The people side of sustainability has always been one of the key focus areas for Kulim, sharing the global vision for healthy communities, equitable human well-being, articulating ethical responsibility and protecting the vulnerable.

Our people are our greatest asset, as we have often said and with it is well-reflected in our corporate culture and the way we conduct our daily business. Our people are the source of our ideas, actions and performance and it is only with the determination and commitment of our people that we can achieve our business and sustainability goals, deliver value to our shareholders and contribute to society. We are, therefore, determined to foster a workplace culture and environment that attracts, retains and develops talented people so that they can reach their full potential and deliver value to our stakeholders.

Policy of Non-Discrimination
We strive to create an inclusive work environment, where we practice non-discrimination against women, ethnic or religious minorities and foreign workers. We have equal pay for equal work for all field, office and management workers based on predefined grades. We have guidelines on HIV/AIDS where workers who have the disease are guaranteed confidentiality and retained in employment as long as they are healthy and able to perform.

STAFF STRENGTH
At the end of 2016, we had a total staff strength of 6,926 full-time employees in Malaysia, of which 5,684 or 82.07% were categorised as workers. Another 17.93% comprised management and staff. About 78.5% were foreign workers, predominantly from Indonesia, India and Bangladesh.

In 2016, our turnover rate was 21.33% compared to 25.98% recorded in the previous year. This was mainly attributed to the repatriation of 580 (2015: 676) foreign workers on completion of their contractual obligations.

HUMAN RESOURCE POLICIES
Kulim adheres to a Group-wide policy of treating all its employees with fairness and dignity with our human resource policies governed by Malaysia’s labour legislation and the International Labour Organisation’s (“ILO”) Declaration on Fundamental Principles and Rights at Work. At the same time, we are guided by the Code of Conduct for Industrial Harmony, which lays down “principles and guidelines to employers on the practice of industrial relations for achieving greater industrial harmony.”

We also discharge our duty to protect our employees from unethical conduct, with the Ethics Declaration Form serving as an important tool to inculcate an ethical workplace culture. In our efforts to promote a culture of integrity, the Group has put in place a Whistleblowing Policy that encourages staff to come forward with credible information on illegal practices or violations of the policies in the Company. In the interest of its employees, the Group adopts a zero-tolerance stance on the use of illegal drugs, banned substance and alcohol in the workplace.

WORKERS BY COUNTRIES

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesian</td>
<td>66.3 %</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>12.0 %</td>
</tr>
<tr>
<td>Malaysian</td>
<td>21.5 %</td>
</tr>
<tr>
<td>Indian</td>
<td>0.2 %</td>
</tr>
</tbody>
</table>

Fair Wages
Effective on 1 July 2016, we have adopted the Minimum Wages Order 2016, raising the minimum wage to RM1,000 per month in Peninsular Malaysia and RM920 per mouth in Sabah, Sarawak and Labuan.

Living Conditions
Workers are typically accommodated in a two (2) or three (3)-bedroom house that meets the minimum standard of the Housing and Amenities Act 1990. Appointed staff also conducts weekly inspection of the workers’ housing to ensure that all buildings used for housing of workers, nurseries and community halls are in good operating condition and are not abused.
Termination of Employment
Local workers also have the right to resign without penalty, while foreign workers have to fulfill their three (3)-year contracts as part of the terms and conditions of employment.

Managing Overtime
During the peak harvesting season, mill workers may be required to work longer hours to ensure that fruits are processed before the quality deteriorates. However, care is taken to ensure that workers do not exceed the overtime limits allowed by local regulation and are in compliance with the regulatory guidelines issued by the Department of Labour.

Child and Bonded Labour
Despite the fact that child and bonded labour is illegal, this modern form of slavery flourishes in many Third World countries. As a matter of principle, Kulim does not employ anyone below the age of 16. For many of our workers with families, Kulim provides their children access to schools and amenities.

Employee Development
A skilled workforce is essential for the continued success of our business. Our emphasis to the strengthening our organisational capabilities continued in 2016. Through a Performance Management System (“PMS”), we strive to promote and improve employee competencies as the quality of our people is our greatest competitive advantage, more than ever in a highly competitive business landscape and to accomplish the Group’s vision and business expansion plans. Employing outstanding people and providing them the opportunity to maximise their potential, showcase their talents and improve their careers are critical to our sustainability.

Kulim has structured job-specific as well as generic training programmes tailored to bridge the skill gaps of staff at all levels. These programmes are structured around formal courses, seminars and workshops and are conducted internally or by external consultants. Building a strong pipeline of leaders is a fundamental part of our sustainability strategy. We have listened to the concerns raised by some of our younger employees at our staff engagement sessions and taking a cue from the views of the ‘millennial generation’, we are giving succession planning the due attention it deserves. Each year, we assess the potential and performance of identified candidates through the Johor Corporation Leadership Programme (“JLP”). The JLP is a two (2)-year structured leadership programme designed to enable participants to improve their decision-making skills and expand their leadership capacity. Participants will be exposed to business challenges from different angles and will have the opportunity to share leadership experiences. In 2016, a total of five (5) employees were selected for the JLP Cohort III 2017/2019, the third edition of the programme, joining an earlier batches of 14 candidates.

To accelerate the professional development of our people, we also collaborate with government agencies such as TalentCorp Malaysia to attract talents and skilled professionals. TalentCorp an agency under the Prime Ministers’ Department, collaborates closely with relevant Government agencies and employers in priority economic sectors to develop demand-driven initiatives that address the skill gaps impeding Malaysia’s economic transformation. It focuses on four (4) key areas: enhance graduate employability, promote talent diversity, engage Malaysians abroad and facilitate foreign talent.

In 2016, focusing in promoting talent diversity, we encouraged interested employees to pursue professional certifications such as ACCA, CIMA and Human Resource Certification to enhance their core competencies and to develop a specialisation in specific areas. At the same time, we continued to collaborate with PUSPATRI (Johor Skills Development Centre) to conduct technical courses for our employees.

The Strategic Enhance Executive Development System (“SEEDS”) Programme, which was introduced in 2007, has been reengineered and registered with Skim Latihan 1 Malaysia (“SL1M”) under the Economic Planning Unit (“EPU”) of the Prime Minister’s Office. The programmes outlined are in accordance with the SL1M requirement in developing and enhancing leadership amongst the younger generation. The third SL1M programme was launched in December 2016 with an intake of 19 fresh graduates from local higher learning institutions and is to complete in 2017. While intake for the fourth batch consists of 4 graduates have reported for duty in April 2017.

Employee Climate Survey
We seek to continually improve the level of engagement with our people through an Employee Climate Survey (“ECS”), which is one of the tools at our disposal to build positive employee relations and a conducive work environment. In the most recent ECS conducted in 2015, it is gratifying to learn that our employees are generally happy with the work environment and are proud to be a part of the Kulim Group. The ECS also provides valuable insights on sustainable staff engagement, measuring critical contributing factors such as the internal environment, as an enabler of high performance and employee value proposition.
Carnival, Kulim Kota Tinggi Eco-Boat Fishing Challenge, Kota Tinggi MTB Challenge and Kulim Kota Tinggi Trail Run. In 2016, WOW generated sales of approximately RM52,000 and these proceeds were ploughed back into their fledgling businesses.

For the past six (6) years, we also joined the global movement to celebrate International Women's Day ("IWD"). Each year, a different theme is chosen to celebrate the economic, political and social achievements of women in the past, present and future. In 2016, IWD was conducted on 9 October 2016 at Kulim Eco-TRAIL Retreat, Basir Ismail Estate with the theme - “Wanita dan Cabaran Global”.

About 350 participants took part in the event. In addition, WOW has been shortlisted as the finalist for the Excellence in Diversity & Inclusion category in the HR Excellence Awards Malaysia 2016 which took place on 4 October 2016 and the finalist for Employment of Women Award in the 8th Annual Global CSR Summit & Awards Ceremony 2016 which took place on 22 April 2016. Consequently, on 30 March 2017, Kulim has been selected as the winner for Employment of Women Award (Gold) in the 9th Annual Global CSR Summit and Awards Ceremony 2017.

Sexual Harassment

In 2016, there were three (3) cases of sexual harassment reported. Efforts are ongoing to educate and refresh the employees of what constitutes inappropriate behaviour and it is reinforced from time to time. Through a concerted campaign, women are also more aware of their rights and are more receptive to reporting cases of sexual harassment.

Maternity Leave

All our female employees are entitled to 60 consecutive days of paid maternity leave, in accordance with Malaysia Employment Act 1955 Part IX Maternity Protection. In 2016, 19 employees took maternity leave and on returning to work, continued to remain employed with the Company. We are proud of the 100% retention rate as employment patterns suggest that women with a new baby are most likely to leave their jobs after one (1) year. No work with harmful chemicals shall be undertaken by pregnant or nursing female workers.

Kulim’s commitment to promote gender equality is seeing positive results. Various initiatives rolled out to empower women have been gaining traction. As at 31 December 2016, women made up 11.52% of our workforce and 12.41% of them are at the management level. Notwithstanding the challenges that are involved, we do not discourage nor discriminate against women working on our estates.

MANAGEMENT BY GENDER

Women OnWards (“WOW”)

Women OnWards (“WOW”), originally called Panel Aduan Wanita or Women’s Grievance Panel, came into being as part of a larger women employee outreach programme. It has been endorsed by management and its activities are fully funded by the Company. WOW also promotes gender equality and empower women to develop their knowledge and skills.

Over the past six (6) years, WOW has been actively providing entrepreneurship opportunities for the women folk of Kulim through a programme known as Jejari Bestari. There is now a WOW Unit at each estate, with each one developing a unique product or service, such as tailoring, baking, arts and handicraft. These products or services are sold to staff and the public during the festive season such as Hari Raya Aidilfitri and company events, such as JCorp Carnival, Kulim Kota Tinggi Eco-Boat Fishing Challenge, Kota Tinggi MTB Challenge and Kulim Kota Tinggi Trail Run.
Every employee has the right to work in a safe and healthy work environment. We take our responsibilities regarding health and safety at the workplace very seriously and is critical to the success of our business.

We want to include among our many accomplishments, an occupational health and safety record that sets us apart from the others. Our mission is to manage OSH effectively through the implementation of efficient oversight and regulatory action. This is enforced at all our mills and estates where a dedicated OSH Officer ensures the effective implementation of the Group’s OSH system. Apart from organising safety training, tool-box safety briefings and OSH quarterly meetings, the Officer’s responsibilities include conducting investigations and reporting all accidents to the OSH Manager.

However, one person on his own cannot effectively carry the safety message or handle the multitude of tasks that crop up every single day. That is why at Kulim, OSH is everyone’s responsibility and concern and managers and employees also work closely to build an effective safety and health programme. Each worker undergoes an average of 40 hours or five (5) man-day of safety training, which covers the handling, application and safe disposal of chemicals. In addition, tractor, lorry and Mechanical Buffalo drivers will have to complete a 16 hours or two (2) man-day of training under supervision as well as passing the required practical exam to be a certified driver before they are allowed to operate the machines independently.

We are pleased to report that we continued to achieve our goal of zero fatalities in 2016. The year under review also saw a marked improvement in the Lost Time Accident Rate (“LTAR”) which was recorded at 3.51 as compared to 6.82 posted in the previous year, keeping us within the target of below 10. Our injury severity rate of 2.13 is a marginal improvement versus 2.28 in 2015, against the target of below 3.5.

Although we are improving in terms of the respective OSH indicators, there is still room for improvement. We will continue to step up efforts in identifying, minimising and managing key occupational health and safety risks.

The Group has long put in place an OSH plan to look into the welfare and health of employees. Our workers benefit from amenities, such as crèches, clinics, canteens and workers. As part of our health surveillance programme, regular fogging is carried out to reduce the threat posed by mosquitoes while proper water treatment facilities have recently been installed. The OSH Plan also covers various environmental aspects, of which the most critical is the adoption and enforcement of the “Environmental Quality Act 1974”.

**FATALITY RATE**
Target at zero

**LOST TIME ACCIDENT RATE**
Target below 10

**SEVERITY RATE**
Target below 3.5
Kulim strives to build good relationships with the communities wherever we operate. Being active in the community has always been central to our values and our business strategy. We have long been a supporter of various charitable organisations and worthy causes throughout the country. Rallying under the banner, “We Care, We Share” our community investment programme is built on five (5) main pillars: community sports, welfare, education, health and infrastructure development. Naturally charity begins at home and we have set up the As-Sajadah Fund to provide assistance to our staff.

Our contributions to the community go beyond financial donations. Management and staff are encouraged to participate in the various activities and initiatives that Kulim supports. They have always been quick to respond; volunteering their time and effort and making personal donations when the need arises. During the year, our people joined local communities to clean up mosques, *surau* and schools. They have also been involved in awareness activities related to our wildlife conservation programmes. It is in ways like these that we plant roots deep in the communities in where we operate, earning their trust as a valued friend and neighbour.

In 2016, Kulim was involved in the following community investment activities:

<table>
<thead>
<tr>
<th>INSTITUTION/ PROGRAMME</th>
<th>PURPOSES</th>
<th>APPROXIMATE CONTRIBUTIONS (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persatuan Bola Sepak Negeri Johor</td>
<td>National sports sponsorship to support the development of football in Malaysia.</td>
<td>5,500</td>
</tr>
<tr>
<td>Bistari Young Entrepreneur</td>
<td>Sponsorship for <em>Tunas Bistari</em> and entrepreneurship programmes.</td>
<td>300</td>
</tr>
<tr>
<td>Raja Zarith Sofiah Wildlife Defenders Challenge 2016</td>
<td>An awareness programme on wildlife conservation for students</td>
<td>203</td>
</tr>
<tr>
<td>PINTAR Foundation</td>
<td>Sponsorship for tuition programme and provide school essentials for three (3) Kulim’s adopted schools.</td>
<td>105</td>
</tr>
<tr>
<td>Tabung Tijarah Ramadhan</td>
<td>To improve the living condition of the underprivileged community.</td>
<td>100</td>
</tr>
<tr>
<td>Briged Waqaf</td>
<td>Contribution to buy 1 unit of Toyota Hilux Double Cab.</td>
<td>104</td>
</tr>
<tr>
<td>Johor Clay Target Shooting Association</td>
<td>Sponsorship for facilities upgrade.</td>
<td>52</td>
</tr>
</tbody>
</table>
PINTAR FOUNDATION

The PINTAR Foundation is a school adoption programme with the mandate to contribute towards nation building agenda by targeting under-performing and under-served schools. In addition to the existing of three (3) adopted schools, in January 2017, Kulim had adopted another three (3) primary schools – SK Kemedak in Segamat, SKJ (Tamil) Ladang Ulu Tiram in Ulu Tiram and SK Ladang Tunjuk Laut in Kota Tinggi. The three (3) newly adopted schools are located within Kulim’s operation areas.

Throughout the year under review, Kulim had extended financial support to the adopted schools for their educational programmes such as tuition classes and educational trips. Kulim also sponsored motivational programmes as well as the school’s infrastructure.

We are equally excited and proud to see the academic scores attained by the students in national examinations which showed marked improvement from previous years. During the Teacher’s Day Celebration, Kulim presented its appreciation gifts to top performing students in national examinations as well as the teachers for their efforts.

Moving forward, we will continue the partnership with PINTAR as part of our efforts to reciprocate to our stakeholders, by giving back as much as it takes, thus creating value for all.