Long-term sustainable growth is the goal of any organisation. Clearly, making money is essential to business success. However, Kulim recognises that its own sustainability rests on its ability to work harmoniously within its social and environmental settings. Thus, while we owe it to our shareholders to be profitable, we are also responsible to our other stakeholders. For this reason, the costs of reducing our environmental footprints and other social factors must be factored into our profit calculations.

**RSPO CERTIFICATION**

There is increasing concern globally that commodities must be produced without harming the environment or society. Certification to RSPO is an assurance to the customer that the production of palm oil is sustainable through strict verification of the production process to the stringent RSPO Principles & Criteria (“RSPO P&C”) for Sustainable Oil Palm production by accredited certifying bodies. The certification can be withdrawn at any time in the event of an infringement of the rules and standards.

In 2014, RSPO-certified growers accounted for 18% of global palm oil production. The demand for sustainability is growing. Environmentally and socially responsible buyers are willing to pay a premium for responsibly produced products. Kulim was among the first palm oil companies to sign up for RSPO certification. Four (4) of our mills have earned RSPO certification in January 2009. RSPO certification is valid for five (5) years with annual surveillance audit being conducted annually with recertification audit will be at the end of 5th year period. In November 2013, we completed our RSPO recertification audit of all our mills and its supply base that involves documentation and physical audits of our certified operations over a period of several weeks. The certification was renewed in April 2014.

As at the end of 2015, four of our five mills had their RSPO certification successfully renewed after completing the annual surveillance audit 2. For Pasir Panjang Palm Oil Mill the RSPO and ISSC certification program commenced in February 2016, the mill being audited in October 2016 and February 2017 respectively. The mill was successfully certified with both standards in March 2017.

In a meeting held on 6 March 2016, the RSPO Board of Governors has recently endorsed the revision of the Malaysian National Interpretation (“MYNI”) document. MYNI 2014, as it is known, is based on the RSPO P&C and supersedes MYNI 2010 which has been used for certification of plantations and mills in Malaysia. All audits and annual surveillance audits carried out from 1 April 2015 will be based on the MYNI 2014.

The RSPO has also developed a mechanism for supply chain palm oil traceability from the plantation to the end user. Kulim’s Certified Sustainable Palm Oil (“CSPO”) can be purchased through three (3) mechanisms approved by the RSPO. The “Book and Claim” option is the most simplified method for a buyer to obtain CSPO without high administrative costs and complex logistics.

In the “Identity Preserved” option, CSPO from a single, identifiable source is kept separate from conventional palm oil and is tracked throughout the supply chain. Only CPO from the Tereh Palm Oil Mill is sold under “Identity Preserved”, while CPO from three (3) other mills is sold under the “Mass Balance” mechanism, where CSPO is mixed with conventional CPO and tracked throughout the supply chain. An equivalent volume may be sold as CSPO to customers. (Source: *Sustainable Sourcing Guide for Palm Oil Users, published by Conservation International and World Wildlife Fund, May 2015*).

**STAKEHOLDERS’ ENGAGEMENT**

Stakeholders’ engagement is a key part of CR in achieving the triple bottom line. To compete successfully in an increasingly complex and ever-changing business environment, stakeholders’ engagement provides opportunities to align our business practices with societal needs and expectations, helping to drive long-term sustainability and shareholders’ value. Engagement and cooperation with our stakeholders is therefore pursued strategically and in sync with our business strategies to ensure the long-term success of the Group.
We strive to build good relationships and productive rapport with our employees, business partners, investors, members of the media, suppliers, community at large, government agencies, Non-Governmental Organisations ("NGOs") and unions. The Group engages with its broad spectrum of stakeholders through regular and systematic forms of dialogue, such as meetings and roadshows. By listening to stakeholders’ needs, engaging in serious discussions and striving for integrity and transparency in all our dealings, we endeavour to build and strengthen trust-based relationships.

In November 2015, our Board of Directors received a letter from its major shareholder, JCorp requesting Kulim to undertake a Selective Capital Reduction and Repayment ("SCR") exercise, which was subsequently approved by shareholders at an Extraordinary General Meeting ("EGM") held on 3 May 2016, which paved the way for the privatisation of Kulim. On 4 August 2016, Kulim was delisted from the Main Market of Bursa Malaysia Securities Berhad. Prior to the EGM, Kulim met with various stakeholders and addressed queries or concerns they had raised. We also kept our employees abreast of the Company’s corporate developments and during that period, no less than five (5) Employees’ Engagement programmes were organised.

At Kulim, we realise that stakeholder issues cannot be treated in isolation. Since 2008, we have adopted a more systematic approach in developing a materiality matrix to analyse and prioritise the topics that are important to our stakeholders. By presenting materiality in this manner, we can not only identify the issues that are important to our business and stakeholders, but also improve our ability to consider them from multiple viewpoints and ultimately to address them.

The materiality matrix presented here lays out the business, social and environmental issues that affect our business activities and can be used to help guide our decisions and prioritise our actions.

We have determined that the material issues that are of highest concern to us and our stakeholders are as follows:

- Use of chemicals such as paraquat, herbicides and pesticides in our estates.
- Water usage at our estates and mills.
- Safety and health standards at the workplace.

Kulim is continually finding new ways to improve its performance and our materiality matrix is reviewed and adjusted annually to reflect the current realities and concerns. This will ensure its relevance in identifying and prioritising key issues and help us determine how best to allocate resources in strategic planning and programme implementation.
WORKING HARDER

The Kulim Group has made significant progress in its CR efforts over years. Admittedly, there still remains much that we can do. As part of our commitment to continuous improvement, we need to continually raise our ambitions, set new targets and goals and generate new ideas and initiatives that are relevant to the needs of today.

Kulim aspires to be a Group that is admired and respected not only for delivering superior business value but one that plays a leading role in delivering results sustainably. This is the challenge before us, but we are still on a learning curve to see where we can improve. We will persevere in our efforts to try and build a better world for all of us.
Roll Call at Mungka Estate, Segamat