



▷ *Managing Sustainability*

Top-down commitment, comprehensive policies and management systems are important governance criteria, as exemplified by two companies – one, medium-sized, the other, small.



Managing sustainability requires a holistic and systematic approach, with clear commitment and leadership from top management. Sustainability must be part of corporate culture and management systems, from planning to administration and communication to accountability.

In companies like Kulim (Malaysia) Berhad, who have made sustainability central to their business strategy, Triple Bottom Line full-cost accounting is used in order to incorporate 'People, Planet and Profit' (social, environmental and economic elements) in all management decisions and operations.

The operational framework to realise its Triple Bottom Line goals is a Sustainable Management System,

while a Sustainability and Initiative Council develops and oversees strategies and action plans for sustainability on behalf of the Board of Directors.

The Council comprises the Executive Director, Senior Managers and representatives of operating units, departments and subsidiary companies within the Kulim group.

One of the Council's key tasks is to manage stakeholder relations. Stakeholders' concerns are important as they help gauge potential risks as well as opportunities for the business, and are key to corporate strategy.

For example, workers are engaged through quarterly Occupational Safety and Health (OSH) committee meetings and annual social impacts assessments (SIAs).

Previous spread: Using Triple Bottom Line accounting takes into consideration environmental and social costs as well as economic ones.

Top far left: Responding to stakeholder concerns over chemical use, Kulim plants cover crops such as the *Mucuna bracteata* which is fast growing, quickly suppresses weeds, prevents soil erosion and fixes nitrogen.

Top middle and right: Internal and external audits are conducted at all Kulim estates. At the Kuala Kabong estate, auditors check on the water management system in historically-converted peatland; Kulim no longer cultivates on peat.

Right: Data from the whole company is entered into a centralised system to monitor and report against agreed metrics.

Meanwhile, NGOs are engaged through multi-stakeholder forums, partnerships and joint projects in areas as biodiversity loss, environmental rehabilitation and Good Agricultural Practices (GAP).

As for refineries and other customers such as fresh fruit bunch (FFB) suppliers and smallholders, Kulim has embarked on joint ventures and holds twice-yearly surveys in implementing traceability mechanisms for CSPO.

From exercises such as these, Kulim prioritises its issues through a 'materiality matrix'. This approach, drawn up by senior management, combines the findings from stakeholder engagements and organisational priorities.

The top three material issues that are significant both to its stakeholders

and the organisation are the use of chemicals in its estates; the amount of water used in mills; and health and safety standards in the workplace.

To address these and other issues, metrics are set by the management in line with international sustainability standards.

Monitoring and reporting are done using a company-wide data collection system. The register is updated monthly and the data is fed back into the materiality matrix to enable continuous improvement.

At the same time, the Sustainability and Initiative Council continues to challenge the highest level of management to assess and control risks while developing programmes to capitalise on opportunities.



Stakeholder engagement also provides an avenue for Kulim to tap into expertise and existing networks.

For example, Kulim is in partnership with Ladang Wawasan, an outgrower scheme and a long-time supplier to its Tereh Mill, for an area of 300ha in which Kulim is pursuing its first segregated CSPO output. Ladang Wawasan is working with the Kulim Sustainability Department to implement GAP.

Building relationships with stakeholders is also a way to develop trust and demonstrate transparency.

An important tool in this endeavour is good communication. As one of the first Malaysian plantation companies to publish a sustainability report in 2007, Kulim has since produced sustainability reports every other year.

The publications are comprehensive overviews of Kulim's performance evaluations and sustainability initiatives as well as future directions to be taken by the company.

For example, the 2012/13 report includes a disclosure of the Kulim group's emissions reduction programmes.



All photos: Bonnie Yap/MPOA

Left: With 80% of Kulim's workforce being workers, dialogues, meetings and assessments are crucial to ensuring their welfare and addressing their issues.

Anti-clockwise from top right:

Every new employee is given a sustainability handbook, which outlines the company's policies; it is available in English and Bahasa Malaysia.

Kulim's sustainability reports communicate to stakeholders the company's detailed programmes and performance related to 'People, Planet and Profit'.

The reports are benchmarked against the guidelines of the international Global Reporting Initiative (GRI) for sustainability reporting. These include principles and standard disclosures for reporting on economic, environmental and social performance and impacts.

Kulim circulates the reports to stakeholders and relevant parties. The reports can also be downloaded from the corporate website and are available upon request.

Meanwhile, sustainability is an integral part of Kulim's annual reports.

At the same time, the company's website is an important communication tool in providing sustainability information. The website features Kulim's sustainability policies, strategies and management systems as well as the group's commitments and targets.

As part of continuous efforts to actively and openly engage its stakeholders, Kulim is working to reach out even more to external stakeholders and improve responsiveness towards the goal of sustainability.



For a small company in Bintulu, Sarawak, sustainability principles also form the basis of its management system. Keresa Plantations Sdn Bhd's plantation area encompasses just over 6,023 ha. It is one of the smallest companies to be certified as a CSPO producer.

Driven by senior management, Keresa's management system covers not only its own operations but – uniquely – its supply base of independent associated smallholders.

The company sees smallholder communities, all indigenous people, as critical to its sustainability journey.

In fact, the company has had no conflict with indigenous communities from the get-go. Their plantation was converted from secondary forest that had overgrown a disused rattan plantation.

To help it set up its sustainability systems, the company brought in social enterprise Wild Asia, a specialist in sustainability across the palm oil supply chain.

"The owners were committed right from the start," said Wild Asia's executive director Reza Azmi.

"This was a powerful enabler. With that, we worked very closely with operations and top management to develop systems, reporting frameworks, and so on, to ensure that the company would meet sustainability certification requirements."

Keresa's certification covers the plantation, mill and the smallholders. It has policies not only on OSH and the environment but also minimum age, equal rights, sexual harassment and domestic violence, and freedom of association. A separate policy deals with grievance procedures.

The ongoing challenge is to fully implement and operationalise these policies at all levels, from workers to managers.

Ultimately, the company's key goal is to provide a better environment for its people to work and live within a framework of a 'Green Keresa'.



Vincent Lo/MPOA

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The planters of the old school taught us to look after and reward our workers. At Keresa, we took note of things like safety but didn't get to the micro level. I thought we were doing enough.

But the approach of sustainability systems is more holistic – we have to look at safety, housing and health, etcetera. It is really a management tool. It helps us create a very good working environment. It has given us proper guidelines and makes us become better managers.

Although initially it can be costly but in the long run, the benefits outweigh the cost.

Since we embarked on the programme, we find that we have saved 30% of the cost spent on chemicals. By building proper work quarters, we have also saved on maintenance costs.

We have minimal turnover of workers too; only about 0.2% of our workers abscond.

In fact, our workers stay with us. A good example is Sutardi bin Sutarjo, 40, from East Java. He has been with Keresa for 20-over years. He still holds Indonesian nationality documents but he stays with the company because we treat him and the others well.

Most of the field conductors, for example, are from the longhouse community. I wanted to provide the longhouse kids who don't do well in school the opportunity to become field supervisors. Those who were jobless would just end up laying about all day in the longhouse.

So you see a system taking place. But of course there's more we can do. Getting ideas across to the staff is challenging, especially my junior staff.

Sometimes I feel it's only me going around shouting and screaming. When an assistant or manager passes a tractor driver who's not wearing his helmet, the manager can't see it.

The main challenge for me is for my managers and staff to implement sustainability systems with the same wavelengths. Then we can achieve our vision.

– A.K. Kumaran, 49
Planter of 25 years & General Manager,
Keresa Plantations and Mill

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This interview is based on an article, 'Supporting Small Producers in Borneo – The Keresa Story', by Wild Asia (oilpalm.wildasia.org).



Vincent Lo/ MPOA

Intan Shafinaz/Wild Asia