17% over the preceding year's RM1.21 billion.
- · Financial and risk management approaches are used to ensure the organisation is prepared for contingencies despite the changing circumstances.
- The 30:30 production charter is our production benchmark of average yields of 30 tonnes of FFB per hectare at an extraction rate of 30% of palm products per tonnes of FFB.
- Implementation of five years corporate strategy with main strategic thrusts.

#### **KEY RISKS & MITIGATION**

#### INTRODUCTION

In ensuring our Group achieves its objectives, sustains the businesses and continues to add value to the stakeholders in the short, medium and longterm, our risk management process and approach is tailored to Group's structure and its constantly changing environment to ensure that our Group can continuously monitor and review its risks and the effectiveness of its risk management over time. Based on the results of monitoring and reviews, decisions are made on how the risk management programme can be improved. These decisions should lead to improvements in our Group's Management of risks and its risk management culture.

Communication & Consultation

A separate risk management function also exists within our Group's listed subsidiary with the establishment of its own RMCC to assess and evaluate the risk management process of the company on a periodic basis.

In essence, the Management of risks is treated as an interactive process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments and business units.

Our risk management process is consistent with the ISO 31000 Risk Management Standard.

#### **Risk Management Process**

#### Scope, Context & Criteria

Kulim defines the scope of the process, and outlines the external and internal context. This process is established to customise the risk management process, enabling effective risk assessment and appropriate risk treatment.

#### **Risk Assessment**

Risk assessment is the overall process of which Kulim will identify, analyse and evaluate risk through a systematic, iterative and collaborative conduct while drawing on the knowledge and views of stakeholders.

#### **Risk Identification**

Kulim will use a range of techniques to identify uncertainties that may affect one or more objectives. Kulim may consider more than one type of outcome, which may result in a variety of tangible or intangible consequences.

#### Risk Analysis

Depending on the purpose of the analysis, Kulim will undertake various degree of detail and complexity into its risk assessment. It involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness.

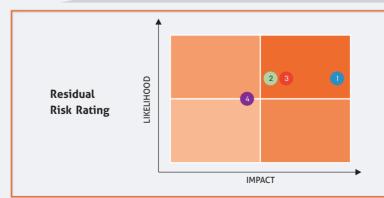
#### **Risk Evaluation**

Risk evaluation involves comparing the results of risk analysis with an established criteria to determine where additional action is required to be conducted to support Kulim's decision.

#### **Risk Treatment**

When selecting risk treatment options, Kulim will consider the values, perceptions and potential involvement of stakeholders and the most appropriate ways to communicate and consult with them. Options for treating risk may involve avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk, sharing the risk or retaining the risk by informed decision.

#### Recording & Reporting







#### A. STRATEGIC REVIEW: KEY RISK AND MITIGATION

TOP RISK	DESCRIPTION & IMPACT	KEY MITIGATION MEASURES
ADVERSE IMPACT OF ECONOMY- WIDE PHENOMENA TOWARDS BUSINESS PERFORMANCE	Inflation, price levels, rate of economic growth, national income, Gross Domestic Product ("GDP"), and changes in unemployment.	<ul> <li>Market intelligence and being up-to-date on market conditions;</li> <li>Hedging through a mix of spot and forward contract sales;</li> <li>Creation of new revenue stream;</li> <li>Enhance the productivity and efficiency through an innovative solution;</li> <li>Cost optimisation initiatives and prudent CAPEX and OPEX management;</li> <li>Improve market opportunities through maintaining RSPO, MSPO, ISCC certifications; and</li> <li>Constant monitoring of CPO and PK prices.</li> </ul>
NEW INVESTMENT'S RISKS IN RESPECT OF THE INDUSTRY, LAWS AND REGULATIONS, POLITICS, COUNTRY AND LOCAL RISKS	Various internal and external factors that can converge to create investment risk, which will either lower the return from the investment or lead it to fail.	<ul> <li>Continuously explore and secure new opportunities with innovative solutions;</li> <li>Comprehensive due-diligence exercise and feasibility study for each new investment;</li> <li>Putting in place workable internal control and monitoring framework including corporate and systems infrastructure;</li> <li>Revisit and strengthen the strategy to ensure the success of the investment;</li> <li>Proactive engagement with business partners and local stakeholders; and</li> <li>Established the Board Investment Committee to review the significant matters relating to existing and potential investments.</li> </ul>
LIQUIDITY RISK ON EXISTING AND FUTURE FUNDING REQUIREMENTS IN MEETING ITS FINANCIAL OBLIGATIONS	Liquidity is the ability of a firm, company, or even an individual to pay its debts without suffering catastrophic losses.  A healthy liquidity risk indicates the ability of a firm or company to pay its debt without suffering catastrophic losses.	<ul> <li>Matching of inflows and outflows of cash and maintaining sufficient credit facilities;</li> <li>Borrowings are created in a particular currency to match payments and receipts or liabilities and assets;</li> <li>Capital restructuring; and</li> <li>Monitor the agreed covenants with the lenders.</li> </ul>
HIGH DEPENDENCY ON FOREIGN WORKERS IN PLANTATION OPERATION	The Group faces the challenge of depending on foreign workers to carry out most of the field works in the estates i.e. harvesting, fruit loading, manuring, spraying, etc.	<ul> <li>Reviewing the remuneration package for workers from time to time;</li> <li>Enhancement of mechanisation, automation and technology to reduce labour dependency;</li> <li>Joint collaboration with agricultural/labour authorities to increase the participation of local labours in the plantation sector; and</li> <li>Uplifting living conditions and amenities of workers through upgrading the quarters as well as providing crèche, mosque and medical facilities.</li> </ul>

#### **OUR STRATEGIC ROAD MAP**

#### **OUR STRATEGY MAP**

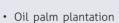
#### VISION

To be the most progressive, efficient, profitable and respectable agribusiness company in the region.

- · Committed to generate sustainable growth and profits, and to consistently enhance our stakeholders' values;
- To provide extensive professionalism and innovation to drive business forward;
- To achieve operational excellence through continuous improvement and best practices;
- Produce trusted products and services of superior values;
- · To strive towards high business ethics and governance; and
- To be an exemplary corporate citizen responsible to the society and environment.

#### **BUSINESS SEGMENTS**





- Pineapple
- Livestock cattle, poultry
- Smart farming
- Other crops coconut



MIDSTREAM

- · Mill operations
- Renewable energy biogas, biomethane, bio-CNG



DOWNSTREAM

- Refinery
- Animal feed
- OEM product for pineapple
- Dairy

#### STRATEGIC OBJECTIVES



Building Resilience



Delivering Value to Stakeholders



Grow Sustainable
Business



Human Capital Development

#### **CORPORATE VALUES**









**C**ompetitive

Action

Responsible

**E**thical

MANAGEMENT DISCUSSION & ANALYSIS





#### **OUR BUSINESS PLAN**

STRATEGIC OBJECTIVES		STRATEGIC INITIATIVES
Building Resilience		<ol> <li>Operational Excellence:         <ul> <li>Optimise estate numbers and sizes.</li> <li>Increase percentage of planted area with high yielding oil palm materials.</li> <li>Continuation of mechanisation and automation initiatives.</li> <li>New corporate identity</li> </ul> </li> <li>Strengthen Governance:         <ul> <li>Improve governance framework</li> <li>Establish centralised investment oversight</li> <li>Develop Talent Performance Framework</li> </ul> </li> <li>Business Restructuring:         <ul> <li>Rationalisation redundant IV Companies</li> <li>Divestment of non-core/non-performing business</li> <li>Monetisation of non-strategic assets</li> </ul> </li> </ol>
Delivering Value to Stakeholders	2	<ul> <li>Dividend to Shareholders</li> <li>Continuous support towards community development through education initiatives and CR activities</li> </ul>
Grow Sustainable Business	3	<ul> <li>To be listed on Main Market of Bursa Malaysia Securities Berhad</li> <li>Expansion of plantation landbank</li> <li>Participation in downstream business</li> <li>Commercialisation of renewable energy</li> <li>Development of Agribusiness segment – Pineapple, Livestock, Smart Farming and Trading</li> <li>Digital Transformation</li> </ul>
Human Capital Development	4	<ul> <li>Enhance human capital ability through employees' engagement and commitment</li> <li>Succession Planning</li> <li>Close competency gap for core business</li> </ul>

#### **OUR STRATEGIC THRUSTS**

#### KEY PROGRAMMES



PRODUCTIVITY IMPROVEMENT

- · Progressive replanting
  - Optimise FFB production, towards ideal age profile.
- Increase productivity through R&D
  - Tissue culture, improved seeds materials new high yielding clones, high standard estate operation & POM oil recovery initiatives
- Optimum fertiliser efficiency
- New technologies and innovative mechanisation
- Application of Good Agriculture/Manufacturing Practices and RSPO/ MSPO Practices



**COST MANAGEMENT** 

- · Mill working hours/optimum throughput
- Value-added ventures Biogas plant, biofertiliser, biomethane
- · Centralised bulk purchasing practice and longer-term partnership



UNLOCKING VALUE

- · Disposal of rightly priced assets
- Involvement in integrated value chain Upstream, midstream, downstream and circular economy via waste-to-wealth activities
- · Conversion estates into the property development
- · Monetisation of land assets



HUMAN CAPITAL DEVELOPMENT

- Inculcate high performance culture
- Unlock people potential for manpower optimisation
- Strengthening Kulim talent pipeline
- Promote sense of belonging/loyalty and enhance team work synergy with continuous improvement mindset
- Enhance fair human resource system
- Exchange knowledge between Malaysia and Indonesia business operation



CORPORATE RESPONSIBILITY

- Sustainable Palm Oil ("SPO") programme and realisation of benefits
- · Continuous commitment to RSPO and MSPO
- Enhanced stakeholders' engagement Internal and external
- Continuous support of community development through education
   Yayasan Johor Corporation and Pintar Harapan Tuition Programme



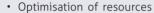
EXPANSION/
DIVERSIFICATION

- Diversification of the existing upstream activities into an integrated value chain
- Expansion in oil palm plantation activities to plant other crops
- Monetisation of Oil & Gas business
- · Agropreneur programme to increase productivity
- Downstream of pineapple products



#### VALUE CREATED

- · Year-on-year improvement in FFB yield
- Cost-savings resulted from systematic work procedure
- More effective management of ever increasing foreign labour
- · Best agriculture practices via training
- · Deployment of performance measurement of each operating
  - · Cost savings resulted from mill and energy efficiency
  - · Maximise product recovery
  - · Additional revenue generated from by-products of mill processing
  - · Reducing breakdown hours



· Realisation of higher asset value

- Optimisation of resources
- Lower staff turnover/sustainable manpower/talent retention
- · Professional certification
  - Account/Finance/Engineering/Technical expertise/Scientist: Tissue Culturist, Horticulturist etc.
- More effective management to support community development
- · Reduce cost of damage control
- More efficient in doing business as a result of good relationship with stakeholders
- Assist in increasing the income of participants of Agropreneurs B40 Programme (Pineapple)
- Preserved environment and save the earth
- Increased company value
- Embrace national food security programme
- Diversified earnings base to reduce over-dependence on palm oil activities

































- · Leveraging expertise in oil palm upstream activities









Legend:



Plantation



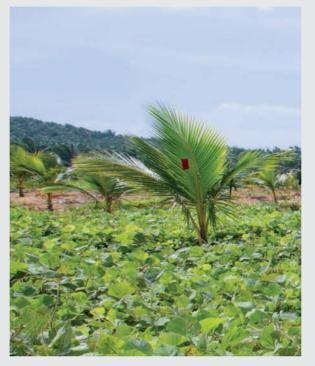
Agribusiness



Intrapreneur Venture



Oil & Gas





## BUSINESS BREWEINER







#### **BUSINESS REVIEW**



## CORE BUSINESS: AGRICULTURE OPERATIONS

#### **KEY FOCUS AREAS**



Palm oil upstream and midstream



Renewable energy through biogas capture and conversion



Agribusiness: pineapple, other crops, smart farming and livestock

#### WHAT WE DO

We are principally involved in upstream and midstream oil palm operations with plantations in Johor, Malaysia and South Sumatera, Indonesia; and five mills in Johor to extract CPO and PK. In addition, we own and manage pineapple and coconut farms, and have embarked on smart farming. We are also involved in the livestock business.

In efforts to extract optimal value from our plantation operations, as well as to reduce our carbon footprint, we capture biogas for conversion into energy.

#### **PLANTATION**





Kulim's oil palm landbank and maturity

Titled Area (Ha)	Mature (Ha)	Immature (Ha)	Total Planted (Ha)
60,064	49,945	6,202	56,147













Kulim Group's plantation landbank covers 74,575 ha of which 60,064 ha (or 81%) are in Southern Peninsular Malaysia, and 14,511 ha in South Sumatera, Indonesia, where the Group has been granted cultivation rights or Hak Guna Usaha ("HGU") status.

As of 31 December 2020, 63,509 ha of the Group's landbank were planted with oil palm, of which 56,147 ha were located in Malaysia. The total planted area of mature palms stood at 53,667 ha, of which 49,945 ha were in Malaysia and 3,722 ha in Indonesia.

#### Kulim's oil palm landbank and maturity

<del></del>	Titled Area (Ha)	Mature (Ha)	Immature (Ha)	Total Planted (Ha)
	14,511*	3,722	3,640	7,362
	* HGU area			

#### Total both Country for Kulim's oil palm landbank and maturity

Titled Area (Ha)	Mature (Ha)	Immature (Ha)	Total Planted (Ha)
74,575	53,667	9,842	63,509

#### PLANTATION IN MALAYSIA







#### **ESTATE OPERATIONS**

#### OVERVIEW

During the year, we continued to focus on enhancing operational and cost efficiencies across our estates. This was especially pertinent given the labour shortage resulting from international border closure. About 73% of our plantation workers come from Bangladesh, India and Indonesia. While a number of them were able to return to their home countries during the year, from March onwards, we were unable to bring in fresh hands to maintain an optimum number in our plantations. The effects were most evident during harvesting, which is one of the most labour-intensive aspect of our estate operations.

Our In-Field Data Execution and Analytics System ("IDEAS") and GIS/GPS Integrated Estate Management System ("GEMS") contributed to added efficiencies by recording important data such as daily workers' attendance, bunch count and loose fruit collected, among others.

#### OPERATIONAL PERFORMANCE

- ✓ Planted area increased from 47,230 ha in 2019 to 56,147 ha due to the acquisition of 8,917 ha through the lease of four JCorp estates.
- ✓ 1,237 ha of palm above 25 years was replanted with young high-yielding Kulim/ Dami cross and a clone. The replanting was undertaken on a staggered basis to maximise each crop's potential before felling.
- ✓ Malaysian operations produced a total of 1,145,090 tonnes of FFB, a 26% increase from the 907.188 tonnes in 2019.
- ✓ Yield Per Hectare ("YPH") increased to 22.93 tonnes from 21.69 tonnes in 2019, exceeding the industry averages for Johor and Peninsular Malaysia at 20.14 tonnes and 17.76 tonnes, respectively.



Planted Area 🔷 19%

56,147 ha 2019: 47,230 ha



FFB Produced 26%

1,145,090 tonnes 2019: 907,188 tonnes



YPH

kulim group **&6%** 22,93 tonnes

2019: 21.69 tonnes

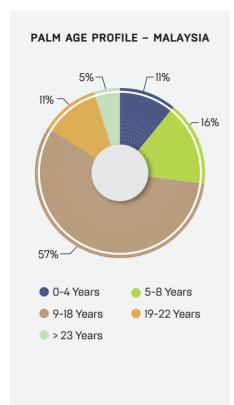
Jонов\* **№** 4% 20.14 tonnes 2019: 19.41 tonnes

PENINSULAR MALAYSIA\*

**?**-1%

17.76 tonnes 2019: 17.95 tonnes

\* source: MPOB



#### KEY INITIATIVES

Key Initiatives	Achievements/Expected Outcomes
Entered into an agreement to lease four estates totalling 8,917 ha from JCorp for a period of 45 years. Bukit Payung Estate, Tunjuk Laut Estate, Pasir Logok Estate and Bukit Kelompok Estate will be managed by MPSB, a whollyowned Kulim subsidiary.	FFB output from the leased land is expected to be in the region of 190,000 MT per annum.
<ul> <li>To make up for loss of foreign workers following the MCO, Kulim undertook the following:</li> <li>Utilised all available male workers for harvesting work.</li> <li>Collaborated with the Labour Department in Peninsular Malaysia to organise job fairs to attract more local workers.</li> <li>Recruited 200 Malaysian workers from nearby villages.</li> <li>Introduced a Working Permit Incentive Scheme of RM100 per month for all foreign workers who prolonged their stay and continued working with us.</li> <li>Engaged with KJRI, Johor Bahru to advise Indonesian workers to postpone their planned return home.</li> </ul>	Recruited about 160 foreign workers and 214 local workers, adding up to a total labour force of 5,240 in Malaysia.
Increased mechanisation with greater use of the bin system for internal evacuation.	The bin system covered 16,810 ha as at end 2020, from 4,478 ha at end 2019.
Continued to adopt and enhance Good Agricultural Practices ("GAP") and Operational/Manufacturing Practices.	Successfully contained our field costs at RM257 per tonne of FFB, 13% less than the budgeted cost of RM295 per tonne.

#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
Fluctuations in commodity prices	Focus on productivity improvement and cost efficiency without any compromise on quality and standards.
Labour shortage, with MCO preventing the intake of any foreign workers	<ul> <li>Organised job fairs to attract more local workers.</li> <li>Engaged KJRI to advise Indonesian workers to postpone their return home.</li> <li>Introduced a Working Permit Incentive Scheme of RM100 per month for all foreign workers who prolonged their stay.</li> </ul>

#### PERFORMANCE REVIEW **BUSINESS REVIEW**





#### MILL OPERATIONS

#### OVERVIEW

Our mill operations were also impacted by the labour force shortage and interruption of operations due to MCO. The manpower shortage hampered the recovery of loose fruit during the harvesting period. Together with higher rainfall, this contributed to lower oil extraction and kernel extraction rates.

Nevertheless, we are making good progress on our renewable energy agenda, based on capturing gaseous emissions from Palm Oil Mill Effluent ("POME") for conversion into energy. This year, we introduced our fourth biogas plant in Palong Cocoa POM. However, the plants in Sedenak POM and Sindora POM have been closed for repairs/upgrades since October 2018 and March 2019, respectively.

Currently all the biogas produced is used internally for power generation. However, we have plans to commercialise our biomethane as an added source of revenue. Towards this end, we are setting up a biomethane plant at Sedenak POM, and bio-CNG plant in Tereh POM, both expected to be commissioned in the first quarter of 2022. A fifth biogas plant will also be set up and commissioned in Tereh POM in the first half of 2021.

#### OPERATIONAL PERFORMANCE

- ✓ Processed a total of 1,501,949 tonnes of FFB, including 362,875 tonnes from external suppliers. This marked a 5% increase from 2019, mainly from increased Group supply.
- ✓ CPO production totalled 316,066 tonnes, a 2% increase over 309,867 tonnes in 2019.
- ✓ PK production increased by 3%, from 77,108 tonnes to 79,711 tonnes.
- ✓ Oil Extraction Rate ("OER") decreased to 21.04%, from 21.66%, yet remained higher than the industry average of 19.68% for Peninsular Malaysia and 19.92% for Malaysia as a whole.
- ✓ Kernel Extraction Rate ("KER") decreased to 5.31% from 5.39% in 2019.
- Total biogas production increased by 83% from 3,781,857 m<sup>3</sup> in 2019 to 6,930,104 m<sup>3</sup>.
- ✓ Total of 20,338 tonnes of palm shells and 13,006 tonnes of palm fibres were sold for use as renewable sources of energy. Compared to 2019, the volume of shells sold was 2,676 tonnes higher while that for palm fibres was 3,836 tonnes lower.



FFB Processed 🛆 5% 1,501,949 tonnes 2019: 1,430,514 tonnes



CPO Production 🛆 2% 316,066 tonnes 2019: 309,867 tonnes



OER 💟 -3%



21.04% 2019: 21,66%



PK Production 🔼 3% 79,711 tonnes 2019: 77,108 tonnes



KER 💟 -2%



Biogas Production 🛆 83% 6,930,104 m<sup>3</sup> 2019: 3,781,857 m<sup>3</sup> 5.31% 2019: 5.39%





#### KEY INITIATIVES

Key Initiatives	Achievements/Expected Outcomes
Increased Pasir Panjang POM capacity from 45TPH to 60TPH	The project was completed two months ahead of schedule, and a license to process at 60TPH was awarded by the Department of Environment ("DoE") in October 2020.
Embarked on a five year programme to increase the capacity of our 28 digesters from 4,000 litres to 5,000 litres	Four units were converted in 2020, which are expected to increase our CPO output by 600 tonnes per annum, representing a 0.04% increase in OER.
Programme to enhance air pollution management at our mills, launched in 2016	The programme was completed in 2020, with the installation of Electrostatic Precipitator systems in our last two mills in January and July.
Installation of tertiary treatment plants at Palong Cocoa POM, Sedenak POM and Tereh POM	All our mills now comply with a new DoE requirement on the treatment of wastewater discharge.
Upgrade of biogas plant in Sedenak to process all POME produced by the mill into biomethane to be injected into Gas Malaysia's Natural Gas Distribution System ("NGDS") network	The project is expected to be commissioned by first quarter of 2022 to produce an estimated 250,000 MMBtu of biomethane gas per annum.



Kernel Ex	ktraction	Rate (%)	
5.41	5.39	5.31	
1			
FY2018	FY2019	FY2020	

#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
Limited mill capacity, restricting the production of CPO	Increased Pasir Panjang POM capacity from 45TPH to 60TPH.
Mill operations cause air pollution, impacting the quality of air surrounding our operations	Completed a programme to install Electrostatic Precipitators in all five mills.

#### PLANTATION IN INDONESIA

#### OVERVIEW

Since being granted cultivation rights or HGU status in two plantations in South Sumatera in 2016, our subsidiaries have undertaken an extensive rehabilitation of 7,362 ha of the land; 4,248 ha by PT Rambang Agro Jaya ("PT RAJ") and 3,114 ha by PT Tempirai Palm Resources ("PT TPR"). The rehabilitation programmes were completed in October 2018 and July 2018, respectively, following which crop recovery has improved significantly. As part of the rehabilitation process, our subsidiaries are also developing the physical infrastructure in the estates.

#### OPERATIONAL PERFORMANCE

Both estates produced a total of 14,499 tonnes of FFB in 2020, representing a production yield of 5.24 tonnes per hectare from a harvesting area of 2,766 ha. This marks a 42% improvement over 10,198 tonnes in 2019. The Group anticipates that the entire 7,362 ha of rehabilitated area will be producing harvests by 2022, and that, by 2025, FFB production will stand at 75,773 tonnes per year.



#### **KEY INITIATIVES**

The most significant initiatives undertaken during the year were related to enhancing our estate infrastructure, which included:

#### PT RAJ

- ✓ 42 Reinforced Concrete ("RC") bridges, a workshop, a fertiliser store and 1,084 foot bridges
- ✓ Physical protection for a water pump and a genset to minimise disruptions to operations
- √ 162km of laterite field roads

#### PT TPR

- ✓ 40 RC bridges, a workshop, a fertiliser store and 984 foot bridges
- ✓ 118km of laterite field roads

#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
Area prone to fire breakouts	<ul> <li>Constructed water catchment measuring 20m x 20m x 4m.</li> <li>Set up fire monitoring towers for every 500 ha of plantation; and a station for the Team Kesiapsiagaan Tanggap Darurat (Fire Emergency Response Team). Monitoring from the towers complements routine patrolling.</li> <li>Ensure fire extinguishing equipment fully comply with government regulations.</li> </ul>
Slow recovery of plantation operations after rehabilitation work	Implementation of best agricultural management practices to expedite return to normal productivity and yield.
Unpredictable climate patterns with prolonged monsoons and dry periods affecting yield as well as potentially damaging plantations	Continuous training to alert workers and surrounding community on managing fires as well as improving the water management system to prevent flooding.
Some of the palms were stunted, especially those with hanging bases	<ul><li>To improve palm base with soil mounding.</li><li>To plan early replanting for area with substandard palm.</li></ul>
Frequent claims on the land from the surrounding community despite HGU certificate	To follow legal procedures on any land claim matter.



#### **RESEARCH & DEVELOPMENT**

#### OVERVIEW

Supporting our plantation businesses as well as renewable energy ventures, we invest in Research and Development ("R&D"), which is carried out at the newly completed Kulim Agrotech Centre ("KAC") located in Kota Tinggi, Johor. KAC houses five operating units, namely Tissue Culture, Genomic Laboratory, Plant Breeding Laboratory, Ulu Tiram Central Laboratory ("UTCL") and R&D Management Office (Agronomy Advisory and Plant Breeding Office). Research on agronomy and plant breeding is carried out at the R&D Management Office, which also has a microbiology lab.

In addition, we collaborate with the MPOB and Malaysian Nuclear Agency on various agricultural-related areas of research.





#### AGRONOMY UNIT

#### OVERVIEW

The Agronomy Unit contributes to better soil management and crop production. With over 40 years of experience, it enables Kulim to gauge the performance of different planting areas more effectively, providing analysis and recommendations on best practices, identifying sites for new agronomy trials and recommending measures to overcome pest and disease outbreaks. Its research findings are shared with estates across the Group to enhance field performance, benchmarked against the high-performers.

Key Initiatives	Achievements
High performing estates	<ul> <li>✓ Sg. Papan Estate achieved outstanding FFB production of 30.02 tonnes/ha in 2020. In 2017, eight out of 12 mature fields produced over 26 tonnes/ha. Due to yield cycle, only six and seven fields hit 26 tonnes/ha in 2018 and 2019, respectively. In 2020, however, 11 fields produced more than 30 tonnes/ha.</li> <li>✓ Pasir Logok Estate, meanwhile, produced an average yield of 29 tonnes/ha.</li> <li>✓ Taken as a whole, the Group's yield stood at 22.93 tonnes/ha, among the highest in the industry.</li> </ul>
Analysis of water contamination	✓ In May 2020, R&D through the Microbiology Lab launched a new service to analyse the level of coliform and Escherichia coli (types of microbes) in water supplied to local communities. A total of 355 water samples have been tested.
Enhance services for better yield	✓ Microbiology Lab started producing a beneficial microbe, mycorrhiza, which has proven to be as effective as commercial products in improving plant vigour thus strengthening them against diseases. A total of 3,000kg of the product has been produced to date.
Provide digitised mapping and palm counting through UAV services	<ul> <li>✓ Our inhouse remote sensing unit has successfully digitised palm counting of 5,624 ha of area in 2020. The resulting digital map will provide palm census reports with &gt;99% accuracy.</li> <li>✓ Aerial images ensure accountability to palm census report.</li> <li>✓ Estates will be able to pin-point areas for supplying new palms to replace dead ones.</li> <li>✓ Precision fertiliser application can be practised.</li> </ul>
Exploring other valuable crops	✓ Started pursuing a second collaborative study with Malaysian Nuclear Agency on breeding and planting of stevia, used as a sweetener.
Agronomic visits and reporting	✓ Agronomists' main task is to ensure estates apply the GAP to optimise palm yield. Despite the MCO, 69 Official Agronomy Reports have been produced on top of ad-hoc special and casual visits.

#### PERFORMANCE REVIEW BUSINESS REVIEW





#### PLANT BREEDING LABORATORY

#### OVERVIEW

The primary objective of our Plant Breeding Laboratory is to produce elite planting materials to enhance our oil yields.

Key Initiatives	Achievements
To certify clonal palms for ortet (parental material for clonals) candidates	<ul> <li>✓ Clone P325, produced in collaboration with MPOB, was officially recognised as an elite clone (Planting Material of Choice) during MPOB Technology Transfer in July 2020. Based on seven consecutive years of FFB data collection, Clone P325 is able to produce an average of 30 tonnes of FFB per hectare a year with achievable mill OER of 28.1% and estimated CPO of 8.5 tonnes per hectare a year.</li> <li>✓ Clone P325, commercially known as Clonal Palm Series 3 (CPS3) – Productivity for Sustainability won the Malaysian Innovative Product Gold Award 2020 during The International Invention, Innovation and Technology Exhibition ("ITEX") held on 20-21 November 2020 in Kuala Lumpur.</li> </ul>
To select and supply elite ortets	✓ A total of 36 SIRIM-certified ortets of different genetic backgrounds were selected and provided for Kulim TopPlant in order to produce elite commercial clonal planting materials.
To select and certify new mother palms	✓ Another 90 palms were selected from REM seed garden making a total of 283 certified mother palms available for seed production.
Enhance crop security	<ul> <li>✓ Coconut Seed Garden was established at Tereh Utara Estate in 2019 while attentive field maintenance of immature parental palms was successfully carried out in 2020.</li> <li>✓ Coconut Genebank aimed for specific traits involving various local and international commercial cultivars such as Aromatic Pandan, Tacunan, Indian Deejay Hybrid, Cameroon and Malayan Dwarfs mother palms (Yellow, Red, Green, Brown) besides Tagnanan and Nias green (father palms) was successfully established surrounding KAC for diversification and future commercial utilisation.</li> </ul>





#### ULU TIRAM CENTRAL LABORATORY ("UTCL")

#### OVERVIEW

UTCL conducts chemical and physical tests on fertiliser samples. It also provides effluent testing for palm oil mills. An ISO accredited lab since 2005, equipped with the latest inductive coupled plasma-optical emissions spectrophotometer ("ICP-OES"), Atomic Absorption Spectrophotometer ("AAS"), UV spectrophotometer and nitrogen auto analyser, it seeks to become the preferred laboratory for the wider agricultural community.

#### **KEY INITIATIVES & ACHIEVEMENTS**

Key Initiatives	Achievements
Complete analyses within stipulated target period	<ul> <li>✓ Conducted a total of 122,446 analyses, of which 93.80% were completed on time; 9.31% higher than in 2019.</li> <li>✓ Despite MCO, a total of 22,300 samples were analysed in 2020, 6% more than in 2019.</li> </ul>
Ensure renewal of the accreditation	<ul> <li>✓ Successfully migrated from ISO/IEC 17025:2005 to ISO/IEC 17025:2017.</li> <li>✓ Received IKM Laboratory Excellent Award from Institut Kimia Malaysia ("IKM").</li> </ul>
Ensure chemists are IKM registered	✓ Another chemist obtained her IKM license, thus the lab currently has two IKM-registered chemists.
Provide competent person for CePSWaM	✓ One chemist completed the course on Certified Environmental Professional in Scheduled Waste Management ("CePSWaM"), as per DoE requirements for the KAC Complex.



#### TISSUE CULTURE

#### OVERVIEW

Tissue culture is the best way to mass produce elite planting materials. Research in this area is conducted by Kulim TopPlant which seeks to continuously improve the Group's oil palm planting materials. Outcomes of its research will help Kulim to achieve higher OER, as fields with clonal materials have proven to produce outstanding yields.

Key Initiatives	Achievements
Produce high-yielding tissue culture ramets	<ul> <li>✓ A total of 40,000 ramets were produced in 2020.</li> <li>✓ Processed 36 SIRIM-certified ortets and produced 124,296 explants.</li> <li>✓ Produced 22,197 callus and 18,341 Embryogenic callus.</li> <li>✓ Produced 165,199 embryoids and 69,352 shoots.</li> </ul>
Introduction of mini chamber in nursery	✓ Improved the ramet recovery rate at hardening stage by 21%.

#### **AGRIBUSINESS**

#### PINEAPPLE

#### OVERVIEW

Our subsidiary, Kulim Pineapple Farm ("KPF"), cultivates a total of 359 ha of MD2 pineapple farms in Ulu Tiram and Mersing, Johor. Downsteam OEM products, under the Melita brand, are certified HALAL by the Department of Islamic Development Malaysia ("JAKIM"). Melita pineapple is currently sold at five kiosks in Johor: at the Ulu Tiram Estate, Galleria @ Kota Raya, KPJ Johor Specialist Hospital, Larkin Central and KPJ Puteri Specialist Hospital.

KPF has obtained Malaysia Good Agricultural Practice ("myGAP") 2010-2020, Malaysia's Best and *Sijil Pengesahan Bahan Tanaman* ("SPBT") certifications. It is also one of three companies in Malaysia to have obtained approval from the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China ("AQSIQ") to export fresh pineapples to the Republic of China.

KPF plans to expand our pineapple hectarage to 623 ha by 2025, thereby increase production from 2,316 tonnes currently to 13,530 tonnes through collaborations with state agencies and third parties.

#### OPERATIONAL PERFORMANCE

- ✓ Production increased by 19% from 1,954 tonnes in 2019 to 2,316 tonnes.
- ✓ Total hectarage reduced from 418 ha in 2019 as 59 ha was returned to Selai Estate.



Production \$\infty\$ 19%
2,316 tonnes
2019: 1,954 tonnes



Total Hectarage **⊘ -14%**359 ha
2019: 418 ha

#### **KEY INITIATIVES**

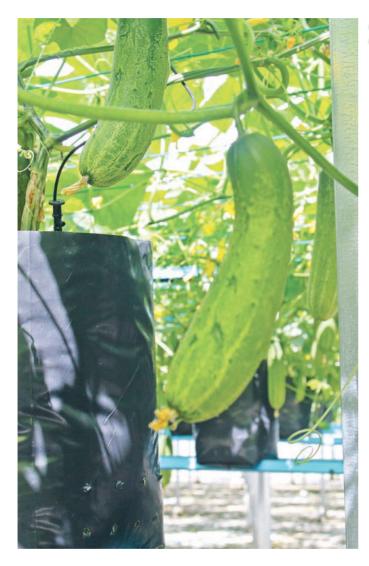
KPF is collaborating with the Malaysian Pineapple Industry Board ("MPIB") on an Agropreneur B4O programme under which 65 ha of land has been leased to KPF and 49 ha to 12 agropreneurs for pineapple cultivation. We also contribute towards the state's agricultural sector by providing technical advice to the agropreneurs.

#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
Limitation of owned land for expansion programme	Collaboration and expansion with MPIB and other interested parties.
Expensive planting material due to shortage of suckers	Purchase outside suckers and propagate own suckers.
Limited manufacturer resulting in high processing cost of OEM products	Collaborate with third-party with better processing cost.
Unreliable and inconsistent supply from third party	Introduce contract farming concept together with technical advice support.









#### SMART FARMING

#### OVERVIEW

Kulim has embarked on a pilot urban farming project to grow local and Japanese varieties of cucumber as well as other crops in Ulu Tiram.

Under the first cycle, in Plot A, we have harvested a total 18,496 kg of cucumbers. The second cycle, in Plot B, produced a total harvested 11,941 kg of cucumbers. In the third cycle, we planted 1,395 bags of cucumber, 160 bags of bitter gourd and 125 bags of Japanese cucumber, which will be harvested from end March to end April 2021. The project is being monitored by Kulim Nursery Sdn Bhd and our R&D Department.



#### COCONUT

#### OVERVIEW

As part of strategic initiatives to diversify our plantation activities to involve other crops, we are embarking on coconut planting which will increase Kulim's growth potential.

As of 31 December 2020, we had planted 100.20 ha of different coconut varieties, namely Pandan, Deejay Sampoorna, Vietnam Green and Vietnam Brown, at Balau Coconut Farm, Kota Tinggi. Managed by our Siang Estate, the farm spans across 173-250 palms per ha. As the plantation is young, and coconuts is expected to bear fruit from the fifth year onwards. Therefore, no production was recorded in 2020.

#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
<ul> <li>Price fluctuations depending on supply and demand by ex-farm buyer.</li> <li>Cheaper coconuts from Indonesia and Philippines causing oversupply in local market.</li> <li>Highly vulnerable to pests such as rhinoceros beetles and weevils which are potentially devastating. Presence of weevils, moreover, is generally only discovered only when the palm is already beyond redemption.</li> </ul>	<ul> <li>Lock nut price by contract sale and purchase with buyer.</li> <li>Engage in Good Agricultural Practices.</li> </ul>

Cucumber	Bitter Gourd	Japanese Cucumber
1,395 bags	160 bags	125 bags

#### PERFORMANCE REVIEW BUSINESS REVIEW



#### LIVESTOCK

#### OVERVIEW

Pure Kedah Kelantan ("KK"), pure Brahman and Brahman-KK cross cattle are used in our plantations as a natural means of managing weed. We chose these breeds because they are hardy and live well under plantation conditions. In addition to working our farms, the cattle are a source of income from sales, especially during Eid al-Adha when demand for *Qurban* cattle is high.

Our aim is to become a significant integrated cattle player in Malaysia with a targeted 10,000 heads of cattle grazing freely in our estates within the next five years.

Other than cattle, buffaloes are used in our plantations for infield evacuation of oil palm bunches. The number of buffaloes has been decreasing slowly, however, along with increased mechanisation to increase productivity. We also embarked on goat rearing in 2005 for corporate responsibility contributions. Moving forward, we will start to commercialise our goats as part of our business expansion.

#### OPERATIONAL PERFORMANCE

- ✓ At end 2020, we had 6,115 heads of cattle covering more than 14,000 ha of plantation area. This was 5% more than 5,808 heads at end 2019, due to an increase in calving rate and decrease in mortality.
- ✓ At end 2020, we had 52 heads of buffalo and 216 heads of goat as compared to 59 and 261 in 2019, respectively.
- Saved RM351,889 from reduced cost of chemical weed-killers, an increase of 6% from RM331,871 in 2019.
- ✓ Earned RM1.99 million in revenue from sales of cattle.

#### **Total Population**



6,115 heads **△ 5%** 2019: 5,808 heads



52 heads **♥** -12% 2019: 59 heads

.....



216 heads **♥** -17% 2019: 261 heads



Key Initiatives	Achievements				
In line with the government's requirement during MCO that <i>Qurban</i> cattle be slaughtered only at approved slaughter houses, as opposed to mosques/surau, a temporary slaughter house was built at Basir Ismail Estate	We were able to fulfil customer demand for <i>Qurban</i> cattle during Eid al-Adha.				
Collaboration with Department of Veterinary Service ("DVS") on enhancing cattle health and productivity rate	Screening for diseases and programmes to enhance reproductive health were carried out to ensure optimum calving rate and low mortality.				





#### CHALLENGES & MITIGATING ACTIONS

Challenges	Mitigating Actions
Diseases such as brucellosis and foot and mouth disease have a considerable impact on the breeding performance of livestock	<ul> <li>Collaboration with DVS on enhancing cattle health and productivity rate.</li> <li>Preventive care is taken to prevent the occurrence and spread of disease.</li> <li>Disease monitoring, surveillance and control – using vaccination – to ensure cattle are healthy.</li> <li>Sound biosecurity practices also prevent the introduction and spread of disease.</li> </ul>
Increased cost of feeding the cattle	Utilisation of agricultural waste such as pineapple rind, crowns, pulp and cores; and byproducts from oil palm mills such as decanter cakes, as animal feed.



#### **OUTLOOK**

The outlook for palm oil looks bright, with prices continuing to be high as supply of competitor edible oils – such as soybean and sunflower oils – remain restricted. However, this depends to a large extent on the development of La Nina and its impact on soybean output in South America. Palm oil supply is expected to increase, especially in the second half of the year, due to favourable rainfall. With the extra supply mopped by implementation of the B2O and B3O mandates in Malaysia and Indonesia, respectively, this would help to keep CPO prices propped up.

We will strengthen our presence across the value chain by leveraging our expertise in the plantation sector as well as exploring new opportunities in agribusiness.



## OTHERS: INTRAPRENEUR VENTURE

#### **KEY FOCUS AREAS**



IT support services



Training and OSH related services



Trading and Fertilisers



Oil palm nursery and other related services

#### WHAT WE DO

The Intrapreneur Venture ("IV") Division is involved in a diverse range of businesses including support operations for plantations, agricultural machinery, oil palm nursery, training and OSH related services, as well as IT-related and insurance broking services. Within this division, we have six active companies which are three IV companies and three corporate companies.



As part of our business restructuring to focus on our core businesses, we are gradually phasing out our IV business and will look to divesting companies in this portfolio in the near future.

Over the years, Kulim has been streamlining the IV business by reviewing the business model of companies with potential, merging some companies for added strength, terminating companies that have been loss-making and redundant as well as disposing of companies that no longer fit into the Group's strategic vision. We have also diversified and outsourced certain businesses and activities.

As of 1 May 2020, Renown Value Sdn Bhd ("RVSB") ceased operations.

#### EXTREME EDGE SDN BHD ("EESB")

#### OVERVIEW

Incorporated on 1 January 2010, EESB is a one-stop solutions centre that focuses on providing networking and communications, backup and recovery, project management and consultation, hardware services, website design, web application development, and business applications. Its mission is to become a leading information technology solutions integrator and business performance enhancer in Malaysia's competitive Information and Communications Technology ("ICT") landscape.

#### FINANCIAL PERFORMANCE

During the financial year under review, EESB Group generated revenue of RM15.86 million, representing a decrease of 13% from RM18.20 million in 2019. Meanwhile, PBT increased by 58% to RM1.64 million from RM1.04 million in 2019 due to the award of new projects from external parties such as Majlis Bandaraya Iskandar Puteri and Polis Diraja Malaysia ("PDRM").





#### KULIM SAFETY TRAINING & SERVICES SDN BHD ("KSTS")

#### OVERVIEW

KSTS was incorporated on 1 January 2013 as a subsidiary of Kulim's wholly-owned EPA Management Sdn Bhd. Guided by "Safety Makes a Different" as its motto, KSTS specialises in Occupational, Safety and Health ("OSH") services, with emphasis on OSH training, human resources development, motivation and quality-related field work. KSTS also offers advisory services on Occupational, Health and Safety Management Systems ("OHSAS 1800"), fire safety and ISO Quality Management System.

Other services provided include noise monitoring, gas testing, and fire safety. KSTS also provides on-site medical officer visitations and medical screenings for foreign workers on behalf of the Foreign Workers Medical Examination Monitoring Agency ("FOMEMA"). During the pandemic, KSTS included sanitation and disinfection services in its portfolio of service offerings.

#### FINANCIAL PERFORMANCE

The company recorded a 15% increase in revenue year on year to RM4.58 million compared to RM3.96 million in 2019. Concurrently, PBT grew by 27% to RM0.78 million compared to RM0.62 million in 2019 due to the implementation of higher-margin new businesses such as sanitisation work and swab test services for COVID-19.



#### PERFECT SYNERGY TRADING SDN BHD ("PSTSB")

#### OVERVIEW

PSTSB was incorporated on 8 July 2010 as a distributor and supplier of fertilisers and chemicals. Based in the Kota Tinggi Industrial Area, its main customers comprise estates within the JCorp Group and Kulim Group. As an assurance of quality, PSTSB's products comply with the requirements of the Department of Standards Malaysia and are MS ISO/IEC 17025:2005 certified under the Malaysia Laboratory Accreditation Scheme ("SAMM"). The company is dedicated to providing efficient and customer-friendly services.

#### FINANCIAL PERFORMANCE

PSTSB's revenue decreased by 2% year on year to RM8.49 million from RM8.66 million in 2019. It recorded an LBT of RM0.06 million compared to a PBT of RM0.21 million in 2019 mainly due to impairment loss from the Rock Melon Project of RM0.50 million.



#### KULIM NURSERY SDN BHD ("KNSB")

#### OVERVIEW

KNSB was incorporated in January 2009, and is located in the district of Kulai, Johor. Services provided include oil palm seedlings, landscaping, ornamental plants and BIONIK fertiliser. Guided by its motto "Lets Green the Earth", KNSB aims to become a leading supplier of high-quality oil palm seedlings worldwide. To ensure high-quality products, KNSB is supported by technically qualified personnel.

#### FINANCIAL PERFORMANCE

In 2020, KNSB recorded a revenue of RM8.05 million, an increase of 21% from RM6.67 million the previous year, mainly from enhanced sales of oil palm seedlings. Its PBT, meanwhile, increased by 131% from a loss of RM0.69 million to RM0.21 million in 2020.

#### PERFORMANCE REVIEW BUSINESS REVIEW



### OTHERS: OIL & GAS

#### **KEY FOCUS AREAS**



Provision of Non-Destructive Testing ("NDT"), fabrication & pipe milling



Marine transportation and related services



Upstream Oil & Gas activity in Indonesia

#### WHAT WE DO

We are involved in the provision of support services for the Oil & Gas industry, including the transport of clean petroleum products and fabrication of pipelines. We have also made an investment in the upstream Oil & Gas sector in Indonesia, however are in the process of reversing the deal made in line with the Group's strategy of divesting of non-core businesses.



As part of our business restructuring to focus on our core businesses, we are gradually phasing out our Oil & Gas business and with the exception of E.A. Technique (M) Berhad, will look to divesting companies in this portfolio in the near future.



#### E.A. TECHNIQUE (M) BERHAD ("EA TECH")

#### OVERVIEW

A public listed company since 11 December 2014, EA Tech is a marine vessel operator involved primarily in marine transportation and offshore storage of Oil & Gas, and the provision of marine port as well as marine engineering services. Its activities are supported by a shipyard in Hutan Melintang in Perak which has capabilities in shipbuilding, ship repairs and minor fabrication.

#### OPERATIONAL PERFORMANCE

EA Tech was awarded the following contracts under its Marine Transportation Services:

- It received two separate contracts from Kertih Port Sdn Bhd for the provision of mooring boat and mooring crew services – the first on 9 March for a period of nine months, the second on 4 December, for a period of four months.
- EA Tech was awarded a year's extension for Nautica Tg. Puteri XXXIII by Naka Bayu Sdn Bhd from 7 August 2020 to 6 August 2021.
- EA Tech was awarded three years' extension for Nautica Tg. Puteri XI, Nautica Tg. Puteri XII, Nautica Tg. Puteri XV and Nautica Tg. Puteri XVI by Sungai Udang Port Sdn Bhd from 1 August 2020 to 31 July 2023.
- EA Tech was awarded a year's extension for Nautica Tg. Puteri II, Nautica Tg. Puteri XVIII, Kejora 57 and Kejora 59 by Sungai Udang Port Sdn Bhd from 1 January 2021 to 31 December 2021.

In addition, Nautica Renggam served one shipment for Felix Petroleum from Singapore to Cambodia. It also secured a spot charter with MIDAS, Clearlake, Petro Ocean and Petron for Nautica Pagoh.



#### FINANCIAL PERFORMANCE

EA Tech, reported revenue of RM303.19 million, primary from the charter hire business. Average utilisation rates for the year stood at between 80% and 84%, with the marine transport vessels Nautica Maharani, Nautica Kota Tinggi and Nautica Batu Pahat enjoying a busier year than in 2019. Profits, however, were impacted by impairment losses of assets and provisions provision made for a litigation case against MMHE subsequent to the final award from Asian International Arbitration Centre ("AIAC"). These contributed to an LBT of RM129.06 million from a PBT of RM32.68 million in 2019. Its financial position, moreover, is boosted by a healthy order book of approximately RM782.62 million, including the option periods.



#### PT CITRA SARANA ENERGI ("PT CSE")

#### OVERVIEW

PT CSE is an Indonesian upstream Oil & Gas company, which has been awarded a Production Sharing Contract ("PSC") from the Indonesian Government to develop the South West Bukit Barisan ("SWBB") field located onshore in the West Sumatera Province.

On 10 December 2014, Kulim signed a Conditional Subscription and Shares Purchase Agreement ("CSSPA") to acquire 60% interest in PT CSE for USD133.55 million. This was followed by a Supplemental Agreement ("SA CSSPA") on 7 February 2016 to revise the investment cost downwards to USD80 million, taking into account the drop in crude oil prices subsequent to the signing of the CSSPA. The completion date of the CSSPA and SA CSSPA has been further extended to 31 December 2021.

Following approval by the Indonesian Government of the first Plan of Development ("POD-1") for Sinamar area of SWBB PSC in 2018, PT CSE has embarked on development works at Sinamar.

Kulim, meanwhile, is negotiating a deal to divest or monetise its investment in PT CSE.

#### DANAMIN (M) SDN BHD ("DANAMIN")

#### OVERVIEW

Danamin, based in Pasir Gudang, Johor, provides high-quality, cost-effective and technology-driven engineering, NDT, quality assurance, asset integrity management and inspection services to the Oil & Gas, marine, petrochemical, refinery and pipeline industries. Backed by a team which consist of professional employees including certified contract workers, the company has branches that are strategically located in the vicinity of its customers' facilities.

Danamin has an ongoing five-year contract for Inspection and Corrosion Monitoring Services ("ICMS") with the PETRONAS Group of Companies ending in June 2023. Its vision is to be the preferred service provider to industries in the Oil & Gas and other specialised sectors. To realise this vision, it complies with internationally recognised Integrated Management System ("IMS") standards to ensure effective and efficient operations, while remaining relevant. The IMS standards consist of ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and OHSAS 18001:2007 (Safety and Health) accredited by Bureau Veritas ("BV").

#### OPERATIONAL PERFORMANCE

Danamin received a certification from MMHE and PETRONAS for outstanding contributions, commitment and achievements in the area of Health, Safety and Environment ("HSE") on 27 August 2020.

#### FINANCIAL PERFORMANCE

In 2020, Danamin recorded RM30.95 million in revenue, marking a 13% decrease from RM35.64 million posted in 2019. About 87% of this revenue was from NDT as no major fabrication work was undertaken in 2020. The company also made a loss of RM4.43 million, despite achieving a 28% year on year increase in gross profit. This was aided by a reduction in administration and other operational costs to RM11.76 million from RM16.82 million in 2019







# PERFORMANCE &











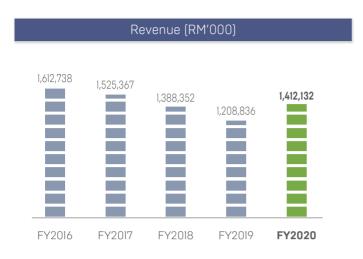


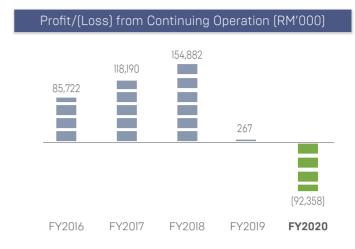


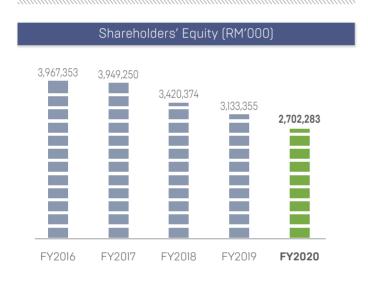


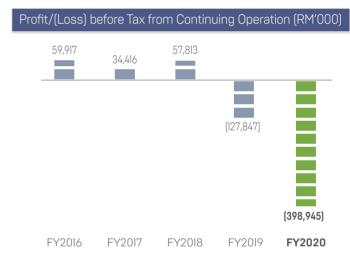
#### **5-YEAR FINANCIAL HIGHLIGHTS**

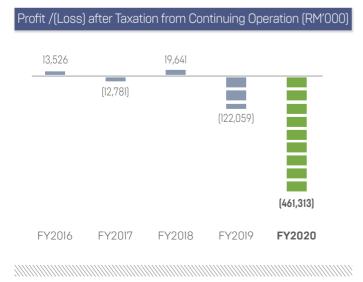














#### **5-YEAR FINANCIAL SUMMARY**

	2020	2019*	2018	2017	2016
STATEMENTS OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
Revenue	1,412,132	1,208,836	1,388,352	1,525,367	1,612,738
Segment:					
Plantation	72%	69%	61%	67%	56%
Intrapreneur venture	2%	3%	3%	4%	4%
Others	26%	28%	36%	29%	40%
(Loss)/Profit from continuing operation	(92,358)	267	154,882	118,190	85,722
Segment:					
Plantation	35%	16,366%	53%	204%	136%
Intrapreneur venture	(1)%	75%	1%	(2)%	1%
Others	(134)%	(16,341)%	46%	(102)%	(37)%
Interest income	25,098	20,157	7,728	3,871	33,930
Finance costs	(106,690)	(100,511)	(92,133)	(88,197)	(59,477)
Share of results of associates and joint venture, net of impairments	(224,995)	(47,760)	(12,664)	552	(258)
(Loss)/Profit before tax from continuing					
operation	(398,945)	(127,847)	57,813	34,416	59,917
Taxation	(62,368)	5,788	(38,172)	(47,197)	(46,391)
(Loss)/Profit after taxation from					
<ul> <li>Continuing operation</li> </ul>	(461,313)	(122,059)	19,641	(12,781)	13,526
<ul> <li>Discontinued operation</li> </ul>	-		_	(79,072)	(340)
Net (Loss)/Profit for the year	(461,313)	(122,059)	19,641	(91,853)	13,186
Attributable to:					
Owners of the Company	(376,752)	(110,286)	(39,193)	8,619	3,855
Non-controlling interests	(84,561)	(11,773)	58,834	(100,472)	9,331
Net (Loss)/Profit for the year	(461,313)	(122,059)	19,641	(91,853)	13,186

<sup>\*</sup> Comparative figures have been restated due to prior year adjustments to correct the effects of errors in prior years' deferred tax computations.

#### Group 5-Year Revenue vs Average CPO Price





	2020	2019*	2018	2017	2016
STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
Other non-current assets	5,223,858	5,984,043	5,715,171	5,694,503	5,732,814
Intangible assets	1,764	7,498	27,415	26,905	32,774
Total Non-Current Assets	5,225,622	5,991,541	5,742,586	5,721,408	5,765,588
Other current assets	652,224	535,085	472,350	751,974	794,867
Cash and bank balances	170,230	169,932	252,454	325,470	530,783
Assets classified as held for sale	90,404	_	_	_	_
Total Current Assets	912,858	705,017	724,804	1,077,444	1,325,650
	6,138,480	6,696,558	6,467,390	6,798,852	7,091,238
Other current liabilities	598,054	474,058	403,045	566,931	450,495
Borrowings	321,330	331,547	800,022	506,895	1,182,151
Total Current Liabilities	919,384	805,605	1,203,067	1,073,826	1,632,646
Other long-term liabilities	587,705	607,683	654,234	406,663	410,032
Borrowings	1,906,197	2,050,339	1,081,371	1,253,253	858,745
Total Non-Current Liabilities	2,493,902	2,658,022	1,735,605	1,659,916	1,268,777
	3,413,286	3,463,627	2,938,672	2,733,742	2,901,423
Equity attributable to holders of the Company					
Share capital	1,000	1,000	1,000	1,000	1,000
Reserves	(28,675)	(26,395)	(49,662)	51,394	28,116
Retained earnings	2,729,958	3,158,750	3,469,036	3,896,856	3,938,237
Shareholders' equity	2,702,283	3,133,355	3,420,374	3,949,250	3,967,353
Non-controlling interests	22,911	99,576	108,344	115,860	222,462
Total Equity	2,725,194	3,232,931	3,528,718	4,065,110	4,189,815
	6,138,480	6,696,558	6,467,390	6,798,852	7,091,238

<sup>\*</sup> Comparative figures have been restated due to prior year adjustments to correct the effects of errors in prior years' deferred tax computations.

#### Group 5-Year Revenue vs Profit/(Loss) Before Tax (RM million)



#### PERFORMANCE REVIEW 5-YEAR FINANCIAL SUMMARY

	2020	2019*	2018	2017	2016
STATEMENTS OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flows generated from operating activities	586,711	300,022	227,679	399,230	195,851
Net cash flows used in investing activities	(252,520)	(554,015)	(159,891)	(29,146)	(418,997)
Net cash flows (used in)/generated from					
financing activities	(334,217)	160,469	(140,596)	(388,311)	(982,375)
Net change in cash and cash equivalents	(26)	(93,524)	(72,808)	(18,227)	(1,205,521)
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin (%)	(6.54)	0.02	11.16	7.75	5.32
PBT margin (%)	(28.25)	(10.58)	4.16	2.26	3.72
PATMI margin (%)	(26.68)	(9.12)	(2.82)	0.57	0.24
Return on average shareholders' equity (%)	(12.91)	(3.37)	(1.06)	0.22	0.08
Return on average capital employed (%)	(6.78)	(1.98)	(0.71)	0.15	0.06
Net assets per share (RM)	675.57	783.34	855.09	987.31	991.84
Solvency and Liquidity					
Gearing ratio (times)					
– Gross	0.82	0.76	0.53	0.43	0.49
– Net	0.76	0.71	0.46	0.36	0.36
Interest cover (times)	(2.74)	(0.27)	1.63	1.39	2.01
Current ratio (times)	0.99	0.88	0.60	1.00	0.81
Financial Market					
EPS (sen)		(a )	/		
– basic	(9,418.80)	(2,757.15)	(979.83)	215.48	96.38
- diluted	-	_	_	_	_
Gross dividend per share (sen)	13.01	50.00	37.50	12.50	_
Gross dividend rate (%)	52	200	150	50	

<sup>\*</sup> Comparative figures have been restated due to prior year adjustments to correct the effects of errors in prior years' deferred tax computations.

#### **VALUE ADDED STATEMENTS**

& VALUE DISTRIBUTION



MANAGEMENT DISCUSSION & ANALYSIS

**REVENUE** 

RM1.41 Billion

[FY2019: RM1.21 Billion]

**PURCHASE OF GOODS & SERVICES** 

RM1.02 Billion

[FY2019: RM0.77 Billion]

**OTHER INCOME** 

RM70.21 Million

[FY2019: RM82.05 Million]

**FINANCE COST** 

RM106.69 Million

[FY2019: RM100.51 Million]

SHARE OF AFTER TAX LOSSES IN ASSOCIATES & JV, NET OF IMPAIRMENTS

RM224.99 Million

[FY2019: RM47.76 Million]

VALUE ADDED AVAILABLE FOR DISTRIBUTION

RM130.45 Million

[FY2019: RM367.90 Million]



#### **GOVERNMENT**

**Taxation** 

RM46.07 Million

[FY2019: RM57.51 Million]



**Staff Costs** 

RM285.07 Million

[FY2019: RM285.27 Million]



#### **SHAREHOLDERS**

**Dividend Paid** 

RM52.04 Million

[FY2019: RM200 Million]



#### **Amortisation & Depreciation of**

- Property, plant & equipment
- Right-of-use assets

RM244.33 Million

[FY2019: RM210.47 Million]



**Accumulated Loss** 

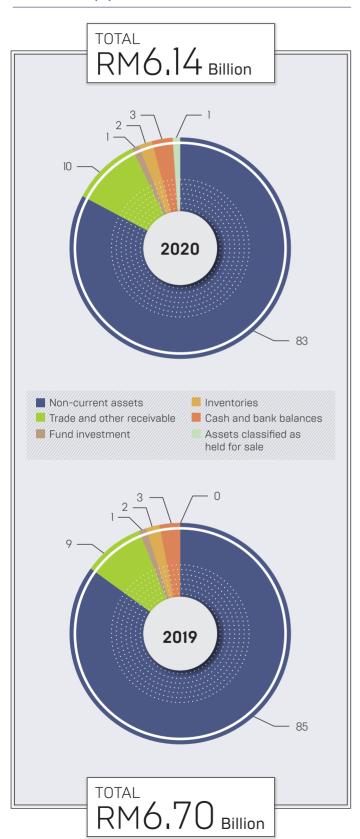
RM497.05 Million

[FY2019: RM385.36 Million]

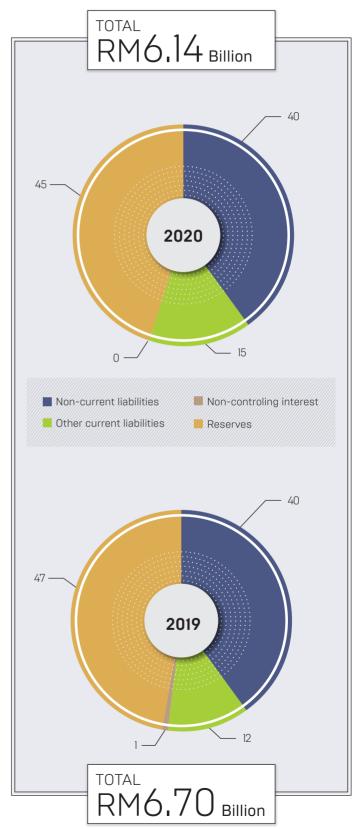


#### SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

#### Total Assets (%)



#### Total Equity & Liabilities (%)



## **HUMAN CAPITAL STATISTICS**

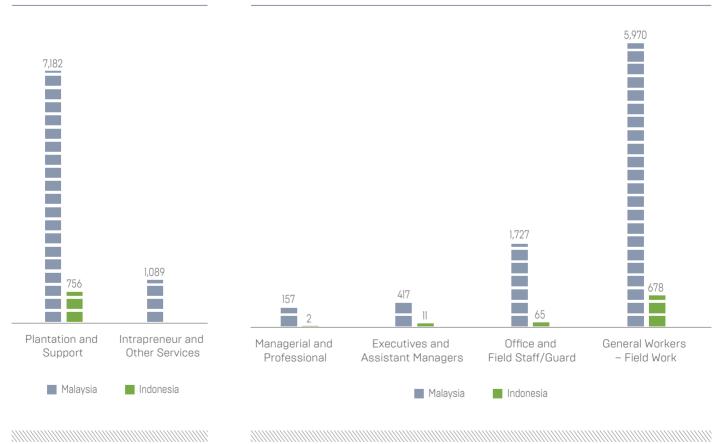
MANAGEMENT DISCUSSION & ANALYSIS

	By Division		
Division	Malaysia	Indonesia	Total
Plantation and Support	7,182	756	7,938
Intrapreneur and Other Services	1,089	-	1,089
	8,271	756	9,027

		By Category	
Category	Malaysia	Indonesia	Total
Managerial and Professional	157	2	159
Executives and Assistant Managers	417	11	428
Office and Field Staff/Guard	1,727	65	1,792
General Workers – Field Work	5,970	678	6,648
	8,271	756	9,027

#### By Division (No. of employees)

### By Category (No. of employees)



## **5-YEAR PLANTATION STATISTICS**

## **MALAYSIA**

	2020	2019	2018	2017	2016
OIL PALM					
Production (tonnes)					
FFB produced – Processed by own mills	1,131,887	894,765	902,764	952,278	844,582
FFB produced – Sold to others	13,203	12,423	17,080	42,851	6,854
Total FFB produced	1,145,090	907,188	919,844	995,129	851,436
Purchased FFB – External Supplier	362,875	366,443	402,523	312,962	359,224
Total FFB processed	1,501,949	1,430,514	1,459,331	1,467,696	1,339,659
Crude palm oil	316,066	309,867	306,484	299,981	273,354
Palm kernel	79,711	77,108	78,995	79,071	70,030
Crude palm oil (delivered)	316,840	334,666	285,847	288,574	286,322
Palm kernel (delivered)	79,717	77,256	79,286	79,003	68,696
Yield and Extraction Rates					
FFB Yield (tonnes per mature hectare)	22.93	21.69	22.13	23.98	20.86
OER (%)	21.04	21.66	21.00	20.44	20.40
KER (%)	5.31	5.39	5.41	5.39	5.23
Average Selling Price (RM per tonne)					
Crude palm oil (locally delivered)	2,753	2,182	2,327	2,852	2,532
Palm kernel (ex-mill)	1,625	1,289	1,792	2,427	2,387
AREA STATEMENT (HECTARES)					
Oil palm					
– Mature	49,945	41,819	41,556	41,497	40,819
– Immature	6,202	5,411	5,703	5,601	6,209
Planted area	56,147	47,230	47,259	47,098	47,028
Other crops:					
Rubber	_	_	_	_	298
Sentang	12	12	12	12	25
Pineapple	268	290	220	200	182
Coconut	100	-	-	-	-
Total planted area	56,527	47,532	47,491	47,310	47,533
Reserve land, building sites etc.	3,537	3,319	3,503	3,684	3,500
Titled area	60,064*	50,851	50,994	50,994	51,033

<sup>\*</sup> The increased in titled area mainly due to the lease of four JCorp's estates – Bukit Payung, Tunjuk Laut, Pasir Logok and Bukit Kelompok Estate.



### **INDONESIA**

	2020	2019	2018	2017	2016
	2020	2017	2010	2017	2010
OIL PALM					
AREA STATEMENT (HECTARES)					
Oil palm					
– Mature	3,722	2,807	2,814	3,524	4,316
– Immature area	3,640	5,464	5,531	4,821	4,336
Planted area	7,362(1)	8,271	8,345	8,345	8,652
Undeveloped Land	7,149	6,240	6,166	6,166	46,390
•	•		<u> </u>		·
Total area with HGU*	14,511	14,511	14,511	14,511	14,397
Total area with IUP#	21,300 <sup>(2)</sup>	23,700	23,700	23,700	64,345

<sup>(1)</sup> The decrease in planted area due to:

- a. PT RAJ Total of 980 ha has been designated as wetlands (per year average six months under water) and the area is excluded from planted hectares. The planted hectares reduced from 5,228 ha to 4,248 ha; and
- b. PT TPR Planted hectares increased from 3,044 ha to 3,114 ha due to supply to vacant area of 70.70 ha in field P11 and P13B (included in planted hectares).

- a. Plasma IUP of 2,400 ha has expired automatically due to not being cultivated for two years; and
- b. IUP Muara Teweh, Kalimantan of 40,000 ha has not been extended for renewal due to the cessation of operations.

<sup>(2)</sup> The decrease in IUP area due to:

## **CORPORATE INFORMATION**

#### **BOARD OF DIRECTORS**

CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Dr. Ali Hamsa

MANAGING DIRECTOR

Mohd Faris Adli Shukery

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Shamsul Anuar Abdul Majid Mohd Nordin Jamaludin

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Dato' Sr. Hisham Jafrey Kandasamy A/L Kanny Abdullah Abu Samah Fawzi Ahmad

**SECRETARIES** 

Sabarudin Harun MIA 30423

Afiq Izat Jusoh LS 0010354

#### REGISTERED OFFICE

Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru,

Johor Darul Takzim, Malaysia. Tel.:+607-219 2692 Fax.:+607-223 3175

#### **AUDITORS**

Ernst & Young (EY)

#### PRINCIPAL PLACE OF BUSINESS

Ulu Tiram Estate, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.

Tel. :+607- 861 1611 Fax. :+607- 861 1701

#### **WEBSITE**

www.kulim.com.my

#### PRINCIPAL BANKERS

- · Ambank Islamic Berhad
- Bank Islam Malaysia Berhad
- · CIMB Islamic Bank Berhad
- Malayan Banking Berhad
- · RHB Islamic Bank Berhad
- United Overseas Bank (Malaysia) Berhad

#### STOCK EXCHANGE LISTING

#### **GROUP'S LISTED ENTITY**



E.A. Technique (M) Berhad

#### STOCK EXCHANGE



Main Market – Bursa Malaysia Securities Berhad

#### LISTED SINCE



11 December 2014

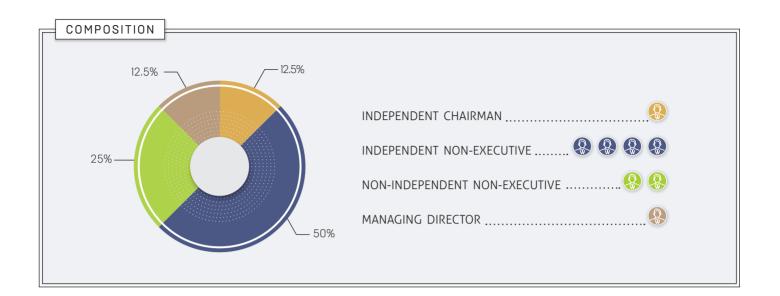
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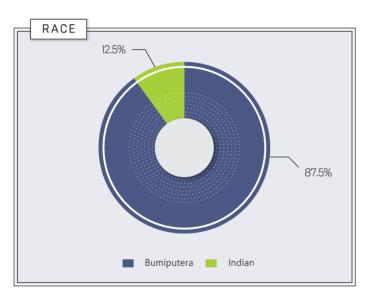


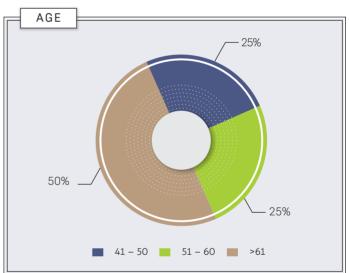
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## **BOARD DIVERSITY**

LEADERSHIP







BOARD SKILLS AND EXPERIENCE			
• Information Technology	12.5%	• Finance/Audit	37.5%
Human Resource	37.5%	Risk Management and Compliance	62.5%
Corporate Planning and Development	62.5%	Industry Experience	100%
Operations – Plantation	50%	• Legal	25%
Commercial and Marketing	37.5%	Construction	25%
• Economics	37.5%	Business Administration/Management	50%

# **BOARD OF DIRECTORS**



LEADERSHIP



#### Standing (from left):

> KANDASAMY A/L KANNY,
MOHD FARIS ADLI SHUKERY,
ABDULLAH ABU SAMAH,
TAN SRI DR. ALI HAMSA,
FAWZI AHMAD,
MOHD NORDIN JAMALUDIN,
SHAMSUL ANUAR ABDUL MAJID,
DATO' SR. HISHAM JAFREY.

## **BOARD OF DIRECTORS' PROFILES**





#### TAN SRI DR. ALI HAMSA

Chairman/Independent Non-Executive Director

Malaysian

🧭 Male

66 Years Old

1 March 2021

#### Qualification & Experience:

He graduated with a Bachelor of Arts (Hons) from the University of Malaya in 1979. He obtained his Master of Economics in 1986 and PhD in Environmental Science and Economics in 1997 from Oklahoma State University, USA.

He began his civil service career with the University of Malaya prior to embarking on an illustrious career that spans 40 years. In 1981, he entered the Administrative and Diplomatic Service ("PTD") as an Assistant Director at the Ministry of Trade and Industry. In 1986, he was appointed the Senior Project Manager of the Economy and Public Policy Management Centre ("PUTERA") at National Institute of Public Administration ("INTAN").

Upon obtaining his PhD, he served at the Economic Planning Unit ("EPU"), Prime Minister's Department where he consecutively held the position of Director of the Distribution Division; Regional Economics Division; and Deputy Director-General of the National Transformation and Advancement Programme. In 2009, he was appointed the first Director-General of the Public Private Partnership Unit, Prime Minister's Department.

He served the Government of Malaysia as the 13<sup>th</sup> Chief Secretary from 2012 till 2018. Currently, he is the Pro-Chancellor of University Tun Hussein Onn, Malaysia.









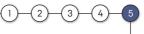


#### Chairmanship/Directorship:

> He was appointed as the Director of JCorp with effect from 1 November 2009 before being appointed as the Deputy Chairman as well as the Independent Director on 15 June 2020.

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.















#### **MOHD FARIS ADLI SHUKERY**

Managing Director

Malaysian 2 49 Years Old 🧭 Male

1 October 2020











#### Qualification & Experience:

He graduated with a Bachelor of Laws (Hons) from Sheffield Hallam University, United Kingdom in 1995 before he obtained his Masters of Laws (International and Commercial Law) from University of Sheffield, United Kingdom in 1997.

He began his career with Kuala Lumpur Stock Exchange in 1997 in the Policy and Development Division before joining AmMerchant Bank as Compliance Manager in 2003. He later joined Kumpulan

Guthrie Berhad as Manager in the Corporate Planning Department in 2005. He then became Vice President for Plantation Upstream in Sime Darby Plantation in 2008. In 2014, he joined downstream operations to become Head of Sime Darby Foods & Beverages Marketing. His last position in downstream operations was Head of Customer Solutions for Sime Darby Oils before rejoining Sime Darby Plantation's upstream operations as Regional Chief Executive Officer, Sabah in July 2019 until September 2020.

#### Chairmanship/Directorship:

> He also sits on the Board of several companies within Kulim Group.

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.



#### MOHD NORDIN JAMALUDIN

Non-Independent Non-Executive Director

Malaysian

Male

2 59 Years Old

10 July 2020









#### Qualification & Experience:

He obtained his Bachelor Degree in Law (Hons) from University of West London, United Kingdom. He began his career as Senior Legal Counsel and Company Secretary at Shell Malaysia Trading Sdn Bhd from 1990 until 2007. His skills and experience from Multinational Company had exposed him with other important areas such as ICT and Innovation, Human Resource, and Governance from the perspective of various countries in ASEAN region.

He further expanded his working career in Iskandar Investment Berhad from 2008 until 2018 where his last position was Executive Vice President, primarily responsible for Human Capital

Management and Company Secretarial functions. He was responsible for all company secretarial matters and ensures full compliance to relevant statutory requirements to mitigate risk of reprimand, fines and related due to non-compliance for Iskandar Investment and its Group of subsidiaries. Further, he was also responsible in formulating the long-term human capital strategy and strategic initiatives to leverage on the Company's human capital capabilities to support the execution of business strategies and plans effectively.

He commenced his tenure as Chief Corporate Services Officer with JCorp on 2 February 2020.

#### Chairmanship/Directorship:

> Presently, he is the Non-Independent Non-Executive Director of QSR Brands (M) Holdings Berhad.

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

#### **BOARD OF DIRECTORS' PROFILE**



#### SHAMSUL ANUAR ABDUL MAJID

Non-Independent Non-Executive Director



2 50 Years Old



10 July 2020









#### Qualification & Experience:

He graduated with a Bachelor of Science (Hons) in Chemistry from Imperial College, London, England before obtaining his Master of Business Administration (Islamic Finance) from International Islamic University, Malaysia. He is also a Chartered Financial Analyst ("CFA") from CFA Institute, Charlottesville, Virginia, USA.

He began his career with Shell Malaysia as a Planning Analyst in 1994 before joining Boston Consulting Group in 2000. He later

joined Grenland Malaysia as Vice President, Finance and Special Projects in 2004. He was the Executive Vice President of Strategy and Feasibility, Iskandar Investment Berhad in 2007. He then joined Iskandar Waterfront Holdings in 2011 as the Special Officer to the Managing Director. In 2014, he was the Director of Fikiran Sepakat Sdn Bhd.

He joined JCorp as General Manager in 2017 prior to his appointment as the Chief Investment Officer.

#### Chairmanship/Directorship:

> Presently, he is a Non-Independent Non-Executive Director of QSR Brands (M) Holdings Berhad, KPJ Healthcare Berhad, Al-'Aqar Healthcare REIT and Al-Salam REIT. He is also director of Damansara Assets Sdn Bhd, Johor Land Berhad, Damansara REIT Managers Sdn Bhd, TLP Terminal Sdn Bhd and several other companies within JCorp Group.

#### Declaration:

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.



#### **DATO'SR. HISHAM JAFREY**

Independent Non-Executive Director

Malaysian

Male

2 63 Years Old

1 March 2020











#### Qualification & Experience:

He graduated with a Bachelors Degree in Ouantity Surveying (Hons) from Leeds Metropolitan University. He started his career with Harlow and Milner of Wakefield, England. Returning to Malaysia in 1983, he joined Antara Construction Sdn Bhd.

He later joined University Technology Malaysia and played a prominent role in the development of the Department of Quantity Surveying, Faculty of Built Environment.

He was the Chairman of Royal Institution of Surveyors Malaysia (Johor Branch) and he was also a member of the One Stop Approval Centre of Majlis Bandaraya Johor Bahru.

#### Chairmanship/Directorship:

> Presently, he is the Managing Director of ARH Jurukur Bahan Sdn Bhd, which is one of the largest quantity surveying practice in Malaysia. He also sits as an Independent Non-Executive Director in JCorp as well as Cement Industries of Malaysia Berhad.

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.









#### LEADERSHIP



#### KANDASAMY A/L KANNY

Independent Non-Executive Director



2 70 Years Old







#### Qualification & Experience:

He graduated with a Master of Business Management Majoring in Plantation Management from Camden University, USA in March 2011.

He started his career with Mados's Holding Sdn Bhd (formerly known as Mado's Sdn Bhd) as a Field Conductor in 1981. In 1992, he was promoted to Cadet Assistant. Later, he was then promoted to Assistant Manager in 1994 and Manager in 1996. In 2012, he was promoted as Estate General Manager until present.

#### Chairmanship/Directorship:

> NIL

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.



#### **ABDULLAH ABU SAMAH**

Independent Non-Executive Director





2 55 Years Old 1 January 2021











#### Qualification & Experience:

He graduated with a Master of Business Administration from the University of Washington, Seattle, USA. He also holds a Bachelor of Science in Business Administration from University of the Pacific, California. He started his career with KPMG in 1988. He was a partner in its Audit Division from 1997 until his retirement in 2020. He was seconded to KPMG London for two years between 1993 and 1995 to focus on the financial services sector.

He has over 32 years of experience in servicing clients from various industries including oil palm plantations, oil & gas, banking and finance, construction and property development,

hotel and hospitality, manufacturing, industrial products, trading, investment holding companies as well as large multinational companies.

In addition, he was also involved in reviews of prospective financial information for purposes of IPOs, right issues and bond issues. He has significant experience in due diligence reviews in connection with the proposed composite scheme of arrangement and restructuring scheme.

He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

#### Chairmanship/Directorship:

> Presently, he is the Chairman of Extreme Edge Sdn Bhd, a subsidiary company of Kulim. He sits as an Independent Non-Executive Director in Media Prima Berhad. He is also sits in Damansara REIT Managers Sdn Bhd as an Independent Non-Executive Director and as a Chairman of Audit Committee.

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

#### **BOARD OF DIRECTORS' PROFILE**



FAWZI AHMAD
Independent Non-Executive Director







1 January 2021







#### Qualification & Experience:

Upon graduation, he joined the Executive Scheme in Kulim Group at Ulu Tiram. Was initially posted to Ulu Tiram Estate and then transferred to Ulu Tiram Manufacturing Company Ltd. He attended various courses held by the Rubber Institute of Malaysia ("RRI").

Towards the end of 1980, he transferred to the Plantation Division at Ulu Tiram Estate as Senior Assistant Manager. He was then seconded to a subsidiary company of Kulim and established an infrastructure for Yayasan Pelajaran Johor ("YPJ") in 1985 through

He transferred back to Ulu Tiram Estate in late 1988 before joining Austral Enterprise (a subsidiary of Island & Peninsula) in 1989 and subsequently made a Planting Advisor in 1991. In 1992, he established and spearheaded the Plantation Division for YPJ. He was the National Vice Chairman of the Incorporated Society of Planters and State Vice Chairman of the Royal Johor Planters Association. He retired from YPJ Oil Palm Estates Sdn Bhd in 2013. Currently, he conducts advisory services for plantation visits for an established GLC plantation company.

#### Chairmanship/Directorship:

> NIL

#### **Declaration:**

> Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

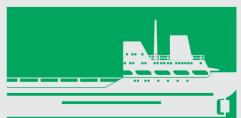




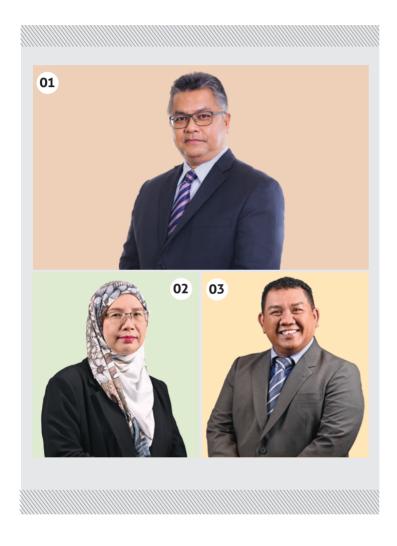








# SENIOR MANAGEMENT'S PROFILES



#### 01 MOHD FARIS ADLI SHUKERY

Managing Director

Malaysian

Male

2 49 Years Old

1 October 2020

#### Relevant Experience:

He graduated with a Bachelor of Laws (Hons) from Sheffield Hallam University, United Kingdom in 1995 before he obtained his Masters of Laws (International and Commercial Law) from University of Sheffield, United Kingdom in 1997.

He began his career with Kuala Lumpur Stock Exchange in 1997 in the Policy and Development Division before joining AmMerchant Bank as Compliance Manager in 2003. He later joined Kumpulan Guthrie Berhad as Manager in the Corporate Planning Department in 2005 before becoming the Vice President of Plantation Upstream in Sime Darby Plantation in 2008. In 2014, he joined downstream operations to become Head of Sime Darby Foods & Beverages Marketing. He become the Head of Customer Solutions for Sime Darby Oils before rejoining Sime Darby Plantation's upstream operations as Regional Chief Executive Officer, Sabah in July 2019 until September 2020. He also sits on the Board of several companies within Kulim Group.

The Senior Management Team is the Group's executive senior leaders who review
and deliberate on issues and actions of Group-wide significance that are charted
in the performance of the Group.



LEADERSHIP



#### 02 AZIAH AHMAD

Chief Financial Officer, Finance Division

Malaysian

P Female

2 55 Years Old

1 April 2020

#### Relevant Experience:

She is a Certified Practicing Accountant of CPA Australia and a member of the Malaysia Institute of Accountants. She graduated with a Bachelor of Commerce in Accountancy from University of Wollongong, New South Wales, Australia. She joined JCorp as a General Manager on 1 April 2014 before her secondment to Damansara Assets Sdn Bhd as the Chief Financial Officer. From October 2016 to December 2019, she headed the Group Financial Monitoring and Advisory Department of JCorp. She became the Vice President and the Group Chief Financial Officer prior to joining Kulim. She also sits on the Board of several companies within Kulim Group.

#### **MOHAMAD YAMI BAKAR**

Head of Plantation Division

Malaysian

Ø Male

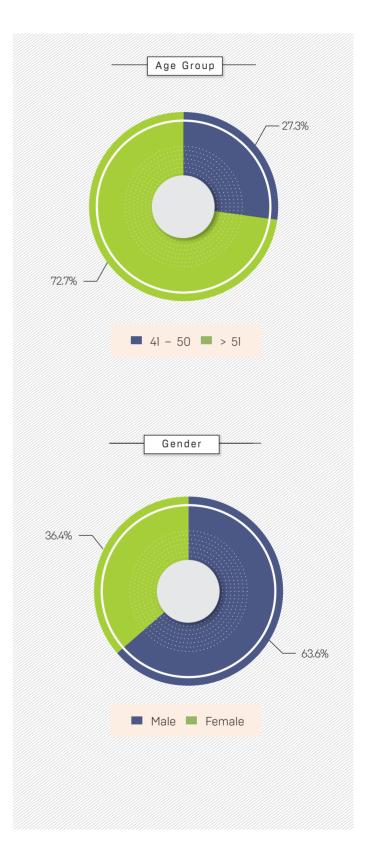
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2 53 Years Old

1 January 2021

#### Relevant Experience:

He holds a Diploma in Planting Industry and Management from Institute Technology Mara in 1990. He joined the Company on 4 August 1990 as a Cadet Planter. He was seconded to Damansara Forest Project ("PNG") Pte Ltd in 1996 and promoted as a Manager in 2004. He became a Regional Controller of Sindora Complex in 2011 and Tunjuk Laut Complex in 2014. Later, he was seconded to PT Wahana Semesta Kharisma, Indonesia in October 2014 until December 2016. He then heads Kulim Pineapple Farm on 1 August 2017 before assuming his current position on 1 January 2021. He also sits on the Board of several companies within Kulim Group.



#### SENIOR MANAGEMENT'S PROFILE

















#### MOHAMMED IZUDDIN ROSLI

Head of Strategy Division

Malaysian

Ø Male

S 55 Years Old

1 January 2021

#### Relevant Experience:

He joined Kulim on 1 September 2020 before assuming his current position. He graduated with a Diploma in Banking from Institute Technology Mara and started his career at Maybank in the Corporate Banking Division in 1988. He then pursued his first Degree at the Sheffield Hallam University and graduated with BA (Hons) in Business Studies majoring in Finance in 1992.

He has wide experience in Business Development and Communications through his various stints at Sepang F1 International Circuit and Iskandar Investment Berhad ("IIB"). Later, he joined FGV Holdings Berhad for six years as the General Manager in various capacities. In April 2020, he joined JCorp as Head of Business Development Department, before taking up his current position at Kulim. He also sits on the Board of several companies within Kulim Group.

#### **05** AMRAN ZAKARIA

Head of Corporate Services Division

Malaysian

Male

2 53 Years Old

1 January 2021

#### Relevant Experience:

He graduated with a Bachelor of Science in Horticulture from Universiti Putra Malaysia, Diploma in Training and Development from Auckland College of Education, New Zealand and Diploma in Industrial Relations from Malaysian Employers Federation. He brings with him vast experience in Human Resources Management at operation and strategic levels from his previous employment at the Prime Minister's Department, Toyota Group, Nestle and several GLCs.

He joined Kulim as Head of Human Resource Division on 24 April 2017 and was seconded to JCorp in January 2020 to head the Group Human Resources before he resuming the same position at Kulim in September 2020. He also sits on the Board of several companies within Kulim Group.





#### **NOOR EFFENDY MOHD ALI**

Head of Marketing & Sustainability Division

Malaysian

🇭 Male

2 57 Years Old

1 January 2021

#### Relevant Experience:

He graduated with a Bachelor of Science (BSc) in Finance from the Northern Illinois University, USA in 1987. He joined the Company as an Executive at Internal Audit Department in 1990 and transferred to Marketing/Commercial Department in 1993. He was promoted as a Manager in 2004 before becoming the Senior Manager from the year 2014 until December 2016. He was then appointed as the Head of Business Development and Marketing Division on 12 February 2018 before assuming his current position. He also sits on the Board of several companies within Kulim Group.

#### MOHD AKHIR WANTEH

Head of Plantation Inspectorate Division

Malaysian

🌠 Male

2 59 Years Old

1 January 2021

#### Relevant Experience:

He holds a Diploma in Planting Industry and Management from Institute Technology Mara in 1984. He joined the Company on 1 December 1987 as Cadet Planter before being promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and became the Region Head of Plantation Operations in 2015 until December 2016. On 1 January 2017, he was the Head of Plantation Division before assuming his current position. He also sits on the Board of several companies within Kulim Group.

#### 08 ZAINURIAH ABDULLAH

Head of Plantation Advisory & Services Division

Malaysian

🧭 Female

56 Years Old

1 July 2017

#### Relevant Experience:

She graduated with a Bachelor in Agricultural Science from Universiti Pertanian Malaysia in 1988. She joined Kulim as Cadet Executive in 1990 and later confirmed as an Agronomist and was attached to the R&D Division. She was promoted as a Manager of the R&D Division in 2000. In 2004, she was promoted to Senior Manager before becoming Comptroller of Kulim's R&D Division in 2007. She heads the Plantation Advisory & Services Division since 2017. She also sits on the Board of several companies within Kulim Group.

#### **WAN ADLIN WAN MAHMOOD**

Head of Engineering & Projects Division

Malaysian

🧭 Male

2 46 Years Old

1 January 2021

#### Relevant Experience:

He graduated with a Master of Business Administration in Manufacturing and Production from Open University Malaysia in 2018. He also holds a Bachelor of Engineering (Chemical) from Vanderbilt University, Nashville, Tennessee, USA in 1997 and Diploma in Palm Oil Milling and Technology from MPOB in 2002. He also garnered the First Grade Steam Engineer Certification from the Department of Safety and Health in 2003. He joined the Company in November 2012 as Senior Manager at the Sedenak Palm Oil Mill until December 2016. He was then appointed as Deputy General Manager of the Engineering Department on 1 July 2019. He has more than 20 years of experience in palm oil milling in various locations in Malaysia, Papua New Guinea and Sarawak. He also sits on the Board of several companies within Kulim Group.

#### **KASMAWATI KASIAN**

Head of Governance Division

Malaysian

🧭 Female

49 Years Old

**a** 24 July 2017

#### Relevant Experience:

She graduated with a Bachelor of Arts in Accounting from the University of Liverpool, UK in 1995. She is a Certified Internal Auditor, possesses the Certification in Risk Management Assurance ("CRMA") with 24 years experience in internal auditing, risk management and compliance, external auditing and corporate affairs. She started her career in Kulim as Internal Audit Executive on 1 September 1999. In 2010, she was appointed as Manager of the Corporate Affairs Department. She was promoted as the General Manager of Internal Audit Department in 2016 before assuming her current position.

#### **MAZIAH MAHMOD**

Head of Digital Division

Malaysian

🧭 Female

2 53 Years Old

1 February 2021

#### Relevant Experience:

She graduated with a Bachelor of Computer Science from University Technology Malaysia. She started her career with JCorp as an Executive on 16 May 1993. She was appointed as Deputy Manager of the ICT Development Division in 2000 and was promoted to Manager in 2006. She was later seconded to Sovereign Multimedia Resources Sdn Bhd, a subsidiary of JCorp before returning to JCorp in 2014 as Deputy General Manager of the ICT Development Division. She left JCorp as General Manager of the ICT Development Division before assuming her current role at Kulim. She also sits in the Board of several companies within Kulim Group.

## **ORGANISATION STRUCTURE**

AS AT 15 MARCH 2021



CHIEF FINANCIAL OFFICER
FINANCE DIVISION
AZIAH AHMAD



HEAD OF PLANTATION DIVISION MOHAMAD YAMI BAKAR



HEAD OF STRATEGY DIVISION MOHAMMED IZUDDIN ROSLI

**BOARD OF DIRECTORS** 

MANAGING DIRECTOR
MOHD FARIS ADLI SHUKERY



HEAD OF CORPORATE SERVICES DIVISION AMRAN ZAKARIA



HEAD OF
MARKETING & SUSTAINABILITY DIVISION
NOOR EFFENDY MOHD ALI



HEAD OF PLANTATION INSPECTORATE DIVISION MOHD AKHIR WANTEH



HEAD OF
PLANTATION ADVISORY &
SERVICES DIVISION
ZAINURIAH ABDULLAH



HEAD OF ENGINEERING & PROJECTS DIVISION WAN ADLIN WAN MAHMOOD



HEAD OF GOVERNANCE DIVISION KASMAWATI KASIAN



HEAD OF INTERNAL AUDIT ABDUL RASHID AHMAD @ MOHD JAINI



HEAD OF DIGITAL DIVISION MAZIAH MAHMOD

······ Advisory Role

#### LEADERSHIP

# **VALUE CREATION THROUGH**RESPONSIBLE GOVERNANCE

The Board is deeply committed to high standards of integrity and ethics in the conduct of the Group's business. We continue to strive to be better and guided by our best practices, we aim to create continued sustainable value for our stakeholders.

Amidst the challenging business and economic environment we continue to be resilient in weathering them on the back of our well-executed business strategies.

We strive towards strengthening stakeholders' trust and confidence, enhancing capability and upholding integrity in Kulim as we move closer towards achieving our Vision of being 'the most progressive, efficient, profitable and respectable agribusiness company in the region.'

For Kulim, good governance is imperative to ensure long-term sustainable performance, creating long-term economic value and growth for the Group.

Ethical, confident and effective leadership underpins the Board's commitment to operational efficiency and upholds the fundamentals of continuous value creation, all of which accentuate our goal towards achieving our Vision and striving for a greater purpose.

Through the creation of maximum shared value across all spheres, we deliver on our purpose and ensure the relevance and sustainability of our business model, as well as monitor the overall environment, the availability and quantity of capital inputs, and acknowledge the needs of all stakeholders.

Our Board continues to provide judicious leadership and strategic guidance to safeguard stakeholder's value creation within a framework of rigorous and effective controls. Together with the Management, the Board drives robust strategies, executes strong governance and scrupulous financial practices.

We conduct our operations in Malaysia and Indonesia reliably, safely and competitively to maximise returns to our stakeholders. As a diversified plantation Group, we are committed to continuously drive a sustainable business, whilst tapping into new revenue streams from the circular economy to create more value.

Our customers are important to us and the businesses that we undertake anchor on meeting their needs. We continue to introduce new products to the market and find ways to add value to existing products to penetrate new markets. People are our strength and partners for growth. In today's evolving business landscape, their changing needs must be addressed if we are to progress together.

Our operational and commercial excellence on the back of growth initiatives, have helped us to become a competitive, more diversified and efficient organisation.

Through our strategic focus areas, we are able to maintain focus in conducting operations underpinned by good governance and at the same time, deliver our financial targets. We have put in place the right foundations for future growth and are hugely committed to producing long-term sustainable value for our stakeholders.



#### **OUR GOVERNANCE PHILOSOPHY**

We are a value-based integrated organisation, upholding high standards of business integrity and ethics. The Board embraces and promotes value-creating governance through a deliberated and structured approach.

The Board is focused on ensuring that integrity remains paramount in the conduct of our business across the Group and believes that strong governance is critical in realising our growth strategy, value creation and sustainability.

We embrace good business practices and robust institutional governance and risk frameworks. We continuously review these practices and frameworks, being mindful of the dynamic, challenging and evolving business landscape, influenced by among others, geopolitical and cultural shifts regionally and globally to ensure that we act in the best interests of our stakeholders.

The Board is responsible to ensure that the Company maintains its effectiveness towards governance on risk, internal controls and compliance with applicable laws and regulations, which in turn enables the Board to formulate mitigation strategies to safeguard the Company's businesses and reputation.

We believe that good governance contributes to sustaining our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

Accordingly, as a responsible business entity, our ultimate objective for sustainability is for it to create value for stakeholders by meeting their needs, thereby enhancing their well-being, while at the same time reducing our environmental footprint. Our commitment to them is ensuring that we meet their expectations and requirements, and reach out to them through various Corporate Responsibility ("CR") initiatives carried out by the companies within Kulim Group. The numerous industry awards

and accolades received by Kulim in recent years are testament of our continuous efforts to strengthen our position as a responsible and sustainable plantation Group.

Striving for sustainability remains a core part of our operations. We were one of the first Malaysian companies to be certified with RSPO. Compliance to the RSPO Principles and Criteria ensures that we are in line with the most widely accepted sustainability standards for palm oil in the world, and also helps the Group to produce palm oil that commands premium pricing.

In managing external risks and at the same time, sourcing for new opportunities, we are driven by our sustainability agenda. At Kulim, sustainability is steered both by commitment to operate in a manner that is environmentally and socially responsible, and determination to continue to be a risk resilient organisation.



#### **KULIM GROUP STRUCTURE**

Good governance practices are integrated across Kulim Group. As a holding company, Kulim endeavours to exercise appropriate governance oversight over its subsidiaries while acknowledging the legal and governance responsibilities of each subsidiary.

#### VALUE CREATION THROUGH RESPONSIBLE GOVERNANCE

#### **EFFECTIVE AND ETHICAL LEADERSHIP**

The Board sets the Company's core values and standards. The Board has established a corporate governance framework that embeds a culture of performance, conformance and integrity across Kulim Group.

The Board embodies and promotes a corporate culture based on sound ethical values and behaviours from the top down and this guides the Group's objectives and strategy.

The Board comprises of a Non-Executive Chairman, a Managing Director and six Non-Executives Directors from diverse background of knowledge, skills and expertise, allowing them to provide independent, varied but

balanced perspectives during Board discussions and decision-making.

The positions of the Chairman and Managing Director are held by two different individuals.

The Board provides prudent leadership and strategic guidance to safeguard stakeholder's value-creation within a framework of robust and effective controls which makes it possible for emerging risks and opportunities to be assessed and managed continuously.

At Kulim, sustainability is integral to our operation. The Management has formulate strategic sustainability initiatives and policies

where attention is given to ESG aspects of business. We are committed to the ESG principles and recognise the importance of ESG in everything we do as an organisation.

The Board has ultimate accountability and responsibility for the performance and affairs of the Company and ensures that Kulim Group adheres to the highest standards of ethical behaviour.

There is clear demarcation of responsibilities between the leadership of the Board and leadership of the Management of the Group's business.



#### VALUE-DRIVEN OBJECTIVES OF OUR BOARD: PILLAR OF SUSTAINABLE VALUE-CREATION

The Board has embraced the best corporate governance practices of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), Companies Act 2016 and other applicable regulations.

The Board's governance oversight is guided by its overriding commitment to its responsibilities and governance objectives.

#### a. Leadership and Ethics

The Board sets the tone and leads the Group ethically, effectively and responsibly. Strong leadership is critical to value-creation.

Accordingly, in decision-making, individual Board members act with independence, inclusivity, competence, diligence and courage, irrespective of status.

The Board commits itself and its member to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

The Board discharges its responsibilities within a clearly defined governance framework and effective mechanisms in place.

The Board is guided by its Board Charter in discharging its duties and responsibilities. The Board Charter sets out the principles and guidelines that are to be applied by the Board and Board committees.

The Board Charter sets out the differing, distinct and separate roles of the Chairman, the Managing Director and Non-Executive Directors.

The Board Charter is reviewed from time to time to reflect the relevant changes to the policies, procedures and processes as well as amendments to rules and regulations, to ensure the document remains relevant and consistent with applicable rules and regulations and recommended best practices.

#### b. Strategy and Performance

The Board is accountable for the performance of Kulim Group. In doing so, the Board supports Kulim Group in setting its purpose and achieving its strategic objectives as well as ensuring that necessary resources are in place to meet the objectives.

The Board is committed to ensure that Kulim achieves its key objectives. We are, therefore, implementing strategies that will fortify Kulim as a competitive player in the agribusiness sector.

The Board oversees the implementation of the Group Business Plan 2021-2025, formulated to assist Kulim in streamlining its business

structure, among others, its non-core businesses and assets. To strengthen our business, we are in the process of expanding our oil palm plantation area either through collaboration or acquisition of brownfield area in Malaysia. Our intention is to build a formidable plantation and agribusiness player by deepening our presence across the entire value chain from the upstream, where we now mainly operate, to mid- and downstream segments. We are also exploring other new growth areas, particularly in the agribusiness sector which is smart farming. Last but not least, we aim to pursue plans to once again be listed on Bursa Malaysia.

#### c. Governance and Delegation

The Board is collectively responsible for delivering sustainable shareholder value through effective oversight of the management of the Kulim Group's business, challenging and approving strategic plans proposed by the Management and monitoring their implementation.

Through the Board Audit and Risk Committee ("BARC"), the Board provides overall guidance and oversight to the Kulim Group on primarily, the implementation and monitoring of internal control and risk management process within the Group.

The Board does not abdicate accountability notwithstanding delegation of certain responsibilities to the BARC. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company and ensures that the Group adheres to the highest standards of ethical behaviour.

#### d. Sustainable Growth and Stakeholders

The Group remains wholly committed to the sustainability agenda. In providing leadership and vision to Kulim Group, the Board ensures sustainable growth and delivery of Kulim Group's purpose and objectives for the benefit of all shareholders.

We embed sustainability throughout the organisation and where possible, along our entire value chain. We also align our sustainability efforts against the UN Sustainable Development Goals ("SDGs"), which encompass every area of fair, honest and responsible operation.

A stakeholder-inclusive approach is therefore the key in maintaining a strong stakeholder relationship. The Board ensures that the shared expectation around our vision, strategy and future performance is acknowledged and understood.





LEADERSHIP

#### **VALUES AND CULTURE**

Governance is supported by the tone at the top and the Board and Management strive to lead by example. We continue to embrace our corporate values: Competitive, Action, Responsible and Ethical (C.A.R.E).

Our corporate values are embedded in our culture as the backbone of our business conduct, reflecting our sense of duty in upholding our commitment towards contributing to the well-being of the people and countries where we operate.

The Board believes that without the right culture to reflect Kulim Group's moral and ethical beliefs and standards, employees will have difficulty embracing the corporate values and behaviours that are the embodiment of this organisation.

We regularly review our tone and ethical culture in the context of our strategy, driving and enabling new leadership mindset and capabilities required to manage and thrive in an agile, digitalised, innovative, fast-paced, customer-centred and competitive environment.

#### **INTEGRITY AND ETHICS**

An organisation must fundamentally add value for stakeholders by adopting a responsible business philosophy.

The Group has established the Integrity Unit which developed an Anti-Bribery Plan and reviewed three existing policies related to integrity: Conflict of Interest, Gift and Entertainment, and Whistle-Blowing policies; while developed three new policies: Anti-Bribery and Corruption Policy, Due Diligence Policy and Referral Letter Policy, which came into effect as of 10 September 2020.

Our Integrity Unit also carried out various initiatives to create awareness of Section 17A of MACC Act (Amendment 2018) within Kulim as well as among our contractors, suppliers and business associates. The objective is to promote a workplace culture that is free from corruption. Kulim is currently moving towards obtaining MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") which is expected to be certified in the second quarter of 2021.



#### **EFFECTIVE CONTROL**

#### Roles and Responsibilities of the Board

The Board bears legal responsibility to govern the organisation. The Board is entrusted with the responsibility to promote the success of Kulim Group by directing and supervising its affairs in a responsible and effective manner.

Board members have a collective responsibility and individuals do not hold separate authority. Each Director has a duty to act in good faith and in the best interest of the Company.

Our Board is collectively responsible for the long-term success of Kulim Group and delivering sustainable value through oversight of the management of its business.

The Board works to fulfil the primary governing roles as follows:

- · sets and steers strategic business plans and goals;
- reviews and manages principal risks and adequacy of Kulim Group's internal control systems;
- approves policy and planning;
- provides oversight and monitoring of management and supervisory activities; and
- ensures accountability to stakeholders and to some extent towards a wider range of stakeholders affected by the decision of Kulim Group.

In exercising the above roles, the Board is committed to fulfilling, among others, the following responsibilities:

- delegates management of Kulim Group to a competent executive management team;
- establishes Board committees to ensure effective discharge of its duties:
- ensures that the Company maintains a sound system of internal control and robust risk management function and practices;
- ensures compliance with appropriate legislation, regulations and appropriate best practices;
- ensures that a robust strategy process is defined and executed by the Management;
- · protects the interests of Kulim Group's stakeholders; and
- safeguards and minimises the impact to the environment in the course of achieving Kulim Group's objectives.

#### Setting the Board Agenda

The calendar of meetings of the Board and Board Audit and Risk Committee ("BARC") are drawn up and distributed to the Board in the quarter preceding to the new calendar year. The Board meets at least four times a year with additional meetings being convened whenever necessary to facilitate the discharge of their responsibilities. During the year under review, the Board met five times, including two special Board meetings.

The Board papers which accompany the agenda provide the Directors with the relevant information needed to place them in a position to apply their independent perspectives properly to the matters at hand to discharge their statutory and fiduciary duties.

Details of the Board's and BARC's considerations during the year under review and focus areas for the new financial year are covered on pages 036 to 039 of Governance and Financial Report 2020.

The Directors' commitment in discharging their duties and responsibilities is affirmed by their attendance at the Board meetings during the year under review. The overall percentage of all Board meetings attended by the Directors during the year under review was almost 97%.

#### The Board, Board Committee and Management Committees





#### VALUE CREATION THROUGH RESPONSIBLE GOVERNANCE



#### **ENGAGING WITH THE BUSINESS ON STRATEGIC MATTERS**

Although the Board maintains its independence, the Board engages with the Management on multiple platforms.

The Board is provided with updates on the current status of planned strategic initiatives as well as the analysis of market outlook and external environment to enable the Board and Management to deliberate on Kulim Group's strategic and growth plans.

The management reports further provide to the Board by quarterly with comprehensive feedback on the performance of the business across Kulim Group.



#### **CONFLICT OF INTEREST**

A Director is prohibited from using his/her position, or confidential or price-sensitive information, to benefit herself or himself, or any related third party, financially or otherwise.

Directors are also required to inform the Board, promptly, of any conflicts of interest or potential conflicts of interest that they may have in relation to particular items of business or other directorships. They are required to recuse themselves and abstain from deliberations and decision-making process. A declaration of interest is a fixed agenda item at the start of every Board meeting. Disclosure of the nature and extent of the Directors' interest are recorded in the minutes of the Board meetings.

Directors are also required to declare their interests annually, in line with the requirements on the disclosure of Directors' interest in the Company's Audited Financial Statements.

A Director may accept other Board appointments provided the appointments do not conflict with that of Kulim Group and/or adversely affect the Director's duties.



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#### **SIZE OF BOARD**

The Board is of a size that ensures that the purpose, involvement, participation, harmony and sense of responsibility of the Directors are not jeopardised and that it achieves the correct balance to realise Kulim Group's strategic objectives.



#### **RISK MANAGEMENT**

Kulim is committed to become a risk resilient organisation and will continuously strive to implement risk management best practices and risk-based decisions.

The Board is committed to maintain an effective risk management and internal control system to address all key risks which Kulim Group deemed as relevant and material to its operation.

Risk management oversight is carried out by the Board through the BARC. The BARC will apprise the Board of any significant risks and thereafter, the Board will determine the final decision on the risk treatment options and risk action plans.

Additionally, oversight is also embedded within various management levels to ensure seamless integration of risk management into our business processes.

We identify, manage, monitor and report our top key risks to the Board on a quarterly basis.

For the year under review, our top key risks are:

- 1. Adverse impact of economy-wide phenomena towards business performance;
- 2. New investment's risks in respect of the industry, law and regulations, politics, country and local risks;
- 3. Liquidity risk on existing and future funding requirements in meeting its financial obligations; and
- 4. High dependency on foreign workers in plantation operation.

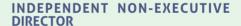


#### LEADERSHIP OF THE BOARD

The Chairman of the Board is responsible for ensuring the Board's effectiveness and conduct, promoting constructive and respectful relations between Directors and between the Board and Management, and ensuring a smooth, open and constructive dialogue between the Board and shareholders.

The Chairman provides leadership to the Board and ensures that the Board fulfils its obligations to the Company. The Chairman leads the Board in the oversight of Management and sets the agenda to take full account of the issues while ensuring the link among the majority shareholder, Board and Management remain strong.

The Chairman ensures appropriate procedures are in place to govern the Board's operation, decisions are taken on a sound and well-informed basis, including discussions on all strategic and critical issues, dissenting views can be freely expressed and discussed, and leads efforts to address the Board's developmental needs.



Kulim's Board is diverse in demographics, skills and experience. Its directors are professionals of high calibre and integrity, and possessed sound knowledge and understanding of the Group's business.

The presence of Independent Non-Executive Director ("INED") provides a pivotal role in corporate accountability. The role of the INED is particularly important as they provide independent and objective view, advice and judgement, and ensures strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered.

The INED do not participate in operation of the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board. Currently, we have five INED in the Board which are in line with Practice 4.1, that recommend the Board to have at least half of the Board independent.

A Non-Executive Director is obliged to notify the Board of any change in circumstances that may affect his/her independence status. Once notified, the Board will review and determine the Non-Executive Director's independent status.



#### VALUE CREATION THROUGH RESPONSIBLE GOVERNANCE

# BOARD DIVERSITY, BALANCE OF KNOWLEDGE, SKILLS AND EXPERIENCE

The Directors bring with them years of experience in managing sustainable business growth and collectively represent a formidable leadership with diversity of perspectives that support effective decision-making.

The Board continues to achieve a balance of skills, knowledge, experience and views among its Directors. The Board believes that a diverse Board that leverages on these differences will ensure effective stewardship of Management and will steer the Company to retain its competitive advantage.

Diversity that embraces ethnicity, knowledge, skill, cultural background, regional and industry experience at Board level is a key consideration in our Board selection and appointment process.

#### **BOARD OF DIRECTORS**

Chairman/Independent Non-Executive Director **TAN SRI DR. ALI HAMSA** 

Managing Director

**MOHD FARIS ADLI SHUKERY** 

Non-Independent Non-Executive Director

SHAMSUL ANUAR ABDUL MAJID MOHD NORDIN JAMALUDIN

Independent Non-Executive Director

DATO' SR. HISHAM JAFREY KANDASAMY A/L KANNY ABDULLAH ABU SAMAH FAWZI AHMAD

#### **ENSURING AND PROTECTING VALUE**

Effective risk management and sound system of internal control are fundamental to good corporate governance.

Risk management aims to create and protect the values for Kulim Group through improving performance, encouraging innovation and supporting the achievement of its objectives.

We have the following in place:

- strategies that address the full spectrum of risks.
- a culture where risk management practices are infused throughout so that strategy and decision-making evolved out of risk-informed process.
- an independent internal audit function.
- an effective Enterprise Risk Management ("ERM") Framework.

#### FAIR AND RESPONSIBLE REMUNERATION

The Board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders.

Given the highly competitive market, the Board believes that the levels of remuneration offered by the Group are sufficient to attract, retain and appropriately compensate diverse and experienced Non-Executive Directors to contribute to the performance of the Group.

# ENGAGING WITH INVESTORS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS

We regularly engage with stakeholders on ESG and strategic matters to collaborate with them and address concerns faced by our diverse stakeholder groups. We are cognisant of the fact that environmental factors determine a company's stewardship of the environment and focus on waste and pollution, resource depletion, greenhouse emissions and climate change.

Constant engagements will also keep us abreast of evolving social and environmental expectations. This way, we are able to fortify our business insights with the ultimate objective of delivering value to society at large.

Additionally, we have continued to map our initiatives against the relevant UN SDGs.

#### **DRIVING INNOVATION**

Within our estates and mills, facilities and regional operations, the innovations we adopt in work processes and management systems lead to higher production outputs while reducing our impact on the environment.

To remain relevant and competitive in this global age, the Board places innovation as key governance responsibility and acknowledges its strategic importance to create sustainable value.

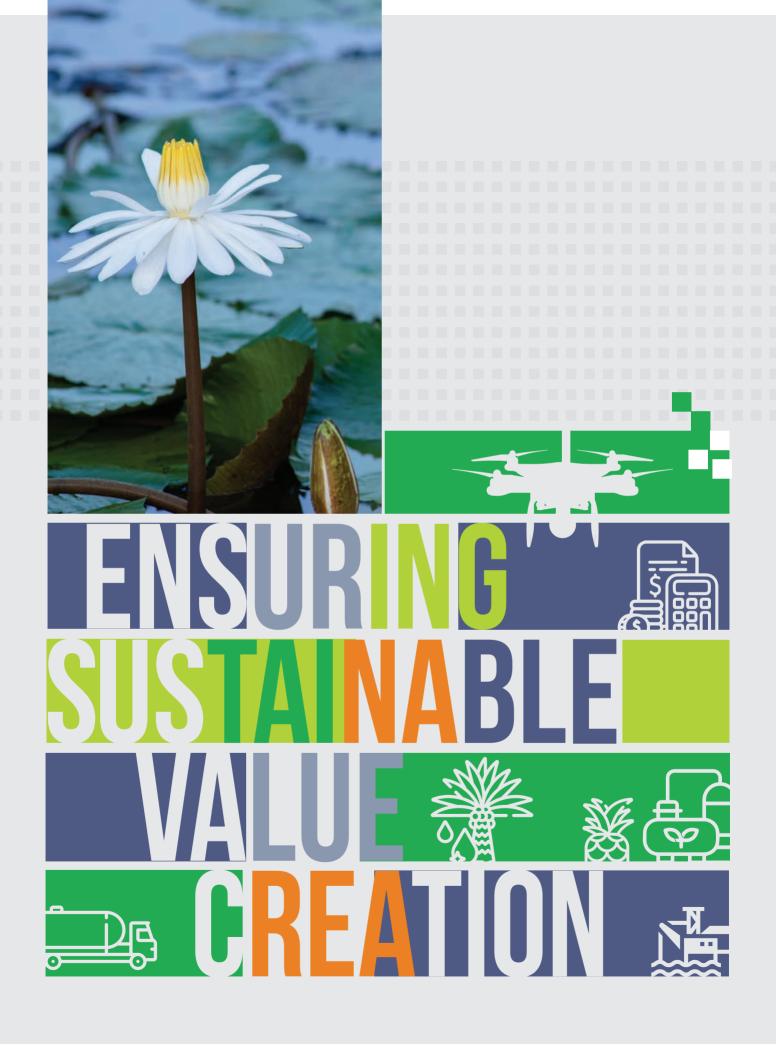


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# SUSTAINABILITY STATEMENT





#### **OUR APPROACH TO SUSTAINABILITY**

Kulim strongly believes that we have a duty to operate in a manner that is respectful of the needs of society as well as our natural environment. Even before sustainability became a global clarion call, we had adopted many agricultural practices that are now recognised as being sustainable. We were, for example, one of the first plantation companies in the world to achieve RSPO certification.

But we have not stopped there. Along with greater regulatory requirements and intensifying stakeholder expectations, we have continued to adopt more global and local standards. These are reflected in our Sustainability Policy, which is reviewed on a regular basis. Following the last revision in May 2018, for example, we have underlined our commitment to "No Deforestation; Protection of Peat Areas; and No Exploitation of People and Communities".

#### **VISION**

To be the most progressive, efficient, profitable and respectable agribusiness company in the region.

#### **MISSION**

- · Committed to generate sustainable growth and profits, and to consistently enhance our stakeholder value;
- · To provide extensive professionalism and innovation to drive business forward;
- · To achieve operational excellence through continuous improvement and best practices;
- Produce trusted products and services of superior value;
- · To strive towards high business ethics and governance; and
- To be an exemplary corporate citizen responsible to the society and environment.







- HCV/HCS Protection & Management
- Carbon Emissions
- Water Management
- Responsible Chemical Use
- · Waste Management
- Renewable Energy

- Occupational Safety & Health
- Diversity & Equal Opportunity
- Training & Education
- Human Rights & Labour Practices
- Workers' Union
- · Grievance Mechanism
- Smallholder Management
- Community Investment & Engagement

- · Corporate Governance
- Anti-Corruption
- Compliance
- Product Quality
- Customer Satisfaction
- Transparency & Traceability

#### **INITIATIVES**

#### SUSTAINABILITY STATEMENT

Our objective is for sustainability to be integrated into every aspect of our strategies and business operations in order to keep enhancing our stakeholder value.

We also continue to evolve our sustainability reporting in line with best practice. In the past few years, we had aligned our report according to the 5Ps of People, Planet, Prosperity, Peace and Partnerships. This year, reflecting greater investor focus on Environmental, Social and Governance ("ESG") principles, we have adopted the three ESG pillars in the report. At the same time, we have continued to map our initiatives against the relevant United Nations' Sustainable Development Goals ("SDGs").

Kulim has identified 10 SDGs that are relevant to our operations, and are guided by the principles and objectives of each in shaping our actions. The 10 SDGs as below:























#### **SUSTAINABILITY CERTIFICATIONS**

Various socio-environmental issues are related to the production of palm oil, such as deforestation, loss of biodiversity, environmental damage (due to loss of carbon sinks, i.e. forests) and the displacement of local communities.

In response, a number of guidelines have been developed to aid in the production of sustainable palm oil. Producers that adhere to these schemes are audited and certified as a means of demonstrating the sustainability of their produce. Among the most widely accepted schemes are the RSPO and International Sustainability and Carbon Certification ("ISCC"). Malaysia, being the world's second largest palm oil exporter, has developed its own Malaysian Sustainable Palm Oil ("MSPO") standard.

#### About the RSPO

The RSPO was established in 2004 to promote the sustainable production and use of palm oil. In order for growers to be RSPO certified they need to satisfy the following seven principles:

- Behave ethically and transparently;
- · Operate legally and respect rights;
- · Optimise productivity, efficiency, positive impacts and resilience;
- · Respect community and human rights, and delivery benefits;
- Support smallholders inclusion;
- · Respect workers' rights and inclusion; and
- · Protect, conserve and enhance ecosystems, and the environment.

Kulim was among the first palm oil companies to become a member of the RSPO. Since January 2009, all our mills have been RSPO-certified; and as of June 2020 – with the certification of Bukit Layang Estate – all our estates have also been fully RSPO-certified.

We also encourage our smallholders to attain the certification and provide advisory and technical support to those who embark on this journey. To date, three of our 28 outgrowers have been certified while another 25 are working towards it. Our target is for all of our outgrowers to be certified by 2025.

#### About the ISCC

ISCC is a multi-stakeholder initiative with the multi-pronged objective of reducing GHG emissions, promoting sustainable use of land, protecting natural biospheres and achieving social sustainability. The ISCC standard ensures compliance with the requirements of the European Union, Renewable Energy Directive and Germany's Sustainability Ordinance.

All five of our mills have been accorded ISCC status.



#### About the MSPO

The MSPO, launched in 2015, covers the entire supply chain from oil palm plantations to downstream facilities. It contains seven principles:

- · Management commitment and responsibility;
- · Transparency;
- · Compliance to legal requirements;
- · Social responsibility, health, safety, and employment conditions;
- Environment, natural resources, biodiversity and ecosystem services:
- · Best practices; and
- · Development of new plantings.

We are 100% certified to the MSPO scheme, and subsequently received certification for all our mills and estates in March 2019. All mills also successfully received MSPO Supply Chain Certification Standard ("SCCS") in March 2020.

#### SUSTAINABILITY GOVERNANCE

We have a multi-tiered governance structure to ensure sustainability is embedded into our day-to-day operations and decisions. The Board of Directors plays an integral role in guiding the progress of Group sustainability initiatives, with our Sustainability Initiative Council ("SIC") acting in an advisory capacity to the Managing Director. The SIC is chaired by the Plantation Inspectorate and comprises 14 members from various operating units and departments. The Council meets at least 10 times in a year to review the Group's sustainability performance on several economic, social and environmental indicators.

Supporting our SIC is a dedicated Sustainability and Quality Department ("SQD") led by the Head of Marketing and Sustainability Division. The SQD is tasked with implementing, reviewing and formulating sustainability-related initiatives. It includes matters relating to certification, compliance, audits and social impact assessments.

The Group reports the progress of its sustainability measures to Senior Management for evaluation and review, and our performance is regularly reported to the Board.

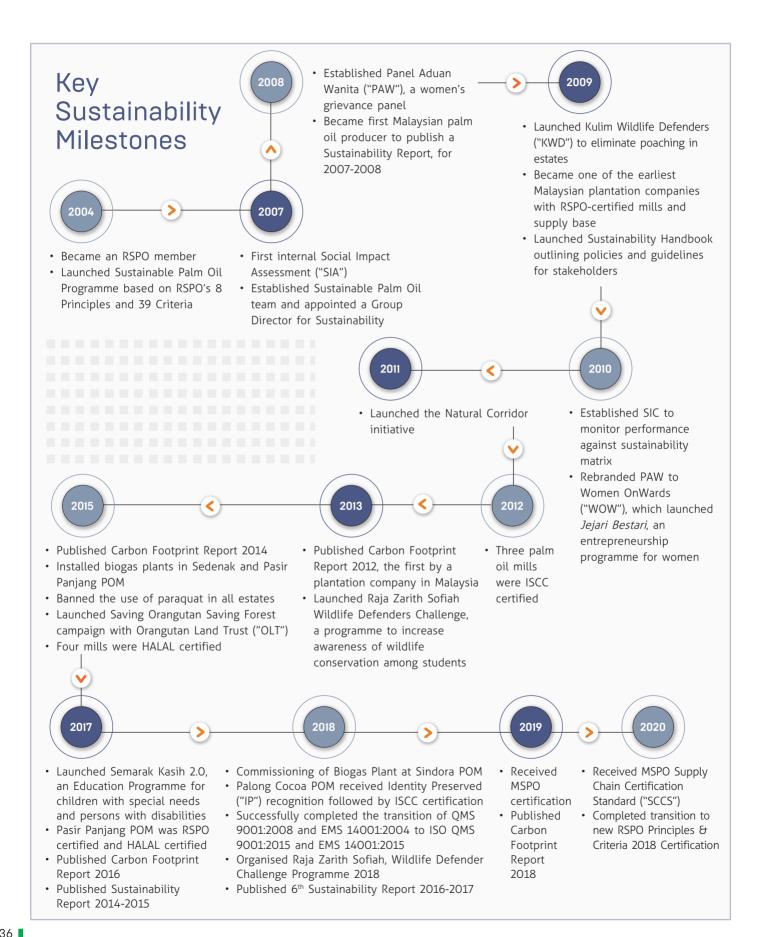
#### **OUR SUSTAINABILITY JOURNEY**

The Group's sustainability journey began officially in 2004, when we subscribed to the RSPO. We developed our own Sustainable Management System ("SMS") based on the structures, practices and responsibilities defined in RSPO's Principles and Criteria.

#### Sustainable Development and Performance Principles:

- The SMS places priority on maintaining a safe, healthy and viable work environment in compliance with all applicable rational and international legislations;
- We invest in the training and development of employees to improve their knowledge, skills and competency to enhance performance and advance their careers;
- 3. We promote optimum land use to ensure its long-term sustainability and productivity for agricultural use;
- 4. We strive to build community trust by integrating corporate responsibility and sustainability in all our business processes and contributing to the well-being of the communities in which we operate;
- We uphold the principle of Free, Prior and Informed Consent ("FPIC") in all negotiations and interactions with stakeholders;
- 6. We agree that there will be no new development in primary forests or High Conservation Value ("HCV") areas. In any development, Kulim will take into account the conservation of biodiversity and the protection of cultural and customary land use within the context of a sustainably managed landscape.

#### SUSTAINABILITY STATEMENT





#### STAKEHOLDER ENGAGEMENT

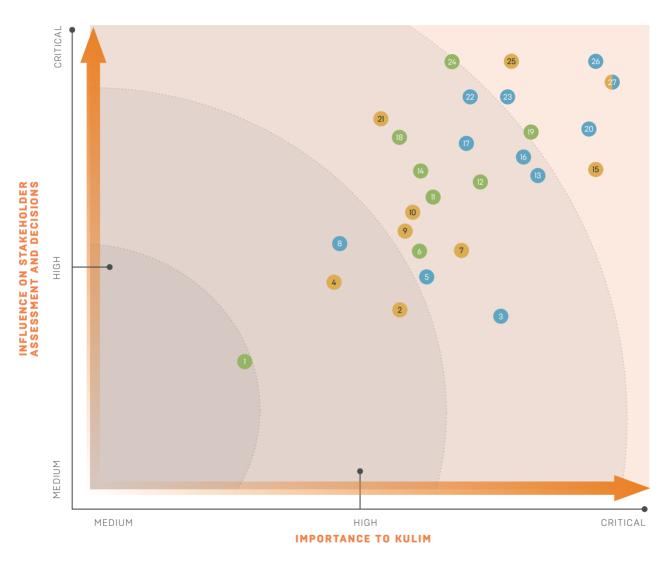
We engage with our stakeholders in order to align our business practices with their needs and expectations. Concerted efforts are made to build good relations and rapport with our employees, smallholders, business partners, investors, suppliers, government agencies, NGOs, pressure groups, unions, members of the media and the community at large. We encourage feedback from stakeholders to ensure balanced and fair representation of opinions that guide our decisions.

Objective	Benefits of Engaging	Cost of Not Engaging	
Track socio-political and environmental issues	<ul> <li>Maximum positive environmental and social impacts</li> <li>Issues identification</li> <li>Risk mitigation</li> <li>Agility</li> <li>Enhanced business intelligence for improved decision-making</li> <li>A clearer view of remedial possibilities</li> </ul>	<ul> <li>Absence or loss of trust</li> <li>Damage control</li> <li>Negative press</li> <li>Uncertainty of project success</li> <li>Increased business risks</li> </ul>	
Monitor and manage stakeholder expectations	<ul> <li>Reputation capital</li> <li>Stakeholder buy-in, trust and understanding</li> <li>Insights and feedback that contribute to value creation</li> <li>Competitive advantage and positive impact on business sustainability</li> </ul>	<ul> <li>Potential project delays</li> <li>Impaired relations</li> </ul>	
Ensure CR programme impact	<ul><li>Strategic value creation</li><li>Successful outcomes for CR investment</li><li>Increased social capital and brand loyalty</li></ul>	<ul><li>Reputation capital impaired</li><li>Negative perceptions</li></ul>	
Enhance employee engagement	<ul> <li>Convergence of company's values and employee expectations</li> <li>Boosted morale and reduced anxiety</li> <li>Increased productivity and efficiency</li> <li>Job satisfaction and intrinsic motivation</li> <li>Heightened innovation</li> </ul>	<ul> <li>Disengaged employees</li> <li>High turnover rate</li> <li>Increase in absenteeism</li> <li>Lack of trust in Management</li> </ul>	

#### SUSTAINABILITY STATEMENT

#### **MATERIALITY MATRIX**

#### **OUR MATERIALITY MATRIX**



- 1. Recycling
- 2. Community Investment & Engagement
- 3. Agricultural Productivity
- 4. Workers' Union
- 5. Customer Satisfaction
- 6. Renewable Energy
- 7. Training & Education
- 8. Market Presence
- 9. Diversity & Equal Opportunity

- 10. Grievance Mechanism
- 11. Waste Management

Environment

- 12. Responsible Chemical Use
- 13. Economic Performance
- 14. Water Management
- 15. Occupational Safety and Health

Social Governance

- 16. Anti-Corruption
- 17. Corporate Governance
- 18. Fire & Haze

- 19. Carbon Emissions
- 20. Product Quality
- 21. Smallholder Management
- 22. Supply Chain Management
- 23. Transparency & Traceability
- 24. HCV/HCS Protection & Management
- 25. Human Rights & Labour Practices
- 26. Compliance
- 27. COVID-19



#### **OUR MATERIAL MATTERS**

We conducted our last materiality assessment in 2018, taking into account stakeholders' perspectives and balancing these against matters that Kulim believes are important for our continued success. In 2020, Management reviewed our material matters and agreed they were still relevant. However, for greater clarity of reporting, we have made the following changes:

- 1. Renamed "Energy" to "Renewable Energy"
- 2. Renamed "Emissions" as "Carbon Emissions"
- 3. Renamed "Effluent and Waste" to "Waste Management"
- 4. Renamed Water to "Water Management"
- 5. Renamed "Corporate Governance and Policies" to "Corporate Governance"

Additionally, we have added COVID-19 to the list, as it had a significant impact on both the social and governance/economic aspects of our operations. Subsequent to the revisions, we now have 27 material matters, as depicted in the matrix (left).

In this Sustainability Statement, we will report on all the refreshed material matters, except for "Market Presence", "Agricultural Productivity", "Economic Performance" and "COVID-19", which are already well covered in the main section of this Integrated Report.

MATERIAL SUSTAIN	NABILITY MATTERS	RELEVANT STAKEHOLDER(S)	CORRESPONDING SDGs
Environmental	<ul> <li>HCV/HCS Protection and Management</li> <li>Carbon Emissions</li> <li>Water Management</li> <li>Responsible Chemical Use</li> <li>Waste Management</li> <li>Renewable Energy</li> </ul>	<ul> <li>Communities</li> <li>Smallholders</li> <li>Workers</li> <li>Employees</li> <li>Government and regulators</li> <li>NGOs</li> <li>Media</li> </ul>	12 money.  13 min manufacture.  15 min manufacture.  17 min manufacture.  18 min manufacture.  19 min manufacture.  10 min manufacture.  11 min manufacture.  12 min manufacture.  13 min manufacture.  14 min manufacture.
Social	<ul> <li>Occupational Safety and Health</li> <li>Diversity and Equal Opportunity</li> <li>Training and Education</li> <li>Human Rights and Labour Practices</li> <li>Workers' Union</li> <li>Grievance Mechanism</li> <li>Smallholder Management</li> <li>Community Investment and Engagement</li> </ul>	<ul><li>Employees</li><li>Workers</li><li>Smallholders</li><li>NGOs</li><li>Communities</li><li>Media</li></ul>	3 matrix  4 mm  5 mm  6 mm  7 mm  12 mm  16 mm  17 mm  17 mm  18 mm  18 mm  17 mm  18 mm  18 mm  19 mm  19 mm  10 mm  10 mm  11
Governance	<ul> <li>Corporate Governance</li> <li>Anti-Corruption</li> <li>Compliance</li> <li>Product Quality</li> <li>Customer Satisfaction</li> <li>Transparency and Traceability</li> </ul>	<ul> <li>Government and Regulators</li> <li>NGOs</li> <li>Suppliers</li> <li>Business partners</li> <li>Smallholders</li> <li>Communities</li> <li>Customers</li> <li>Media</li> </ul>	8 STATE STATE OF THE PROPERTY

#### SUSTAINABILITY STATEMENT

## PILLAR 1

# CARE FOR ENVIRONMENT













Plantations necessarily leave a footprint on the environment from the loss of large tracts of indigenous forests; loss of critical habitat for endangered species; as well as soil, air and water pollution. To mitigate these negative impacts, the Group undertakes the following measures:

- 1. All estates are required to provide regular updates on the species found in and around the estates and track incidents of wildlife encroachment, particularly elephants.
- Buffer zones are established at major water bodies in or around the estates and adjacent to forest reserves. Rapid biodiversity monitoring is conducted regularly in identified hotspots within the vicinity of our operating units. Encroachment by intruders into these conservation areas is closely monitored.
- 3. To minimise soil erosion, roads have been realigned and silt traps constructed at appropriate locations. We have also planted soft grasses, mucuna and natural cover crops for young palms. In areas where erosion is severe, we encourage the planting of vertivar and Guatemala grass.
- 4. We strictly prohibit hunting, fishing and the capture of any animal within our estates and adjacent protected areas.



The Group's Environmental and Biodiversity Unit serves as a point of reference for all environmental matters, especially biodiversity protection and pollution control. The unit collates and analyses environmental and wildlife data, publishing its findings and outcomes in environment and biodiversity bulletins.

#### **HCV/HCS PROTECTION & MANAGEMENT**

Under the RSPO, we are committed to preserving and protecting High Conservation Value ("HCV") as well as High Carbon Stock ("HCS") sites. The former are areas that are important because of their biological, ecological, social or cultural value; while the latter are forest sites that are important specifically because they contain large stores of carbon (i.e. trees) and/or biodiversity.

As our plantations in Johor border the Endau-Rompin National Park and Labis Forest Reserve, which are both HCV and HCS areas, we recognise the need to be extra vigilant about our operations. We work closely with the Government and Non-Governmental Organisations ("NGOs") to enhance our ability to monitor and manage our environmental impact while also contributing towards positive interventions to protect the indigenous flora and fauna.

#### **Enhancing Biodiversity**

The Group places a great deal of importance on conservation and has set aside 59.08 ha of land in our estates as buffer zones, while designating another 403.08 ha of jungle patches as full-fledged HCV forests. In addition, we have been maintaining wildlife corridors linking natural habitats within our estates since 2011. These corridors are critical to allow for the free movement of animals and the continuation of viable populations. To maintain these natural corridors, we organise an annual tree planting event, involving employees and members of the public.

Through our conservation group, KWD, we also collaborate with the Johor National Parks Corporation, Wildlife Department, Forestry Department and the Police on multiple anti-poaching programmes. In 2020, however, we were unable to conduct any such programme due to the pandemic.

#### **Elephant Encroachment**

Elephants encroaching into our estates as well as neighbouring residential estates is a perennial problem given that their natural habitat is disturbed by plantation activities.

In 2020, 75 incidences of elephant encroachment were reported in our estates as well as neighbouring residential areas including: Selai Estate, Bukit Payung Estate, Mutiara Estate, Tunjuk Laut Estate, Siang Estate, Bukit Kelompok Estate, Pasir Panjang Estate, Enggang Estate, REM Estate, Pasak Estate, Sungai Tawing Estate and Sindora Estate. Incursion into these 12 estates caused approximately RM420,763 in damages.

To protect our local communities as well as wildlife, we work closely with the Wildlife Conservation Society ("WCS") and the Johor Department of Wildlife. We also engage with the state government and our smallholders.





#### **Enhancing Biodiversity**

59.08 ha

HCV Forest Area 403.08 ha jungle patches



**Elephant Encroachment** 

75 incidences

#### SUSTAINABILITY STATEMENT - ENVIRONMENT

#### **CARBON EMISSIONS**

In 2019, we started monitoring our carbon emissions using PalmGHG Version 4. We recorded approximately total of 482,000 tonnes of carbon dioxide equivalent (MT CO $_2$ e) across our operations. Our total recorded carbon footprint was 1.25 MT CO $_2$ e per metric tonne of CPO or PK processed (MT CPO/PK). In 2020, we recorded a total of approximately 483,000 tonnes of carbon dioxide equivalent (MT CO $_2$ e) with a total recorded carbon footprint of 1.22 MT CO $_2$ e per metric tonne of CPO or PK processed (MT CPO/PK). This was 21% higher than our footprint in 2018, of 1.01 MTCO $_2$ e/MT CPO/PK, mainly due to the temporary shutdown of our biogas faciltiies in Sedenak and Sindora in 2019.

However, compared to our 2012 baseline, this is still an overall reduction of 30%. By 2025, we aim to reduce our carbon footprint by 50% against our 2012 baseline, which translates to 0.88 MT CO<sub>2</sub>e per MT CPO/PK. We aim to achieve this by installing five biogas plants, one at each of our mills, and estimate this will reduce 90% of total POME emissions while still generating energy. It should be noted, also, that the 2020 figure has yet to be audited but will be validated at the next RSPO assessment.

#### **RENEWABLE ENERGY**

Over the years, we have been investing into the generation of Renewable Energy ("RE") using waste from our mills – specifically Palm Oil Mill Effluents ("POME") and Palm Kernel Shells ("PKS"). By generating more RE, we are able to reduce our electricity offtake from the national grid while also moderating methane emissions from the bio-waste. Effectively, this contributes to a lower carbon footprint.

To date, we have commissioned four biogas plants at our POMs – Sedenak POM, Sindora POM, Pasir Panjang POM, and in 2020, Palong Cocoa POM. Installation of a biogas plant at Tereh POM is expected to be completed by the first half of 2021, and will put us well ahead of our target of having biogas capture facilities at all our mills by 2025.

In 2020, we produced 98,361.72 tonnes of PKS, of which was used internally for power generation and the remaining 20.68% tonnes sold to third parties as a source of RE.

#### **WATER MANAGEMENT**

Water scarcity is a growing global concern, with water table levels decreasing in many countries that face prolonged periods of drought. Although Malaysia receives an abundance of rainfall, sustainability of supply is still an issue because of contamination as well as excessive water use.

As a plantation, we use significant amounts of water in our estate and mill operations. In addition, our workers consume water for drinking, cooking and personal hygiene. Soil erosion and the use of chemicals as fertilisers and weed killers, meanwhile, could contaminate waterways in or near our estates.

Recognising the importance of conserving water and ensuring healthy water quality in the country's waterways, we strive to manage water responsibly.

#### **Responsible Consumption**

We recycle water from steriliser condensates for use in our mills in order to reduce our water consumption, and have set the target of maintaining a consumption intensity below 1.2 m<sup>3</sup> per tonne of FFB. Although our consumption intensity increased by a marginal 3.8% from 2019 to 2020, it remained below our target.

#### MILL WATER CONSUMPTION (m<sup>3</sup> per tonne FFB)



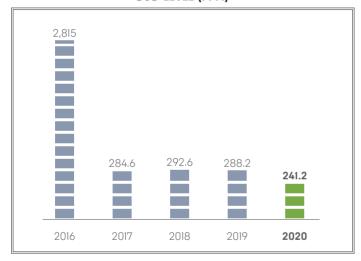


# **Managing Water Quality**

A standard practice to counter soil erosion is to plant fast-growing leguminous cover crops in erosion-prone areas. Meanwhile, to reduce water pollution from heavy metals, wherever feasible the Group combines inorganic with organic fertilisers derived from Empty Fruit Bunches ("EFB"), a waste product from the milling process.

To allay concerns regarding water contamination in the vicinity of our operations, we monitor the Biological Oxygen Demand ("BOD") of these water bodies. BOD measures the amount of dissolved oxygen needed by aerobic biological organisms to oxidise organic matter (the higher the level, the higher the level of organic contaminants). The BOD of water bodies surrounding our operations has dropped significantly since we started installing polishing plants at our mills, in compliance with DoE requirements. The polishing plants at Sindora, Pasir Panjang and Palong Cocoa POMs have been operational since 2018, while that at Sedenak POM is being commissioned. Meanwhile, the plant at Tereh POM is still in progress and targeted to be completed by the first half of 2021.

# **BOD LEVEL (PPM)**

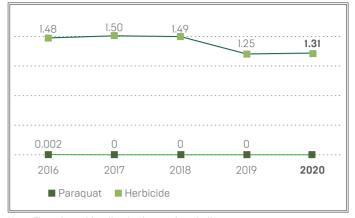


#### **RESPONSIBLE CHEMICAL USE**

Waterways are also contaminated by the use of chemicals such as pesticides, herbicides and fertilisers. To reduce chemical usage, we have adopted an Integrated Pest Management ("IPM") approach which involves the use of animals to control pests such as weeds and rodents. In 2008, cattle were introduced in our plantations as a natural weeding method. We also use barn owls to control the rodent population.

Chemicals are used only as a last resort, when other biological measures are unavailable.

# USE OF HERBICIDE AND PARAQUAT (Active Ingredients in Litre/Hectare)



Note: There is no blue line in the graph to indicate paraquat use

Certain pesticides are also harmful to humans, therefore we take care to protect estate workers whenever chemicals are used by providing them with aprons, masks, gloves and goggles. Paraquat, meanwhile, has been totally phased out from our estates.

We also adhere to strict controls and measures to prevent spillage that may harm the environment. All chemicals are stored in proper and clearly marked sheds bordered with bund walls. Chemicals with hazardous properties are clearly marked and stored in appropriate containers. Additionally, our chemicals are labelled with Safety Data Sheets ("SDS"), in Malay and English, which outline appropriate storage and handling methods as well as emergency measures in the event of spillage.

#### **WASTE MANAGEMENT**

Most of the solid waste we produce is bio-waste, i.e. EFB, palm fibres and shells. Such waste are disposed of according to SOPs.

- EFB: is used as biocompost
- Palm fibres and shells: more than half produced by our estates are used to generate energy in milling operations; remaining palm fibres are used as biocompost while the shells are sold as biomass.

A small amount of boiler ash is produced when palm fibres and shells are burned and this is recycled into the soil to reduce acidity levels.

Our mills and estates also generate scheduled waste, which is stored in designated sheds for up to 180 days or until the maximum volume of 20 tonnes is met. Subsequently, licensed contractors approved by the DoE will dispose of the waste in accordance with Environmental Quality (Scheduled Wastes) regulations.

# SUSTAINABILITY STATEMENT

# PILLAR 2

# **SOCIALLY RESPONSIBLE**





















Kulim has always been especially invested in the "people" aspect of sustainability people who work with us (our internal communities) as well as people affected by the work we do (our external communities). We unconditionally agree with the global vision of building healthy and vibrant communities, and seek actively to create positive value for all communities we influence through ethical and equitable policies.

# **OUR PEOPLE: OUR GREATEST ASSET**

We truly believe that we are only as good as our people. We therefore seek to attract the best people and provide them with a conducive, rewarding environment to bring out the best in them. A large number of our estate/mill workers are foreign, but we treat them as part of the Kulim family, acknowledging and respecting their needs as visitors on our soil.



# TRAINING & EDUCATION

We provide our corporate employees with continuous training to help them realise their potential. By enhancing our employees' competencies, we also better position the Group to achieve our corporate goals.



# **Up-Skilling Programmes**

Each year, we develop the potential of stand-out employees through the Johor Corporation Leadership Programme ("JLP") and Advanced Johor Corporation Leadership Programme ("AJLP"). Under these programmes, participants are presented with different business scenarios and work in teams to produce the best outcomes. In 2020, three employees graduated from each of the JLP and AJLP. This is in addition to the four AJLP graduates in 2019 and 19 JLP graduates from three previous batches.

We also collaborate with the Johor Skills Development Centre ("PUSPATRI"), ILP Pasir Gudang as well as IKM Johor Bahru to conduct technical courses for our employees. In addition, we encourage employees to pursue professional qualifications such as the ACCA, CIMA, MIA, Certified Integrity Officer ("CeIO") and human resources certifications CAHRM and CHRO, among others.

#### **Job Rotation**

Job rotation and generic training is provided to bridge the skill gaps of staff at all levels. Through exposure to different roles, employees both deepen and broaden their knowledge and capabilities, thereby adding value to the organisation. Apart from learning new skills, job rotation facilitates better understanding of the organisation as a whole and the functions of the different operating units and departments.

#### Talent Management & Succession Planning

Succession planning ensures a robust leadership pipeline within the Group. To support succession planning, in 2019 we revised our Talent Management Framework to be able to identify high-potential candidates who then undergo a talent development programme. This includes mentoring and coaching, as well as placement in a strategic core unit for overall exposure. The ultimate goal is to have the right person with the right skills for the right job at the right time, as well as to ensure leadership readiness for key positions as and when the need arises.

Our efforts to groom and prepare our people to meet current and future workforce needs contributed to Kulim being named one of Kincentric's Best Employers in Malaysia in the GLC category in 2020.

### **Performance Management System**

Strengthening the Group's organisational capabilities, our Performance Management System ("PMS") promotes a culture of achievement through incentives and rewards. Targets for individuals, teams and the Group as a whole are reviewed and the bar raised every year to continuously push for excellence.

# **Cadet Planter Programme**

The Strategic Enhanced Executive Development System ("SEEDS"), which was launched in 2007, has been reengineered as the Cadet Planter Programme, which develops leadership skills among fresh graduates. In 2020, six participants graduated from the programme, four of whom offered permanent positions as Assistant Managers.

# **Employee Engagement**

We recognise that employees feel a greater sense of belonging to a company when there is healthy communication and engagement across all levels. We have therefore instituted various platforms on which Management can meet and share their views with the rest of our staff, such as Townhalls, *Sembang Santai* with the Managing Director and *turun padang* sessions. We also communicate regularly with employees via emails, our intranet and a quarterly newsletter. We value our employees' views and encourage open communication at all times.

### SUSTAINABILITY STATEMENT - SOCIAL

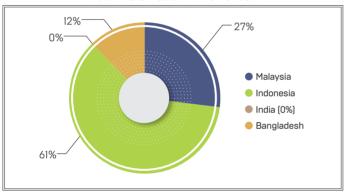
# **DIVERSITY & EQUAL OPPORTUNITY**

As at end 2020, we had a total of 7,182 full-time employees in Malaysia Plantation Operation. Of this total, 5,911 (or 82%) were classified as workers while the remaining 18% comprised management and non-executives. About 73% of our manpower were foreigners, mainly from Indonesia, India and Bangladesh.

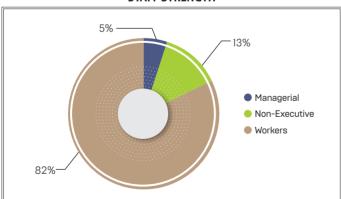
We strive to inculcate an inclusive work environment, and enforce a policy of non-discrimination based on gender, nationality, ethnicity or religion, among others. We also subscribe to the basic right of "equal pay for equal work" for all employees, including field, office and management, based on pre-defined grades.

In 2020, we recorded a turnover rate of below 6%, testament to the culture of respect and inclusivity that we have engendered, which contributes to strong retention power.

#### **WORKERS BY COUNTRY OF ORIGIN**



#### STAFF STRENGTH



#### **Gender Equality**

We fully appreciate the benefits of having equal representation of the two genders, and have a policy of non-discrimination against women throughout our operations, including our estates. However, the nature of plantation operations naturally attracts more men, and has led to a much higher male representation throughout the Group. There are only 851 women on our payroll, making up 11.85% of our workforce.

Women representation is higher within our corporate offices, and we actively encourage women to take up management positions. Currently, 110 managers (1.53%) are women.

Total Ratio Women in Workforce			
2018	11.52%		
2019	12.04%		
2020	11.85%		

# Women Onwards Wiew



Fully funded by the Company, WOW was established as part of a larger women employee outreach programme. In addition to providing a platform for women to air their grievances, WOW supports and promotes gender equality, as well as advances the knowledge and skills of our female employees.

Under a WOW programme known as Jejari Bestari, which has been established in every estate, women employees are assisted to develop products or services that match their skills such as tailoring, baking or craft-making. These products/ services are sold to staff and the public during festive occasions and company events. Unfortunately, in 2020, such events were postponed or cancelled due to the COVID-19 pandemic.

#### WOW events in 2020 included:

- · An annual meeting of representatives or executives of each complex's WOW units to present their 2019 progress reports and to propose programmes for 2020.
- Tilawah & Tadarus Al-Quran during Ramadhan, followed by the Khatam Al-Quran Ceremony.
- Fortnightly Quran recitation classes which attracted the participation of 20 employees. Since COVID-19, physical classes have been postponed and will be held virtually in future.
- Visit by our new Managing Director to the Palong Complex at Mungka Estate for a briefing on the activities carried out by the WOW unit there.





#### **Sexual Harassment**

We have strict policies against any form of sexual harassment, which are shared with employees through the 'Buku Panduan Anggota Pekerja Perladangan' and our Company Policy Poster. These programmes also focus on creating greater awareness among our women employees on their rights. As a result, they have become more open to reporting cases of sexual harassment. In 2020, one such case was reported.

#### **Maternity Leave**

All our female employees are entitled to 60 days of paid maternity leave in accordance with Malaysia Employment Act 1955 Part IX Maternity Protection. In 2020, 34 female employees who took maternity leave subsequently returned to work, and are still with us. We are proud of this 100% retention rate as employment patterns suggest that women with newborn babies are likely to leave their jobs after a year. As a matter of policy, we ensure that pregnant or nursing employees are not exposed to harmful chemicals at work.



# C.A.R.E.

C.A.R.E., launched in April 2018, reflects Kulim's corporate values namely Competitive, Action, Responsible and Ethical. C.A.R.E. programmes are conducted by Employee Relations Executives (i.e. Executive Imams) to encourage employees to apply these values into their day-to-day activities.

# Activities in 2020 included:

- Training for 39 Imam and Bilal to conduct C.A.R.E. programmes in their respective operating units
- Launch of Pilot C.A.R.E. programme in February for 25 workers at Basir Ismail Estate
- Preparation to transition C.A.R.E into C.A.R.E. 2.0

# Workers Salary KA\$H KAD

The KA\$H Kad project, initiated by our Human Resources Department ("HRD"), was implemented at end 2018 to provide a safe, secure and globally-accepted manner to bank in workers' salaries.

#### Benefits:

- Reduced risk from not handling large amounts of cash
- · On-time salary payments
- Ease of transfer for foreign workers who wish to send money to family overseas
- · Cashless business transaction
- Cost effectiveness

During the year under review, 5,532 more workers registered for a KA\$H KAD. Currently, a total of 33 estates and mills, including KPF and Selai Cattle, use KA\$H crediting. In view of the card's popularity, we aim to reach 100% adoption for salary payout to the Group's more than 6,000 workers.

# SUSTAINABILITY STATEMENT - SOCIAL

#### OCCUPATIONAL SAFETY & HEALTH

The health and safety of our employees has always been top priority and, given the global pandemic, was a critical area of focus in 2020.

We have in place an Occupational Safety and Health ("OSH") policy which applies not only to Kulim employees but also visitors, customers and contractors on our premises. Each estate and mill has a dedicated OSH committee and an OSH officer who is responsible for organising safety training programmes and conducting quarterly OSH meetings. The officer also investigates any accidents that occur and reports back to the chairperson.

As a result of continuous efforts to enhance our safety performance, our Lost Time Accident Rate ("LTAR") and severity rate have been improving steadily over the years.

# Key safety indicators, 2018-2020

	Target	2018	2019	2020
LTAR	<10	1.98	1.53	1.48
Severity rate	<3.5	3.25	2.82	1.46
Fatality	0	0	1	3

However, we were saddened by three fatalities during the year.

All employees, including foreign workers, have access to clinics and health benefit plans, hence receive treatment for free.

# **HUMAN RIGHTS & LABOUR PRACTICES**

We believe in treating all our employees fairly, guided by Human Resources policies which reflect Malaysia's labour laws as well as the International Labour Organisation ("ILO")'s Declaration on Fundamental Principles and Rights at work. We also adhere to the Code of Conduct for Industrial Harmony developed by the Ministry of Human Resources and Malaysian Council of Employers' Organisations (predecessor of the Malaysian Employers Federation and the Malaysian Trades Union Congress).

# **Living Conditions**

Our estate and mill workers typically live in two or three-bedroom houses that meet the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990. Weekly inspections are carried out to ensure all living quarters, as well as nurseries and community halls, are in good condition.

### **Managing Overtime**

During peak harvest season, our mill workers tend to work longer hours to ensure the fruit are processed before their quality deteriorates. However, they do not exceed the overtime limit as set by the Department of Labour.

# **Child and Bonded Labour**

We do not engage in child and bonded labour, and will not employ anyone below the age of 16. Instead, we provide access to schools and other amenities to ensure the well-being and proper development of our workers' children and families.

# **WORKERS' UNIONS**

We respect the right of our employees to join organisations of their own choosing, as part of our commitment to freedom of association. A total of 2,250 (38%) of our workers are represented by the Malaysian Agricultural Producers Association ("MAPA")/All Malayan Estates Staff Union ("AMESU)" and MAPA/National Union of Plantation Workers ("NUPW"). We maintain good relations with the union leaders and work collaboratively to sign Collective Bargaining Agreements ("CBAs") which set out our policies on work-related issues such as working conditions, wages and benefits, among others.

#### **GRIEVANCE MECHANISM**

In 2008, we established a Grievance Policy, ensuring there is a platform for employees, suppliers and other stakeholders to raise any concerns or feelings of injustice or dissatisfaction. Through the policy, we also provide guidelines on fair and transparent response to grievances. As a member of the Malaysian Agricultural Producers Association ("MAPA"), moreover, Kulim adheres to grievance procedures as stipulated under our collective agreements.

In addition to the common grievance channel, women employees have a separate channel to air any gender-related grievances, as provided for under the WOW programme.



#### **SMALLHOLDER MANAGEMENT**

We have a total of 25 smallholders who supply FFB to our mills. We enjoy a good relationship with our smallholders and encourage them to adopt best practices in order to obtain RSPO certification. Our SQD team conducts annual RSPO awareness programmes for all smallholders and engages with them on the practices they need to adopt to obtain RSPO compliance. Various financial incentives are also provided, such as premium for FFB that is RSPO-certified. Smallholders who demonstrate interest in applying for the certification receive training and other forms of support from Kulim under our Smallholder Inclusion Programme.

In April 2020, Eng Lee Heng Trading, one of our trader suppliers, received the RSPO certification, on the heels of being MSPO certified in 2019.

# **OUR COMMUNITY: OUR SOCIAL LICENCE TO OPERATE**

# **COMMUNITY INVESTMENT & ENGAGEMENT**

By virtue of being responsible and ethical, we believe in contributing to the well-being of the communities in which we operate. Our outreach programmes focus on five key areas: community well-being, sports, welfare, education and infrastructure development.

All staff are encouraged to take part in community projects, and the spirit of volunteerism is apparent in the willingness of everyone, including the Management, to allocate time and effort in order to make a difference to the less fortunate or marginalised.

Institution/Programme	Purpose	Approximate Contribution (RM '000)
Kelab Bola Sepak Johor Darul Takzim ("JDT")	To support the development of football in Malaysia.	1,500
Yayasan Johor Corporation	To improve the living conditions of underprivileged communities.	1,100
Yayasan Pelajaran MARA ("YPM")'s Pintar Harapan Programme	To provide assistance to rural students and especially those from B4O families (with household incomes below RM3,000 per month). It includes tuition classes, examination preparation, science workshops, excellence seminars, mentor/mentee programmes, writing programmes and training books.	59
School Uniform Project	To subsidise the school uniforms of employees' children.	63
COVID-19 CR Initiatives	Contributions to Hospital Sultanah Aminah Johor Bahru, government initiated COVID-19 Fund, frontliners, hemodialysis patients undergoing Home Surveillance Order for COVID-19, NGOs and communities.	762

# **BUILDING A BETTER FUTURE**

Events of the past decade have pushed sustainability to the top of every responsible company's agenda. We've discovered that business growth and sustainable practices are not mutually exclusive. In fact, they are closely tied together. Today we live in a world where both the public and private sectors have a role to play in being socially responsible, safeguarding the environment, guarding against unethical practices, and being more accountable and transparent. In order to do this, companies must treat sustainability as a core consideration in every business decision they make.

As the world's human population increases, natural resources are inevitably strained. Kulim recognises that it is up to each of us to do our part in slowing down trends such as loss of biodiversity, deforestation, ocean acidification, air and water pollution, and other threats to the only world we have. Now is the time for us to step up and forge ahead. Kulim is well aware that the road ahead will be rocky and challenging. Nevertheless, we believe it is possible to find a middle ground, where decisions can be made that are good for business, the environment and humanity.

The journey towards sustainability will enable Kulim to join the global movement "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs". It may not always be a clear path, but Kulim remains determined to help define as well as walk that road and achieve peace and prosperity for present and future generations.

# SUSTAINABILITY STATEMENT

# PILLAR 3

# **BUSINESS ETHICS**



# **GOVERNANCE**



















We are aware of our role within the larger sphere of our communities, the nation and world, and seek to contribute in every way possible to better lives and a healthier environment. We have been guided in our journey by various guidelines, which ultimately require us to respect our stakeholders and uphold the highest level of integrity while seeking excellence in everything that we do.

# **CORPORATE GOVERNANCE**

Led by our Board of Directors, Kulim upholds the highest level of corporate governance as we recognise the importance of gaining and maintaining the trust of all our stakeholders. Our governance policies are guided by the Malaysian Code on Corporate Governance ("MCCG") 2017, and are continuously reviewed in line with best practices.

Following the amendment to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, we have strengthened our frameworks to inculcate a culture of integrity that does not tolerate any form of bribery or corruption.



We also have a Code of Ethics which applies to everyone who represents Kulim. The Code sets out guidelines on how to deal with colleagues, customers, shareholders, smallholders, suppliers, competitors and members of the wider community. It also outlines Kulim's expectations with regard to employees' behaviours and actions that impact our natural environment.

Employees are required to sign our Ethics Declaration Form when they join Kulim. To ensure a culture of integrity across the board, we have a Whistleblowing Policy that encourages staff to report any criminal or unethical activity.

#### **ANTI-CORRUPTION**



Underlining our commitment to creating a culture of integrity, Kulim is working towards obtaining the ISO 37001:2016 Certification for ABMS. Towards this end, our newly established Integrity Unit developed three new policies that were implemented in September 2020: an Anti-Bribery and Anti-Corruption Policy, a Due Diligence Policy and a Referral Letter Policy.

Upon the launch of our Anti-Corruption and Anti-Bribery Policy, the Integrity Unit also carried out various programmes among our employees and our contractors, suppliers and business associates to underline our zero-tolerance for corruption. The objective is to ensure integrity in all our dealings and those of our partners.

We expect to obtain the ISO 37001:2016 Certification in the second quarter of 2021.

#### **COMPLIANCE**

Compliance with the RSPO is voluntary. However, we have made the commitment to comply with the programme's seven Principles and Criteria (P&C) because we recognise its value in ensuring responsible and ethical operations. As part of our responsibility to employees, we also adhere to the following regulations:

- Employment Act 1955
- Minimum Wages Order 2020
- Children and Young Persons (Employment) Act 1966
- Workers Minimum Standard of Housing and Amenities Act 1990
- · Occupational Safety and Health Act 1994
- Industrial Relations Act 1967
- Factories and Machinery Act 1967

# TRANSPARENCY & TRACEABILITY

The RSPO has also developed a mechanism for supply chain traceability from the plantation to the end user. Kulim's Certified Sustainable Palm Oil ("CSPO") can be purchased through three mechanisms approved by the RSPO – Book and Claim, Identity Preserved and Mass Balance. Book and Claim is the simplest, allowing buyers to obtain the product without incurring high administrative costs and relying on complex logistics.

Presently, CPO from Tereh POM, Pasir Panjang POM and Palong Cocoa POM are sold under Identity Preserved ("IP") status, meaning all the CPO from these mills are certified. CPO from the other two mills is sold under the Mass Balance ("MB") mechanism where CSPO is mixed with conventionally produced CPO and tracked throughout the supply chain.

# **PRODUCT QUALITY**

The quality of our palm oil influences the marketability of our products. To this end, Kulim has always ensured the highest quality, guided by our Quality Policy. The policy outlines expectations for the Group's estates and mills based on the high standards of regulators, stakeholders and our customers.

# SUSTAINABILITY STATEMENT - GOVERNANCE



# QUALITY POLICY



#### **ESTATES**

- Produce ripe FFB to achieve maximum extraction rate
- Prioritise mechanised harvesting method to reduce dependence on human resources
- Continuously train workers to achieve maximum working potential
- Promote healthy and safe working conditions

#### **MILLS**

- Ensure compliance with ISO 9001:2015
- Implement continuous improvement programme
- Communicate policies to all employees
- Regularly evaluate and assess the effectiveness of the Quality Policy
- Fulfil customer requirements
- Recycle mill by-products to reduce environmental pollution

#### **Standards and Certifications**

To maintain the highest quality in our processes, we comply with Environmental Management Stystem ("EMS") ISO 14001:2015, Quality Management System ("QMS") 9001:2015 and Laboratory Management System ISO/IEC 17025:2017 standards. While adherence is voluntary, we believe these standards enable us to usefully examine our values, priorities, policies, strategies, objectives, methods for allocating resources for delivering performance and continuous learning.

Certifications achieved at our different operating units:

Unit	ISO QMS 9001:2015	ISO EMS 14001:2015	MS 1500:2009	ISO/IEC 17025:2017
Tereh Selatan Estate	✓			
Sindora Estate		✓		
Sedenak Estate		✓		
Palong Cocoa POM	✓		✓	
Tereh POM	✓		✓	
Sindora POM	✓	✓	✓	
Sedenak POM	✓		✓	
Pasir Panjang POM			✓	
Ulu Tiram Central Laboratory (UTCL)				1

Note: While the ISO 14001:2015, ISO 9001:2015 and ISO/IEC 17025:2017 recertification is required annually, the recertification for MS 1500:2009 (HALAL) is required every two years.



#### **Quality Environment 5S Certification**

Since January 2015, Kulim has adopted the 5S quality environment concept developed by the Japanese, which stands for Seiri (Sort), Seiton (Set In Order), Seiso (Shine), Seiketsu (Standardise) and Shitsuke (Sustain). The 5S principles are based on the premise that cleanliness and tidiness contribute towards a safe and conducive work environment. This in turn, has a positive impact on staff performance and, ultimately, the Group's profitability.

In September 2020, our sixth Surveillance Audit was conducted by Malaysia Productivity Corporation ("MPC") based on new criteria and requirements which place greater focus on the concept of Plan-Do-Check-Action and Impact.

# **Product Grading Method**

Quality control starts at the earliest stages. At the R&D stage, we focus on planting and cultivating specific species of palms. At harvesting, we use the FFB grading method for best results when processing into CPO. Grading criteria for FFB ripeness are distributed

to our estates, mills and corporate office via email and regular briefings. The standards also list instructions to distinguish the ripeness of the FFB by assessing the colour, size, stalk length and the characteristic ratios of harvested FFB.

# **CUSTOMER SATISFACTION**

Kulim solicits customer feedback to continuously improve the quality of our products and services. We conduct an annual customer satisfaction survey which allows us to engage with our customers in an organised and constructive manner, identify product quality issues, and take prompt action where necessary.

When customers return the surveys, the answers are analysed and our findings presented to Senior Management to ensure the Group's leadership are aware of any challenges, issues or discontent.



# **EVENT HIGHLIGHTS** 2020



12 January 2020



30 January 2020



**Kuala Kabong Estate & Sedenak Estate**Visit by the Department of Labour



Putrajaya International Convention Centre, Putrajaya Majlis Ramah Mesra YAB Perdana Menteri Bersama Rakan Strategik Kementerian Pembangunan Luar Bandar



31 January 2020



8 February 2020



17 February 2020



**Surau An-Nur, Kuala Kabong Estate** Kulai District Officer, Tuan Haji Mohd Khir Johari Salleh performed Friday and Hajat prayers



Tanah Abang, Mersing
Majlis Perasmian Projek Kluster Nanas
Lestari (KNAL) Tanah Abang Mersing by
the Minister of Agriculture and
Agro-based Industry, YB Datuk Seri
Salahuddin bin Ayub



**Ulu Tiram Estate, Ulu Tiram**Plantation visit by the participants of
Youth Industry Bootcamp (YIB) Southern





# 18 February 2020



# 15 March 2020



#### 16 March 2020



**Club House, KSRT**Meet & Greet Townhall with CEO of JCorp



**Sedenak Complex, Kulai** Kulim's Directors visit to Sedenak Complex



**Kulim Pineapple Farm, Ulu Tiram**Plantation visit by the Chairman and
Management of Pertubuhan Peladang
Negeri Johor



# 2 July 2020



# 12, 16, 20 & 27 July 2020



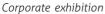
**Kulim Pineapple Farm, Ulu Tiram** *Program Walkabout Lawatan Ladang* oleh
YB Datuk Seri Dr Ronald Kiandee, Menteri
Pertanian dan Industri Makanan ke KPF

#### **Operating Units**

Engagement Session between *Konsulat Jenderal Republic Indonesia* ("KJRI") and Indonesian workers for all Complexes











Corporate event



Sustainability event

# **EVENT HIGHLIGHTS 2020**



4 August 2020



Tereh Club, Tereh Utara Estate

Majlis Penyerahan Program Bantuan Pendidikan Prihatin (B40)



18 August 2020



Sg. Papan Estate & Siang Estate

Company visit by YP Plantation Holding Sdn Bhd to Kulim's Cattle Integration and Coconut Farm



15 August 2020



**B5, Johor Street Market, Johor Bahru** *Program Walkabout bersama Perdana Menteri di B5 Johor Street Market* 



15 August 2020



**Basir Ismail Estate, Kota Tinggi** 20-km Cycling Activity with KJRI

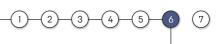


12 October 2020



Club House, KSRT

Familiarisation Session between the Managing Director and HQ Employees





# 17 October 2020



**Gunung Muntahak, Kota Tinggi** Cycling Expedition to Gunung Muntahak

# 26 October 2020



**Operating Units**Familiarisation Session between the Managing Director and Operating Units



### 16 December 2020



# 22 December 2020



### 28 December 2020



Kulim Agrotech Center & Kulim Pineapple Farm, Ulu Tiram Kulim (Malaysia) Berhad received a visit from the Malaysian Nuclear Agency



Live Stream
NACRA 2020



Sedenak Complex, Kulai Consulate General of Republic Indonesia Johor Bahru visit Sedenak Palm Oil Mill









# IN THE NEWS







# PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Labis Bahru Estate K.B. 517 85009 Segamat, Johor	Freehold	2,108	Oil palm estate	156,244	2016
Mutiara Estate P.O. Box 24 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 04.11.2074	1,608 324 607	Oil palm estate	151,462	2016
Basir Ismail Estate K.B. 502 81909 Kota Tinggi, Johor	Freehold	3,197	Oil palm estate	392,421	2016
R.E.M Estate K.B. 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911	1,246 945	Oil palm estate	291,145	2016
Sg. Sembrong Estate P.O. Box 21 86700 Kahang, Johor	Leasehold expiring: 05.05.2074 25.11.2082 13.10.2102	608 604 29	Oil palm estate	82,167	2016
Ulu Tiram Estate K.B. 710 80990 Johor Bahru, Johor	Freehold	500	Oil palm estate	102,868	2016
Kuala Kabong Estate K.B. 125 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,718	Oil palm estate	1,038	2019
		13,494		1,177,345	
	'				
KULIM PLANTATIONS (MALA)	(SIA) SDN BHD				
Tereh Selatan Estate K.B. 537 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078	1,929 869	Oil palm estate	157,602	2016
Tereh Utara Estate	Freehold	831	Oil palm estate	168,811	2016
K.B. 536 86009 Kluang, Johor	Leasehold expiring: 27.08.2078 Leasehold expiring:	1,559	•		
	27.06.2079	607			
		5,795		326,413	

ADDITIONAL INFORMATION



	Tenure	Hectares	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
MAHAMURNI PLANTATIONS	SDN BHD			· · · · · · · · · · · · · · · · · · ·	
Rengam Estate K.B. 104 86300 Rengam, Johor	Freehold	2,418	Oil palm estate	181,000	2016
Sedenak Estate K.B. 124 81000 Kulai, Johor	Freehold	2,807	Oil palm estate	267,086	2016
Siang Estate K.B. 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,433	Oil palm estate	199,664	2016
Sg. Papan Estate P.O. Box 15 Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	144,795	2016
Palong Estate K.B. 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,916	Oil palm estate	83,742	2016
Mungka Estate K.B. 524 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	83,848	2016
Kemedak Estate K.B. 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,786	Oil palm estate	77,948	2016
Pasir Panjang Estate K.B. 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil palm estate	84,645	2016
Tunjuk Laut Estate K.B. 517 81909 Kota Tinggi, Johor	Leasehold expiring: 09.06.2092 09.01.2087	2,868	Oil palm estate	4,608	2020
Bukit Payung Estate K.B. 521 81909 Kota Tinggi, Johor	Leasehold expiring: 12.09.2112	2,307	Oil palm estate	2,000	2020
Pasir Logok Estate K.B. 504 81909 Kota Tinggi, Johor	Leasehold expiring: 31.03.2070	1,781	Oil palm estate	4,149	2020
Bukit Kelompok Estate K.B. 512 81909 Kota Tinggi, Johor	Leasehold expiring: 31.03.2070	2,257	Oil palm estate	5,266	2020
		28,107		1,138,751	

# PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
UNITED MALAYAN AGRICULT	URAL CORPORATION BERHAD				
UMAC Estate P.O. Box 31 26900 Bandar Tun Razak Pahang	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	239 237 324 346 474	Oil palm estate	93,163	2016
		1,620		93,163	
ULU TIRAM MANUFACTURING	COMPANY (MALAYSIA) SDN	BHD			
Bukit Layang Estate K.B. 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	54,659	2016
		398		54,659	
SELAI SDN BHD					
Enggang Estate K.B. 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	95,845	2016
Selai Estate K.B. 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	96,212	2016
		3,535		192,057	
		1			
KUMPULAN BERTAM PLANTA	TIONS BERHAD				
Sepang Loi Estate P.O. Box C-21 85007 Segamat, Johor	Freehold	970	Oil palm estate	64,366	2016
		970		64,366	



ADDITIONAL INFORMATION

SINDORA BERHAD	Tenure	Hectares	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
Sindora Estate K.B. 539 86009 Kluang, Johor	Leasehold expiring: 24.01.2086	3,919	Oil palm estate	234,771	2016
Sg. Tawing Estate K.B. 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	101,988	2016
		6,145		336,759	
TOTAL - PLANTATIONS		60,064		3,383,513	

# PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Taman R.E.M.	Leasehold expiring: 12.03.2911	40	Residential area	4,980	2015
Kulim Training Centre (KTC)	Leasehold expiring: 15.04.2093	4	Building	1,019	1994
Mukim of Plentong, Johor (Sg. Kim Kim)			Vacant land	17,458	1997
Lot 1581	Freehold	5			
Lot 2222	Freehold	8			
Lot 2223 Lot 2226	Freehold Freehold	66 4			
Lot 2227	Freehold	5			
Mukim Sungai Tiram (Nexsol) PTD 5069 HSD 564663	Leasehold expiring: 16.01.2068	8	Vacant land	7,986	2017
Mukim of Plentong Johor (EPASA) PTD 155633 HSD 303856	Leasehold expiring: 18.05.2060	6	Container depot	23,000	2020
Mukim Bandar (Jalan Kenyalang) PTB 17770 HSD 187429	Leasehold expiring: 26.10.2090	1	Building	23,900	2020
12 units of Selesa Tioman Condotel	Leasehold expiring: 02.05.2107	0.07	Building	2,580	2020
		147		80,923	

	Tenure	Area	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
SINDORA BERHAD					
Sindora Timber Complex Lot 1384 Industrial Area Phase 1 Bandar Tenggara 81000 Kulai, Johor	Leasehold (60 years) Expiring: 24.11.2059 (Building age: 21 years)	275,879 sq. ft.	Industrial land and building	1,000	2020
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 38 years)	1,391,385 sq. ft.	Industrial land and building for office and factory	5,100	2020
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 35 years)	5,000 sq. ft.	Factory building	6,400	2020
No. 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold (99 years) Expiring: 18.04.2085 (Building age: 34 years)	22,912 sq. ft.	Residential land	500	2019
Sg. Simpang Kiri Mukim of Chaah Bahru HSD 55820 PTD 9990 HSD 55684 PTD 9995	Leasehold expiring: 01.11.2105 21.09.2105	127 hectares 67 hectares	Vacant land	1,177	2017
				14,177	

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ADDITIONAL	INFORMATION
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	Tenure	Area	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
E.A. TECHNIQUE (M) BERHAD			· · ·		
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa 11 Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 13 years)	6,560 sq. ft.	Office building	905	2007
No. C-15-1, No. 2 Jalan 13/21D Medan Idaman, Gombak Kuala Lumpur	Freehold (Building age: 16 years)	845 sq. ft.	Apartment for seafarers in transit	136	2004
				1,041	
DANAMIN (M) SDN BHD					
PTB 811, Jalan Industri A6 Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	2.9 hectares	Office building	672	2013
11 & 13 Jalan Serangkai 1 Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m²	Shop office	742	2013
Expansion Plant in Bandar Penawar PTB 811, Jalan Industri A6, Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	914 m²	Industrial land and building for plant	1,646	2015
Expansion Plant in Bandar Penawar PTB 811, Jalan Industri A6, Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	2,808 m²	Industrial land and building for plant	815	2017
Expansion Plant in Bandar Penawar PTB 811, Jalan Industri A6, Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	1,404 m²	Industrial land and building for plant	1,949	2019
Expansion Plant in Bandar Penawar PTB 811, Jalan Industri A6, Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	4,558 m²	Industrial land and building for plant	11,386	2020

# PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Area	Description	Net Book Value @ 31.12.2020 RM'000	Year of Acquisition/ Revaluation
DQ-IN SDN BHD					
Lot PT 11254, Taman Perindustrian Paka 23100 Paka Dungun Terengganu	Leasehold (85 years)	143 m²	Shop office	276	2014
Total				17,486	
EXTREME EDGE SDN BHD					
No 37, 37-01 & 37-02 Jalan Perjiranan 15/1 Bandar Dato' Onn 81100 Johor Bahru, Johor	Freehold	1,540 sq. ft.	3-storey shop office	1,800	2020
PTD 191741 No. 64 Jalan Bandar Cemerlang 3/1 Bandar Cemerlang 81800 Ulu Tiram Johor	Freehold	5,483 sq. ft.	3-storey shop office	982	2019
Total				2,782	
TOTAL – OTHER PROPERTIES				116,409	

# **CORPORATE DIRECTORY**







# **COMPANY**

**KULIM (MALAYSIA) BERHAD** MAHAMURNI PLANTATIONS SDN BHD **EPA MANAGEMENT SDN BHD SELAI SDN BHD** SINDORA BERHAD

**KUMPULAN BERTAM PLANTATIONS BERHAD UNITED MALAYAN AGRICULTURAL CORPORATION BERHAD** 

**ULU TIRAM MANUFACTURING COMPANY** (MALAYSIA) SDN BHD

K.B. 705, 80990 Johor Bahru, Johor

Tel: 07 - 861 1611 Fax: 07 - 861 1701

# **SEDENAK COMPLEX**

#### SEDENAK ESTATE

K.B. 124, 81000 Kulai, Johor Tel: 019 - 779 9064 Fax: 07 - 652 6341

#### **KUALA KABONG ESTATE**

K.B. 125, 81020 Kulai, Johor Tel: 019 - 770 7983 Fax: 07 - 684 0897

#### **RENGAM ESTATE**

K.B. 104, 86300 Rengam, Johor

Tel: 019 - 770 3454 Fax: 07 - 753 5629

#### **ULU TIRAM ESTATE**

K.B. 710, 80990 Johor Bahru, Johor Tel: 07 - 861 1101/861 1102

Fax: 07 - 861 1102

### **ASAM BUBOK ESTATE**

K.B. 102, 86100 Air Hitam, Johor Tel: 07 - 758 1818/758 2319

Fax: 07 - 758 1818

#### SEDENAK PALM OIL MILL

K.B. 721, 80990 Johor Bahru, Johor

Tel: 07 - 652 6030 Fax: 07 - 652 6030

# SIANG COMPLEX

#### **SIANG ESTATE**

K.B. 515, 81909 Kota Tinggi, Johor Tel: 019 - 771 2962/832 8197/

832 8198 Fax: 019 - 775 0441

#### **SG. PAPAN ESTATE**

P.O. Box 15, Bandar Penawar, 81909 Kota Tinggi, Johor

Tel: 019 - 758 2962/019 - 790 9337

Fax: 019 - 775 0447

#### **R.E.M ESTATE**

K.B. 501, 81909 Kota Tinggi, Johor

Tel: 07 - 883 1030 Pasak Div: 07 - 893 2269 Fax: 07 - 883 9376

#### **BASIR ISMAIL ESTATE**

K.B. 502, 81909 Kota Tinggi, Johor

Tel: 019 - 775 0055 Fax: 07 - 865 1108

# **TUNJUK LAUT COMPLEX**

#### **TUNJUK LAUT ESTATE**

K.B. 517, 81909 Kota Tinggi, Johor

Tel: 019 - 790 8110 Fax: 019 - 727 0462

# **PASIR PANJANG ESTATE**

K.B. 527, 81909 Kota Tinggi, Johor Tel: 019 - 751 2692/019 - 791 9337

#### **BUKIT PAYUNG ESTATE**

K.B. 521, 81909 Kota Tinggi, Johor Tel: 019 - 736 9750/019 - 734 2692 Fax: 019 - 775 0420

#### **PASIR LOGOK ESTATE**

K.B. 504, 81909 Kota Tinggi, Johor Tel: 019 - 714 0502/07 - 889 7473

Fax: 019 - 731 4072

# **BUKIT KELOMPOK ESTATE**

K.B. 512, 81909 Kota Tinggi, Johor Tel: 019 - 757 2962/019 - 700 7555

Fax: 019 - 727 0471

#### PASIR PANJANG PALM OIL MILL

K.B. 527, 81909 Kota Tinggi, Johor

Tel/Fax: 019 - 750 2962

# **PALONG COMPLEX**

#### **PALONG ESTATE**

K.B. 530, 85009 Segamat, Johor

Tel: 019 - 770 4815

# **UMAC ESTATE**

P.O. Box 31, 26900 Bandar Tun Razak, Pahang Tel: 019 - 770 7293

### **MUNGKA ESTATE**

K.B. 524, 85009 Segamat, Johor

Tel: 019 - 770 6315

#### **KEMEDAK ESTATE**

K.B. 525, 85009 Segamat, Johor

Tel: 019 - 770 9435

# **SEPANG LOI ESTATE**

Peti Surat C-21, 85007 Segamat,

Tel: 019 - 770 2851

#### **LABIS BAHRU ESTATE**

K.B. 517, 85009 Segamat, Johor Tel: 07 - 943 2802

PALONG COCOA PALM OIL MILL K.B. 504, 85009 Segamat, Johor

Tel: 019 - 770 4014

#### CORPORATE DIRECTORY

# **TEREH COMPLEX**

#### **TEREH UTARA ESTATE**

K.B. 536, 86009 Kluang, Johor

Tel: 019 - 776 6054 Fax: 07 - 810 6657

#### **TEREH SELATAN ESTATE**

K.B. 537, 86009 Kluang, Johor

Tel: 019 - 755 2962

#### **SELAI ESTATE**

K.B. 529, 86009 Kluang, Johor

Tel : 019 - 791 8337

#### **ENGGANG ESTATE**

K.B. 503, 86009 Kluang, Johor

Tel: 019 - 791 9337

#### TEREH PALM OIL MILL

K.B. 538, 86009 Kluang, Johor

Tel: 019 - 773 2366 Fax: 07 - 781 6691

# **SINDORA COMPLEX**

#### **SINDORA ESTATE**

K.B. 539, 86009 Kluang, Johor

Tel: 07 – 786 3707 Fax: 07 – 786 3773

#### SG. SEMBRONG ESTATE

P.O. Box 21, 86700 Kahang, Johor

Tel: 019 - 770 7954

### **MUTIARA ESTATE**

P.O. Box 24, 86700 Kahang, Johor

Tel: 019 - 736 9750 Fax: 07 - 780 6228

#### **SUNGAI TAWING ESTATE**

K.B. 531, 86009 Kluang, Johor

Tel: 019 - 727 1555

### SINDORA PALM OIL MILL

K.B. 501, 86009 Kluang, Johor

Tel: 019 - 773 3913.

# **INDONESIAN OPERATIONS**

# PT WISESA INSPRASI NUSANTARA (PT WIN)

Jl. Permata Hijau 4,Gg, Jamrut Rt.18 Kel. Lanjas

Kecamatan Teweh Tengah, Muara Teweh

73812, Kab.

Barito Utara, Kalimantan Tengah

Tel/Fax: +6205192020764

# PT RAMBANG AGRO JAYA (PT RAJ) PT TEMPIRAI PALM RESOURCES (PT TPR)

Sumatera Selatan, Indonesia

# RESEARCH & DEVELOPMENT

#### **KULIM AGROTECH CENTRE**

P.O. Box 141,

81900 Kota Tinggi, Johor

Tel: 07 - 882 1145 Fax: 07 - 882 2209

#### **KULIM TOPPLANT SDN BHD**

C/O REM Estate,

Lot 2135, Jalan Johor Bahru

– Kota Tinggi, Batu 23,

81900 Kota Tinggi, Johor

Tel: 07 - 882 1753 Fax: 07 - 880 1613

# **AGRIBUSINESS**

#### **KULIM PINEAPPLE FARM**

K.B. 710, 80990 Johor Bahru,

Johor

Tel: 07 - 863 0575 Fax: 07 - 861 9355

### **KULIM PINEAPPLE FARM**

Seri Kembangan Branch
No. 135, Jalan LP 7/2,

Lestari Perdana, Bandar Putra Permai, 43300 Seri Kembangan, Selangor

Tel/Fax: 03 - 8082 0119

#### **KULIM LIVESTOCK SDN BHD**

K.B. 705, 80990, Johor Bahru, Johor

Tel: 07 - 863 5611 Fax: 07 - 863 5601

# **INTRAPRENEUR VENTURE**

#### **EDARAN BADANG SDN BHD**

No. 1 & 3, Jalan Kemajuan 2, Kawasan Perindustrian Kota Tinggi, 81900 Kota Tinggi, Johor

Tel: 07 - 883 4707/883 5707 Fax: 07 - 882 2707/882 8257

# EDARAN BADANG SDN BHD Lahad Datu, Sabah Branch

Lot 18, MDLD 7613 Adika Industrial

Centre Off Batu 3, Jalan Tengah Nipah, 91114 Lahad Datu, Sabah

Tel: 089 - 884 129/883 284

Fax: 089 - 884 089

# EDARAN BADANG SDN BHD Bintulu, Sarawak Branch

No. 92, Sample Park Phase III,

Jalan Tun Hussien Onn, 97000 Bintulu, Sarawak

Tel: 09 - 954 0311 Fax: 09 - 534 2893

### **EXTREME EDGE SDN BHD**

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#### PINNACLE PLATFORM SDN BHD

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# KULIM SAFETY TRAINING & SERVICES SDN BHD

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# MIT INSURANCE BROKERS SDN BHD

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# PT CITRA SARANA ENERGI (PT CSE) PT RIZKI BUKIT BARISAN E&P (PT RBB)

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Jalan Kapten Tendean Nomor 24, Mampang Prapatan, Jakarta Selatan





# TRANSFORMATION JOURNEY

# OF JCORP & KULIM



# 2020

JCORP 3.0

In July 2020, a new logo was introduced to represent its transformation in becoming a globally admired sustainable business organisation.



# 2018-2019

On 18 May 2018, JCorp celebrated 50 years of its establishment. The new logo was launched symbolising its determination to position itself on the domestic front and in the international arena.



# 1995-2018

In 1995, JSEDC changed its name to Johor Corporation.



# **Johor State Economic Development Corporation**

The Johor State Economic Development Corporation ("JSEDC") was established by the Government of Johor under Enactment No. 4, 1968 which was passed on 18 May 1968.



# 2021

Kulim introduced the new logo in April 2021 as part of its ongoing evolution signifying a new era for the organisation. The new logo symbolises Kulim's focus in driving sustainable growth and creating value for its stakeholders.

This is done parallel to JCorp's new identity launched in July 2020 in accordance with the restructuring of JCorp's brand in local and international markets.



# 2019-2021

In conjunction with JCorp's 50th-anniversary celebration in 2018, it launched a new brand identity.

Following suit, Kulim refreshed its logo to align to JCorp's new brand presence.



# 1933-2018

Kulim Rubber Plantations Ltd was incorporated in the United Kingdom on 4 July 1933. Changing its name to Kulim Group Limited, its shares were listed on the London Stock Exchange on 16 July 1970.

Kulim (Malaysia) Sdn Bhd was then incorporated on 3 July 1975 and made public as Kulim (Malaysia) Berhad on 18 August 1975. It was listed on the Main Board of the Kuala Lumpur Stock Exchange on 14 November of the same year.

In 1976, JSEDC or JCorp became the major shareholder of Kulim. On 4 August 2016, Kulim became a whollyowned subsidiary of JCorp and was removed from the official listing of Bursa Malaysia Securities Berhad.

# **KULIM (MALAYSIA) BERHAD**

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