



KUALA LUMPUR KEPONG BERHAD

KLK SUSTAINABILITY POLICY

Scope of Policy

This Policy Statement applies to KLK and all of its subsidiaries.

In situations where KLK has minority interest, we will encourage the application of this Policy amongst our business partners including contractors, suppliers, trading and JV partners.

Commitment Statement

KLK is committed to ensuring that its products are produced in a sustainable manner. This is realised through continuous balanced assessment and development of its operations while simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of its employees and local communities. These important aspects are incorporated not only in its daily operations but also in its decision making processes.

KLK adopts the Principles & Criteria ("P&C") set out by the Roundtable on Sustainable Palm Oil ("RSPO") as the foundation of its sustainability practices, and is further guided by the following policies:-

1. No Deforestation

- There will be no development of areas classified as high carbon stock ("HCS") forests defined by the interpretation of HCS issued by the industry-led working group, of which KLK is a party ("HCS Study"). The HCS Study will, when completed, provide reliable information on greenhouse gas emissions ("GHG") and socio-economic considerations to guide decisions on land conversion to oil palm plantations.
- In the interim and until the results of the HCS Study are adopted, KLK has halted all development on potential HCS areas*, effective from September 2014.
- We will fully adopt the RSPO Criterion 7.8 to minimise GHG emissions from new developments. The emission of GHG will be progressively reduced on existing plantations and operations. We will adhere to RSPO or equivalent certification standards and all relevant national legislation.
- KLK pledges to conserve biodiversity by identifying, protecting and maintaining high conservation value areas.
- A strict Zero Burning policy is practised in relation to all new planting, re-planting or other development.

2. Protection of Peat Areas

- There will be no new development on peat areas, regardless of depth.
- We are committed to applying Best Management Practices on existing peat lands in our plantations.
- In areas that are found to be unsuitable for replanting, we will work with experts to explore options including environmentally friendly alternative uses or peat restoration.

* KLK will engage independent third parties and employ the current industry standard developed by Golden Agri Resources (GAR), The Forest Trust (TFT) and Greenpeace to identify potential HCS areas before any new development.

3. Drive Positive Socio-Economic Impact for People and Communities

- KLK respects, supports and upholds fundamental human rights, and does not engage in discrimination based on race, religion or gender. Reproductive rights in line with the country's laws shall also be respected.
- We place great importance on the individual cultures, customs and languages in the countries/regions where we operate.

3.1 Respect and Support the Universal Declaration of Human Rights

KLK recognises the inherent dignity of the individual and supports the Universal Declaration of Human Rights by the United Nations.

3.2 Respect and Recognise the Rights of All Employees

KLK is committed to ensuring that the rights of all employees, including contract, temporary and migrant workers, are respected according to local, national and ratified international laws and that international best practices are adopted where legal frameworks are not yet in place. It is our priority to comply with relevant legislative objectives and moral obligations to create, build and promote a harmonious, safe and healthy work environment and culture. The following principles are core elements that will guide KLK Group's operations.

(i) No Forced or Bonded Labour

The Group and its suppliers/contractors shall not knowingly employ or support the use of forced or bonded labour or human trafficking and shall take appropriate measures to prevent the use of such labour in connection with the Group's operations. There will also not be any restrictions on the workers' freedom of movement during their free time.

The Group shall not deduct any part of an employee's wages unless provided for by law, nor withhold any property, identification cards, passports or other travel documents without their prior consent.

(ii) No Child Labour

The Group and its suppliers/contractors shall not knowingly employ or support the use of child labour. Remedial actions with appropriate follow up actions shall be employed if any child labour case is uncovered to protect the welfare of the child.

(iii) Occupational Safety and Health

The Group and its suppliers/contractors shall strive to provide a safe and healthy workplace environment and take effective steps to protect employees from exposure to potential occupational safety and health hazards that are likely to pose an immediate risk of permanent injury, illness or death.

(iv) Employment contracts

The Group and its suppliers/contractors shall ensure that employees are given in writing, in a language that they understand, a description of their duties, rate of pay, working hours, leave, and any other benefits of employment.

- (v) Freedom of Association and Right to Collective Bargaining**
The Group and its suppliers/contractors shall recognise and respect the right of employees to form and join trade unions of their choice subject to the provisions of relevant national legislation.
- (vi) Minimum Income Standard**
The Group and its suppliers/contractors shall ensure all workers are paid a wage equal to or exceeding the legal minimum wage and are covered for work-related illness and injuries.
- (vii) Working Hours**
The Group and its suppliers/contractors shall ensure that working hours comply with national legislation including overtime hours (which are on a voluntary basis), and that workers have at least one rest day each week.
- (viii) Record Keeping**
The Group and its suppliers/contractors shall maintain records of working hours and wages for all workers.
- (ix) Equal Employment Opportunities**
The Group and its suppliers/contractors shall ensure equal opportunities in the work place. All decisions relating to hiring, remuneration, access to training, promotion, termination or retirement will be made based on business needs, job requirements and individual qualifications and without regard to race, religion or gender.
- (x) Access to Education**
KLK is committed to ensuring that children of employees who are living in its plantations are provided access to education.
- (xi) Harassment and Violence**
The Group and its suppliers/contractors shall not tolerate any type of harassment or violence.
- (xii) Whistle-blowing**
The Group shall provide a confidential means for all personnel to report illicit (i.e. unethical or illegal) activities. The Group shall refrain from disciplining, dismissing, or discriminating against any personnel for providing information on such activities.
- (xiii) Business Integrity**
The Group shall conduct business in an honest and ethical manner, and comply with applicable laws and regulations.
- (xiv) Grievance Redress Procedure**
The Group shall provide a means for all personnel to air their grievances regarding their employment conditions, responsibilities, co-worker issues, promotion opportunities and other issues related to the work environment.

3.3 Facilitate the Inclusion of Smallholders into the Supply Chain

KLK will strive to conduct continuous consultations with smallholders, and together with other stakeholders, provide technical assistance and support to smallholders to help them achieve compliance with this policy.

3.4 Respect Land Tenure Rights

KLK will respect legal land tenure rights, and recognise duties and responsibilities associated with tenure rights, such as respect for the long-term protection and sustainable use of land and national resources. This is done in compliance with the national obligations, constitutions, local laws and regulations of the countries where we are operating.

3.5 Respect the Rights of Indigenous and Local Communities

KLK respects, upholds and recognises the rights of indigenous and local communities, to give or withhold their free, prior and informed consent (“FPIC”) to operations on lands to which they hold legal, communal or customary rights.

KLK is committed to ensuring compliance by way of FPIC prior to commencing any new operations. KLK will engage relevant stakeholders when undertaking such FPIC processes to ensure that such processes are properly implemented.

3.6 Resolve Verifiable Complaints and Conflicts through an Open, Transparent and Consultative Process

KLK is committed to actively and constructively engage with all stakeholders, including communities, governments, suppliers and civil society. In this respect KLK has developed processes for the responsible handling of all complaints therefrom in consultation with such stakeholders.

TRACEABILITY

KLK will endeavour to put in place a traceable palm oil supply chain. All the palm products produced by KLK’s own plantations are traceable up to our respective palm oil mills, refineries and kernel crushing plants.

While it remains a challenge to fully trace the sources of FFB supplied by all traders/dealers, KLK will continue to engage with all third party traders/dealers to further improve and enhance our traceability mechanism.

IMPLEMENTATION TIMELINE

KLK will, together with the relevant stakeholders, develop a time-bound action plan to implement the commitments in this Policy. KLK expects its suppliers and contractors to fully comply with the commitments herein by 31 December 2016.

REPORTING

KLK will provide a half-yearly update on the time-bound plans and the progress of the implementation of the Policy commitments.

CONTINUOUS STAKEHOLDER ENGAGEMENT

KLK acknowledges that the implementation of this Policy and its effectiveness would require the support and co-operation of its supply chain partners. We will work and engage with our partners and all relevant stakeholders to meet the objectives of the listed commitments. We value constructive inputs and suggestions to further enhance the implementation of the commitments.

COMPLIANCE WITH POLICY

KLK takes the commitments in this Policy seriously and will continuously engage with its suppliers, contractors or trading partners to ensure compliance. In cases of chronic non-compliance or serious violations, KLK will take appropriate action including their removal from the Group's supply chain.

TAN SRI DATO' SERI LEE OI HIAN

Chief Executive Officer

1 December 2014