



**KUALA LUMPUR KEPONG BERHAD**

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## **KLK SUSTAINABILITY POLICY**

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KLK SUSTAINABILITY POLICY

# TABLE OF CONTENTS

<b>SCOPE OF POLICY</b> .....	<b>3</b>
<b>COMMITMENT STATEMENT</b> .....	<b>3</b>
<b>1. ENVIRONMENTAL</b>	<b>4</b>
1.1 Commitment to No Deforestation	4
1.2 Protection of Peatlands	4
1.3 No Open Burning	4
1.4 Protecting The Nature and Biodiversity	4
1.5 Reduce Net Emissions of Greenhouse Gas (“GHG”)	5
<b>2. SOCIAL – NO EXPLOITATION OF PEOPLE AND COMMUNITIES</b>	<b>5</b>
2.1 Respect and Recognise the Rights in Workplace	5
2.2 Respect the Rights of Indigenous and Local Communities	7
2.3 Facilitate the Inclusion of Smallholders/Farmers into our Supply Chain	7
2.4 Community Impact	7
<b>3. SOURCING</b>	<b>7</b>
3.1 Suppliers’ Compliance	7
3.2 Traceability & Transparency	8
<b>4. GOVERNANCE</b>	<b>8</b>
4.1 Business Integrity	8
4.2 Resolve Verifiable Complaints, Grievances and Conflicts through an Open, Transparent and Consultative Process	8
<b>5. MONITOR, EVALUATE &amp; REPORT</b>	<b>9</b>



KLK SUSTAINABILITY POLICY

### **SCOPE OF POLICY**

This Policy Statement applies to all plantation and manufacturing operations carried out by Kuala Lumpur Kepong Berhad ("KLK"), including its subsidiaries, joint ventures, and entities under its management control, where applicable. The commitment, as detailed in our Company Policies, covers employees (both permanent and temporary), contractors and raw material suppliers (both direct and independent/third-party), and we strive to engage and include trading partners, scheme smallholders (Plasma), associated local communities, and other stakeholders.

### **COMMITMENT STATEMENT**

KLK is steadfast in its commitment to ensure the sustainable production of our products. This commitment is evidenced through ongoing, balanced assessment and enhancement of operations, coupled with a dedication to the conservation and improvement of the natural environment. This policy is also grounded in our commitment towards no deforestation, no new planting on peat and no social exploitation.

As the cornerstone of our sustainability practices, KLK adopts the Principles & Criteria ("P&C") outlined by the Roundtable on Sustainable Palm Oil ("RSPO") and the standards set forth by the Malaysia Sustainable Palm Oil ("MSPO") and Indonesia Sustainable Palm Oil ("ISPO"). Recognising the inherent challenges and complexities, our efforts to promote sustainable and ethical practices will be guided by our capacity for continuous improvement and responsible management.



## **1. ENVIRONMENTAL**

### **1.1 Commitment to No Deforestation**

- No conversion of High Carbon Stock (“HCS”) forests and High Conservation Value (“HCV”) areas after 30 August 2018.
- For new development or expansion of plantation areas, we will adhere to the relevant requirements of the RSPO, utilising international best practice guidance from the RSPO P&C, where it adopts suitable High Conservation Value Network (“HCVN”) and High Carbon Stock Approach (“HCSA”) toolkits, or equivalent.

### **1.2 Protection of Peatlands**

- No new development on peatlands, regardless of the depth, after 30 August 2018.
- Apply Best Management Practices (“BMPs”) on existing peatlands cultivated with oil palm and use the RSPO-endorsed method to ascertain its suitability for replanting.
- Work with experts to explore options for peatland rehabilitation (including paludiculture) for the areas that are found to be unsuitable for replanting.

### **1.3 No Open Burning**

- No open burning in all KLK’s operations including new planting, re-planting activities and waste disposal, as per the Guidelines for the Implementation of the ASEAN Policy on Zero Burning.
- Ensure the implementation and continuous training of fire safety plan to enhance preparedness within our organisation and actively support the enhancement of fire safety measures in neighbouring communities, where relevant and feasible.

### **1.4 Protecting The Nature and Biodiversity**

- Committed to prevent the conversion of natural ecosystems, including HCS, HCV and other designated conservation areas.
- Identify, protect, maintain and/or conserve these ecosystems to ensure their preservation and in areas under our management control or legal rights, we will strictly avoid activities that could harm them. For areas beyond our direct control, we will collaborate with stakeholders (local communities, NGOs and government bodies) to actively support and advocate for conservation efforts.
- Protection of riparian reserves along permanent natural waterways within the scope of our operations by allowing the growth of natural vegetation. This will be implemented in compliance with applicable local and/or national regulations.
- Monitoring of water bodies to ensure water quality meets environmental and legal standards.
- Monitor, optimise and reduce water consumption where possible by practising prudent water usage throughout our processing operations.
- Conducting our operations in accordance with BMPs of agriculture and soil management. Our support for Integrated Pest Management techniques and adherence to BMPs extends to all existing plantations to minimise chemical usage, including pesticides and herbicides.
- Fostering a dynamic and innovative waste management and utilisation system that strives for zero waste, emphasising recycling and proper disposal.
- Actively ensuring the protection of rare, threatened, or endangered (“RTE”) species within our operational concessions, strictly prohibit capturing, poaching, and hunting activities. While upholding this prohibition, we respect the traditional rights of indigenous groups for legal, non-commercial, and sustainable hunting practices excluding rare species.



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

- Minimise net GHG emissions from new oil palm development.
- The emission of GHG will be progressively reduced on existing plantations and operations with compliance to RSPO or equivalent certification standards and all relevant national legislation.
- Committed to the principles of the circular economy by working towards the conversion of waste into renewable energy through continuous innovation and investment in new technologies with the aim of reducing GHG emissions in alignment with our sustainability commitments.

## **2. SOCIAL – NO EXPLOITATION OF PEOPLE AND COMMUNITIES**

### **2.1 Respect and Recognise the Rights in Workplace**

#### **2.1.1 Respect Employees Rights**

- Recognise the inherent dignity of an individual and support the Universal Declaration of Human Rights by the United Nations, including prohibiting retaliation against the Human Rights Defenders (“HRD”) in accordance with the United Nations Declaration on HRD. (cross reference to KLK Group Whistleblowing Policy)
- Respect and uphold the rights of all workers, including contract, temporary and guest workers, in accordance with the International Labour Organisation’s (“ILO”) 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 compliance with all relevant local, national and ratified international laws, and adopt international best practices where legal frameworks are lacking, as applicable in the countries where we operate.

#### **2.1.2 No Forced and/or Bonded Labour**

- Prohibit the use of forced and/or bonded labour or human trafficking.
- Victims, if any, will be provided assistance to seek appropriate victim-centred rehabilitation services and access to social protection.
- No restriction on workers’ freedom of movement.
- Absorb all employer-related statutory recruitment fees, and related costs (guest workers only) in line with the ILO’s General principles and operational guidelines for fair recruitment document. 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 recruitment agents or contractors will be terminated.
- Affected workers, if any, will be given assistance to recover the recruitment fees, and related costs paid (guest workers only).
- Prohibit any illegal deductions from any part of workers’ wages and withholding any property, identification cards, passports, or other travel documents, and withholding of wages, unless provided for by law.

#### **2.1.3 Protection of Children and Women Workers**

- Children are protected from harm, and any form of exploitation.
- Prohibit child labour.
- Remedial and appropriate follow-up actions shall be taken if any child labour case is uncovered to protect the welfare of the child.
- Ensure reproductive rights and maternal health protection of women in accordance with local and/or national laws, as well as align with the principles of the Universal Declaration of Human Rights and labour laws.

- Promote the active involvement of women in decision-making by including them as members in various committees, including the Occupational Safety and Health Committee, and Gender Committee.

#### **2.1.4 Occupational Safety and Health**

- Provide a safe and healthy workplace environment.
- Provide all workers with adequate personal protective equipment and working tools.
- Provide regular training and information in the national language (or any other method that guest workers can understand) on occupational health and safety practices and policies.
- Prohibit use of highly toxic, bio-accumulative and persistent pesticides. This includes chemicals listed by the following:
  - a) World Health Organisation Class 1A or 1B chemicals, Stockholm or Rotterdam Conventions (unless in exceptional circumstances, as validated by a due diligence process, or when authorised by government authorities of pest outbreaks).
  - b) Paraquat.
- Ensure compliance with relevant legal and national statutory requirements on safety and health in the respective countries where we operate.
- Implement a safe system of work based on risk assessments and stipulated standard operating procedures (“SOPs”).

#### **2.1.5 Employment Contracts**

- Ensure that employees are given in writing, in a language that they understand and/or in their native languages of their source countries, a description of their duties, rate of pay, working hours, leave, and any other benefits of employment.
- Copies of employment contracts shall be made available to the employees.
- Contract substitution, as defined by the ILO, is strictly prohibited.

#### **2.1.6 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 interfere with the organising of activities of workers, worker representatives or representatives of trade unions. Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.

#### **2.1.7 Minimum Wage and Housing 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.
- Provide adequate housing with access to basic needs, in accordance with relevant local and national laws.

#### **2.1.8 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 workers may not work more than 14 days continuously, in accordance with RSPO P&C.
- Maintain records of working hours and/or productivity for all workers.
- Ensure any production targets are based on what can fairly and realistically be achieved by one worker within normal working hours.

#### **2.1.9 Harassment and Violence**

- Zero tolerance of any types of harassment, intimidation, threats, violence (physical, sexual and gender-based) and torture.

#### **2.1.10 Equal Opportunities**

- Ensure equal opportunities in the workplace. All decisions relating to hiring, remuneration, access to training and education, facilities and work equipment, promotion, termination or retirement will be made based on business needs, job requirements, performance, merit and individual qualifications.
- There shall be no discrimination based on ethnic origin, caste, disability, nationality, race, religion, gender, sexual orientation, gender identity, union membership, political affiliation, marital status or age.

### **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 Free, Prior and Informed Consent (“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 our 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.

### **2.4 Community Impact**

- KLK aims to create positive socio-economic impact for local communities and contribute to the quality of life of communities where we operate.

## **3. SOURCING**

### **3.1 Raw Material Suppliers’ Compliance**

- KLK’s suppliers and its supply chain are expected to comply with KLK’s commitment of no conversion of HCS forests and HCV areas, no new development on peatlands and no social exploitation. We will actively support our suppliers to ensure they can meet these commitments.

### **3.2 Traceability & Transparency**

- 100% traceability to plantation for fresh fruit bunch (“FFB”) supplies going to KLK mills, ensuring compliance with relevant national regulations. Additionally, we aim for 100% traceability to plantation for our refineries & kernel crushing plants and to mill for Oleochemical plants.

KLK will ensure our Sustainability Policy is communicated to suppliers, who are expected to fully comply with its requirements. This includes signing our Supplier Code of Conduct, adhering to all applicable laws and industry standards, maintaining relevant documentation, and taking responsibility for educating and monitoring their own supply chains.

Any violation of our Sustainability Policy or Supplier Code of Conduct by a supplier, and thereby viewed as a high-risk supplier, KLK will require a time-bound corrective action plan to be implemented. We will support the supplier in addressing the non-compliance, but failure or refusal to act will result in termination of the commercial relationship as a last resort.

## **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**

- We recognise the rights of individuals who may be affected by our operations. Our commitment involves proactive and constructive engagement with various stakeholders, such as local communities, governments, suppliers, civil society, and employees in alignment with the United Nations Guiding Principles on Business and Human Rights. Through relevant and suitable and/or other means, we are dedicated to take appropriate measures to prevent, minimise, mitigate, or resolve concerns.
- In this respect, KLK has developed processes through its Whistleblowing Policy and Group Employee Grievance Policy to provide accessible grievance and complaint channels. These mechanisms ensure transparent and responsible handling of matters, with a commitment to non-retaliation. These policies are designed to uphold ethical standards within the organisation.



KLK SUSTAINABILITY POLICY

## 5. MONITOR, EVALUATE & REPORT

KLK acknowledges that the implementation of this Policy and its effectiveness would require the support and cooperation 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.

A handwritten signature in black ink, appearing to read 'Lee Oi Hian', with a large, sweeping flourish underneath.

**TAN SRI DATO' SERI LEE OI HIAN**  
Executive Chairman

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