



KUALA LUMPUR KEPONG BERHAD

KLK SUSTAINABILITY POLICY

Scope of Policy

This Policy Statement applies to all the palm oil related operations of KLK, its subsidiaries, joint-ventures and companies over which it has management control. KLK would also require all its business dealings and trading activities to comply with this Policy.

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, protecting high carbon stock forests, High Conservation Value Areas, and peatlands, uplifting the socio-economic conditions and respecting the human rights 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 committed to the following commitments that build upon the requirements of the RSPO.

1. ENVIRONMENTAL

1.1 No Deforestation

- Practice a strict No Deforestation policy by applying the High Carbon Stock Approach (“HCSA”) methodology, and any associated social requirements and implementation guidance and not clearing high carbon stock forests as defined in the HCSA.
- New development areas will undergo integrated High Conservation Value (“HCV”) and HCSA assessments to determine eligible planting areas with priority given to low carbon stock areas (e.g. grasslands and scrub areas) which have no demonstrable HCV, and where Free, Prior and Informed Consent (“FPIC”) has been obtained from rights-holders.

1.2 Protection of Peatlands

- Practice a strict No New Development and Drainage of Peatlands policy, regardless of depth.
- Apply Best Management Practices on existing peatlands cultivated with oil palm. This includes periodic monitoring of water table level and subsidence rate.
- Evaluate the drainability of existing peatlands cultivated with oil palm using the RSPO endorsed method to ascertain its suitability for replanting.
- Work with experts to explore options including paludiculture alternative uses of rewetted peatland, or peatland restoration for critical peatland ecosystem or areas that are found to be unsuitable for replanting.

1.3 No Burning

- Practice a strict No Burning policy in all KLK operations including new plantings and re-plantings.

1.4 Protecting High Conservation Value Areas

- Conservation of biodiversity by identifying, protecting and maintaining HCV areas.
- Ensuring the protection and survival of all rare, threatened or endangered species within concession lands and work to make positive contributions to their survival in areas beyond the concession.

1.5 Reduce Net Emissions of Greenhouse Gas (“GHG”)

- Minimise net GHG emissions from new oil palm developments.
- The emission of GHG will be progressively reduced on existing plantations and operations with strict compliance of RSPO or equivalent certification standards and all relevant national legislation.
- Public reporting of annual GHG emissions sources and progress towards the time-bound targets for progressive reductions.

2. SOCIAL – WORKPLACE AND COMMUNITIES

2.1 Respect and Recognise the Rights In Workplace

(i) Respect Employees Rights

- Recognise the inherent dignity of an individual and supports the Universal Declaration of Human Rights by the United Nations.
- Respect and uphold the rights of all workers, including contract, temporary and migrant workers, with the International Labour Organisation’s core conventions, United Nations Guiding Principles on Business and Human Rights and the principles of Free and Fair Labour in Palm Oil Production as guidance.
- Ensure that compliance with local, national and ratified international laws and that international best practices are adopted where legal frameworks are not yet in place.

(ii) No Forced or Bonded Labour

- Prohibit the use of forced or bonded labour or human trafficking.
- Victims, if any, will be provided assistance to seek appropriate victim-centered rehabilitation services and access to social protection.
- Ensure there are no restrictions on workers’ freedom of movement.
- KLK absorbs all employer-related statutory recruitment fees. KLK prohibits the imposition or collection by its contractors, of any non-mandated/illegal fees, commissions and/or levies from its workers. The services of non-compliant contractors will be terminated, if found to be doing so.
- Affected workers, if any, will be given assistance to recover the unlawful fees/commissions/levies paid.
- Prohibit any deductions from any part of workers’ wages and withholding any property, identification cards, passports or other travel documents unless provided for by law.

(iii) No Child Labour

- Prohibit the employment 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. This includes access to comprehensive health and social protection measures and education opportunities relevant to their age and development.

(iv) Occupational Safety and Health

- Provide a safe and healthy workplace environment.
- Provide all workers with adequate protective equipment, tools, and safe transportation to and from work free of cost.
- Provide regular training and information in the national language (or any other method that foreign workers can understand) on occupational health and safety practices and policies.
- Prohibit highly toxic, bio-accumulative and persistent pesticides. This includes chemicals listed by the following:
 - a) World Health Organisation Class 1A or 1B, Stockholm or Rotterdam Conventions; and
 - b) Paraquat.
- Disclose to the workers the ingredients and any associated health risks of any pesticides and fertilisers used by them.

(v) Employment contracts

- 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.

(vi) Freedom of Association and Right to Collective Bargaining

- Recognise and respect the right of employees to form and join trade unions of their choice and to bargain collectively. KLK will not refuse any genuine opportunity to collectively bargain with workers who want to do so.
- Trade unions have access to the KLK estates, and KLK will not interfere with the organising of activities of workers, worker representatives or representatives of trade unions. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.

(vii) Minimum Wage Standard

- Ensure all workers are paid a wage equal to or exceeding the legal minimum wage and are covered for work-related illness and injuries.

(viii) Working Hours and Record Keeping

- Ensure that working hours comply and are compensated in accordance with national legislation including overtime hours (which are on a voluntary basis), and that workers have at least one rest day each week.
- Maintain records of working hours and wages for all workers.
- Ensure any production targets are based on what can fairly and realistically be achieved by one worker within normal working hours, and never result in payment below the minimum wage or working uncompensated overtime hours.

(ix) Harassment and Violence

- Zero tolerance of any type of harassment, intimidation or violence.

(x) Equal Employment Opportunities and Diversity

- 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.
- There shall be no discrimination based on nationality, race, religion or gender.

2.2 Respect the Rights of Indigenous and Local Communities

- Place great importance on the individual cultures, customs and languages in the countries/regions of operations.
- Respect, uphold and recognise the rights of indigenous and local communities, to give or withhold their FPIC to operations on lands to which they hold legal, communal or customary rights in accordance with the United Nations Declaration on the Rights of Indigenous Peoples.
- Conduct processes of consultation and negotiations with the rights-holders prior to commencing any new developments in accordance with internationally recognised FPIC standards and not constrained by local legal frameworks. Rights-holders may seek and engage expert advice at any stage of the process.

2.3 Facilitate the Inclusion of Smallholders/Farmers into the Supply Chain

- KLK will strive to conduct continual consultations with smallholders, and together with other stakeholders/ farmers, provide technical assistance and support to smallholders/farmers to help them achieve compliance with this Policy.

3. TRACEABILITY

KLK aims to put in place a traceable palm oil supply chain. While it remains a challenge to fully trace the sources of FFB supplied by all third-party suppliers, KLK will continue to engage with all third-party suppliers to further improve and enhance its traceability mechanism.

KLK's approach to traceability:

(i) Palm oil mills

It will work with its direct upstream FFB suppliers to trace up to the **oil palm plantation level by 31 December 2019.**

(ii) Refineries

It will work with its supply chain to trace up to **oil palm plantations level by 31 December 2020.**

(iii) Palm kernel oil

It will work with its supply chain to trace to **palm oil mills by 31 December 2020.**

KLK insists that its third-party suppliers adopt the same timeline for traceability as stated above.

4. GOVERNANCE

4.1 Business Integrity

- Conduct business in an honest and ethical manner; and comply with applicable laws and regulations.

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

- Commit to actively and constructively engage with all stakeholders, including communities, governments, suppliers, civil society and employees and resolve complaints in accordance with UN Guiding Principles on Business and Human Rights.
- In this respect, KLK has developed processes through its Whistleblowing policy and Grievance Procedures framework which include providing hotlines to channel grievances and complaints for the transparent and responsible handling of these matters therefrom in consultation with such stakeholders.

5. IMPLEMENTATION AND COMPLIANCE

5.1 Time-bound Implementation Plan

- KLK will together with the relevant stakeholders, develop and publish a time-bound action plan by December 2018 that will outline actions which will be taken to achieve the Commitments in this Policy in full by **31 December 2020**.

5.2 Compliance Protocols

- KLK takes the commitments in this Policy seriously and will continuously engage with its stakeholders 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. KLK will, together with the relevant stakeholders, develop and publish a non-compliance protocol by December 2018.

5.3 Independent Verification of Policy Compliance

- KLK will undertake third-party verification to ensure compliance. KLK recognises that third party verification system must be established in addition to RSPO certification.

6. MONITOR, EVALUATE & REPORT

KLK acknowledges that the implementation of this Policy and its effectiveness would require the support and co-operation of its business associates. We value constructive inputs and suggestions to further enhance the implementation of the commitments herein.

We will continually monitor and analyse the implementation process. We will review and reflect in the Policy any new developments which support our commitment towards the environment, society and good governance.



TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

Revised – 30 August 2018