

LTKM BERHAD



SUSTAINABILITY
REPORT 2019

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About the Report

Scope

This is LTKM Berhad's first Sustainability Report ("the Report") and forms part of our reporting for the financial year ended 31 March 2019. The information reported herein revolves around LTKM's core business activity which is the production and sale of chicken eggs.

This Report has drawn on the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad. The guide has been used for guidance only, with the reporting predominantly focused on issues which are specific and material to LTKM's business and stakeholders.

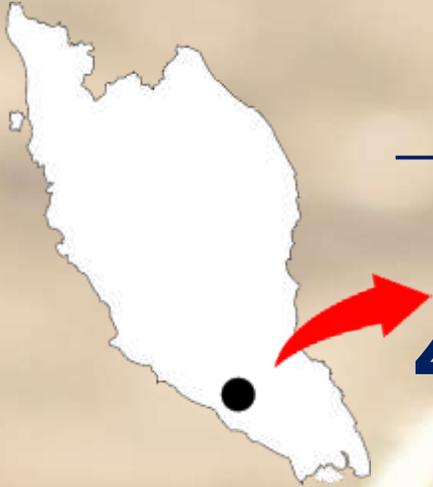
The target audience for this Report are the stakeholders that have interest in the activities of LTKM, with particular emphasis on shareholders, consumers, customers, suppliers, employees and the communities where we operate.

This Report should be read side by side with LTKM's Annual Report 2019 for a comprehensive reporting of the Group's financial and non-financial performance.

Our Corporate Profile

About US

In Operations Since 1988



**Located in Melaka on a
450 Acres Farm Land**

**Premium
Table Top
Egg Brand**

**Produces Approximately
1.5 million Eggs Daily**

"LTK Omega Plus"

**Biggest Single
Location Farm**

**Egg Producer in
Malaysia**

Employs around

**Semi Automated
Operations**

**450
Employees**



Our Corporate Profile

Performance Review

Financial Year 2019

Revenue

RM196.34
million
↑ **12%**

Net Profit

RM20.96
million
↑ **777%**



Total Wages Paid

RM18.6
million



Dividend Payout

RM2.6
million



Certification

MyGAP
(Good Agriculture Practice)

Issued by Ministry of
Agriculture and
Agro-based Industry
Malaysia



Staff Accommodation

**88 Units of
Quarters**



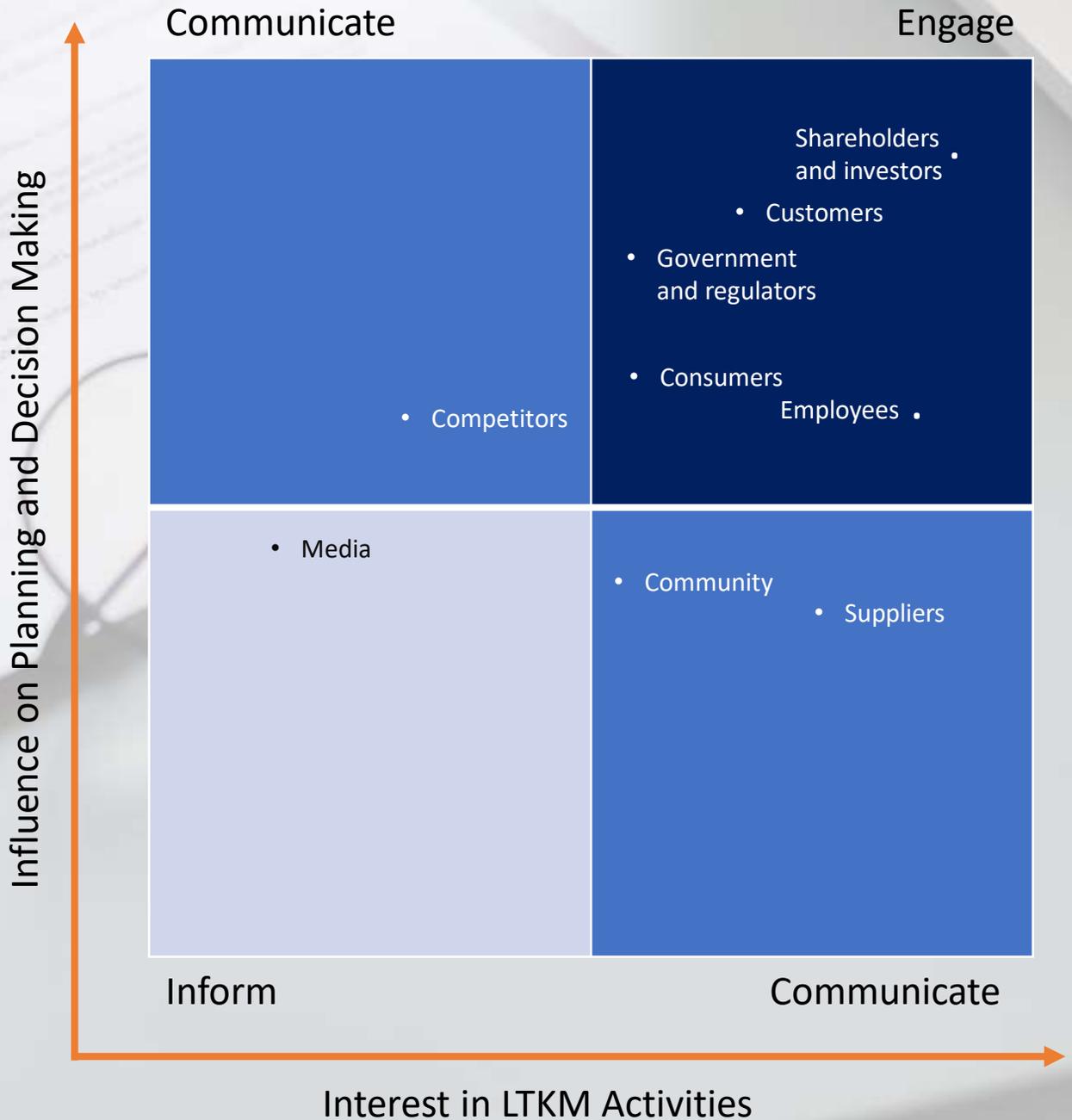
Our Stakeholders

Photo courtesy of mentatdgt @ <https://www.pexels.com>

Our Stakeholders

LTKM seeks to continuously engage with its key stakeholders, to better understand and provide appropriate response in driving our sustainability goals.

Our stakeholder matrix below maps out the level of influence and level of interest of material stakeholder groups. It is upon these that our stakeholder engagement strategy is built.



Our Stakeholders

Stakeholders and engagement channels

Stakeholders are engaged through a number of formal and informal channels. In stakeholder engagement, we emphasise on :

- Addressing business critical issues
- Mutually benefitting constructive and co-operative interactions
- Recognizing that all stakeholders are existing or potential consumers

Stakeholders

Engagement Channels

Shareholders and investors

- *Annual General Meeting*
- *Investor relations*
- *Annual Report*
- *Quarterly Report*
- *Website*
- *Media release*

Employees

- *Staff meeting*
- *Internal and external training*
- *Performance review*
- *One to one session*

Government and regulators

- *Authorities*
- *Training and seminar*
- *Investor relations*
- *Face to face meeting*
- *Farm visitation and regular audit*
- *Onsite briefing by the Fire & Rescue Department (“BOMBA”) and Malaysia Civil Defence Force (“APM”)*
- *Periodic report submission*

Our Stakeholders

Stakeholders and engagement channels (Cont'd)

Stakeholders

Engagement Channels

Customers

- *Face to face meeting*
- *Direct negotiation*
- *Market survey*

Suppliers

- *Face to face meeting*
- *Direct negotiation*
- *Market survey*

Consumers

- *LTKM official contact and official email*
- *Online feedback form available in LTKM website*
- *Print and media advertisement*
- *Market survey*
- *Promotional roadshow*

Community

- *CSR project*
- *Contribution in cash and kind*
- *Media release*

Industry

- *Federation of Livestock Farmers' Associations of Malaysia*
 - *Selangor Livestock Farmers' Association*
-

Our Approach



Our Approach

Being a producer of consumer product namely chicken eggs and operating from a single location spanning over 450 acres, even though our value chains extend from raw material sourcing to consumers and the communities in which we operate, they are concentrated at one location. As such our material risk and environmental footprint are significantly heightened in that one location. For this reason , we have to manage a robust set of sustainability strategy with equally if not more heightened strictness, effectiveness and diligence.

Our management has long placed sustainability as a core objective in its business strategy to ensure sustainable growth of the business. Our sustainability approach has evolved from years of insights, gained from managing the business, the livestock and the challenges that ensued. Over the years , these insights have been assimilated into our operating practices and policies and are used to craft sustainability strategy with regards to economic, environment and social (EES) aspects.



In the ensuing pages, we will see how these measures are put in place with particular regards on the areas we have identified as our material sustainability issues.



Our Governance

Our Governance

LTKM’s Board of Directors accepts overall responsibility for advancing sustainable development at LTKM by ensuring that the practice of sustainability is embedded in our business practices and are executed accountably and responsibly. The senior management in charge of the operations of the farm, assist the board in the execution and monitoring of all aspects of sustainability.

Our Governance Structure



Board of Directors

The Board is responsible for the formation of the Group’s Sustainability target and goals.



Senior Management

Senior management of the Group will be entrusted to produce and delegate action plan to achieve the sustainability target and goals as set out by the Board.



Employees

Employees will be delegated to perform the action plan as set out by the senior management which has been assimilated into their regular roles and responsibilities to achieve the sustainability target and goals set by the Board.



Message from our Managing Director

Message from our Managing Director

To our Stakeholders,

At LTKM, we emphasise on the value of cultivating a responsible and long term mindset towards sustainability. Together with a conducive working environment, we know that the role of sustainable practices cuts through all levels of our organization. Each employee, individually and collectively has specific roles and responsibilities in the organization which culminate to bringing LTKM to its sustainability goals.



As a major chicken egg producer in the country, we have an important role to play in bringing nutritious food source to every household's meals. One of our achievements in this area is the production of Malaysia's first Omega-3 enriched eggs under licence from Marditech Corporation Sdn Bhd, a commercial arm of Malaysia Agriculture Research and Institute (MARDI). These Omega-3 enriched eggs are marketed under the "LTK Omega Plus " brand. We also ensure quality products to our customers and consumers through use of quality feed ingredients. This is achieved by stringent feed ingredients sourcing for quality control and highly automated feeding system that delivers fresher meals to the layers.

Our people are our greatest assets. Our operation currently employs around 450 workers at the farm ranging from operation to management. We continue to invest in our people through provision of housing, transportation, training and long term development that is founded on diversity, education and advancement opportunities. We encourage our people to recognize and embrace the important role that they each have in producing quality food source for the consumers.

Message from our Managing Director

(cont'd)

Our sustainability work for the environment is a continuous process. Since inception, the farm has run on its own water source. The farm draws water from its artesian well which is then processed through the in-house treatment plant to provide continuous supply and high quality water for own use. Chicken houses are built with cooling technology that reduces mortality rate of our livestock and optimising the eggs production. Natural drying and fermentation techniques are applied to treat chicken manure, turning them into organic fertilisers for sale.

It remains that our greatest sustainability risk is the outbreak of bird disease. An occurrence like the Avian influenza also known as H5N1 in 2004 will be detrimental to our business sustainability. As such, we cannot over stress on the criticality of ensuring that our bio-security practices and flock health policy are updated and adhered to strictly all the time. Our achievement in reducing livestock mortality rate over the years is highlighted in page 20 of this report

Moving forward, LTKM is dedicated to continue and to improve our sustainability practices with the firm foundation built over the years.

Datuk Tan Kok
Managing Director
LTKM Berhad



Material Sustainability Issues

This report intends to cover the issues we believe are most material to LTKM. We define these issues as those with significant influence on :

- Our operations, product and distribution network
- Protection and conservation of the environment and natural resources
- Stakeholders' assessment and decision

A. Our operations,
product and
distribution network

B. Protection and
conservation of the
environment and
natural resources

C. Stakeholders'
assessment and
decision

1. Bio-security

1. Waste management

1. Employees' welfare
and safety

2. Product and
consumer

2. Air Pollution
management

2. Community service

3. Labour

3. Pest control

3. Regulatory bodies

4. Water and energy

5. Planting

A. Our Operations, Product and Distribution Network



1. Bio-security

In our line of industry which deals directly with livestock, disease is a main threat and risk to sustainability. Malaysia has not been spared of disease outbreak, and the worst of which was the Avian Influenza (H5N1) outbreak in 2004.

Therefore, LTKM has given this matter its utmost attention and has put in place very stringent bio-security measures.

Stringent flock health policy

In-house veterinarian conducts immunisation and routine tests for infections and detection of disease.

Veterinary principals and pharmaceutical guidelines are strictly adhered to.

Trained and experienced employees

Our trained and experienced employees makes daily observation of the livestock under their care including mortality, morbidity, egg production, feed, water, temperature, air quality, lighting and behavior for preventive and detective signs.



Closed Chicken House



Designed for optimal health and hygiene. Well laid out from each other with spacious indoor, multi-tiered and well-raised from ground.

Installed with cooling pads and ventilation fans to control the temperature and humidity in the houses.

Closed house design prevents contacts with wild birds which can be disease carriers.

Upon depletion of old flocks, closed chicken houses are thoroughly cleansed, by performing decontamination and disinfection procedure before accepting new batch of young flocks.

Fencing



Erected fencing forms our primary defence against invasion of rodent that can cause devastating consequences if left unchecked.

LTKM farm area is completely fenced up with corrugated zinc and chain-link fencing to prevent human and animal trespassers.



Disinfectant - foot dip

Everyone entering the farm premise must walk through the foot dip at the guard house.

Permanent foot dip are also built at the disinfectant room, egg store and at the entrance of every chicken house.



Disinfectant - spray



Workers must wear their uniform and walk through the disinfectant spray and foot dip with rubber boots prior to entering the farm.

Farm vehicles undergo disinfection at the vehicle disinfectant spray before re-entering the farm.

Visitors entering the farm are required to put on full disinfectant suit from cap, mask, overalls to boots.

Chicken manure

Chicken manure are cleared every alternate days to prevent the build-up of stench and toxic gases such as hydrogen sulfide, methane, ammonia, and carbon dioxide and breeding of flies that carry diseases.



Decrease in Flock Mortality Rate

Implementing closed chicken house, installing cooling pads and ventilation fans in the chicken house have proven to help reduced mortality rate of the chicken.

Following is the annual livestock mortality rates for the following reporting years :



Low livestock mortality rate parallels the steps that LTKM has taken in providing and maintaining a healthy and conducive environment for the livestock. Health of livestock which is portrayed in mortality rates is key indicator of the effectiveness of our sustainability strategy.

The effectiveness of our bio-security measures are constantly monitored and managed against the guidelines as set by the relevant authorities. At some areas, we believe our bio-security measures exceeds the controls requirement of veterinary and authorities of Malaysia and the countries of our market.

2. Product and Consumer

Daily delivery of farm fresh eggs

LTKM strives to deliver quality products to our customers and consumers by focusing on quality across all parts of the value chain from poultry health management, to feed quality and sourcing of high quality raw materials to processing of feeds at our own feed meal plant for freshness and quality control.



- Eggs on tray ready for delivery



- Packed LTK Omega Plus eggs in cartons for delivery

Safe and quality feed ingredients

Sourcing of feed ingredients are strictly controlled to ensure quality. They are proactively sampled and tested for safety and quality. LTKM uses 100% natural feeds such as corn, soybean and flaxseed. These feeds are mixed at our own feed meal plant to ensure purity and freshness rather than buying pre-mixed feed meals.



Omega eggs are produced by adding high quality omega-3 rich ingredients such as salmon fish oil and linseed oil under technology licensing with Marditech Corporation Sdn Bhd.

Consumer satisfaction

Consumer hotline is available via email or telephone to attend to enquiries or complaints promptly.



Reaching out to consumers



LTKM embarks on roadshow and promotional events to reach out to consumers.

Product information pamphlets are distributed to inform consumers on benefits of LTK Omega Plus eggs as compared to ordinary eggs.

Ultimately, LTKM assures customers of high quality and farm fresh eggs at affordable prices.

3. Labour

LTKM has automated certain processes and tasks to reduce dependency on labour and to drive efficiency. This step is important to ensure operations are uninterrupted as LTKM has increased its capacity over the years and the government's policy on foreign labour has become increasingly stringent.

Without automation, LTKM's operations will be too labour intensive which can be a risk to operational sustainability.



- Eggs on conveyor belt installed around the chicken house.



- Eggs graded according to weight by computerised weighing machine.

LTKM has installed automated conveyer belts along the cages to ensure continuous collection of eggs. By installing automated conveyer belts, the Group managed to reduce the need for manual collection which is a major challenge due to size of farm.

LTKM has also installed state-of-the-art fully automated and computerized egg-grading and sorting machines which reduces the need for tedious manual inspection.

Use of pre-set time-based feed and water dispenser system reduces labour dependency with multiple benefits of cost savings due to reduced wastage and optimal feeding for optimal productivity.

LTKM sells mostly on ex-factory basis which means we do not need to keep our own fleet of delivery trucks and drivers.

B. Protection and Conservation of the Environment and Natural Resources



For LTKM, environment encompasses not only the impact of the Group’s operation to nature but also to the surrounding community.

The main LTKM environmental footprint areas include solid waste, water, air and energy use. Our aim is to leave minimal environmental footprints. The following reviews our management approach to each of these impact areas.

1. Waste Management

Chicken manure is the main solid waste generated from the operation of the farm apart from packaging materials.

Clean poultry farming technology

Clearing of chicken manure every alternate days helps to prevent the build-up of toxic gases such as hydrogen sulfide, methane, ammonia, and carbon dioxide which pollutes the air and spurs the breeding of flies. Chicken manure collected are immediately delivered to the manure processing plant for treatment into fertiliser.



• Organic Fertiliser Fermentation Machine.

Alternative use

Organic fermentation process to treat chicken manure into fertiliser.

By using microbes, the process of turning chicken manure into fertiliser is done organically and thus eradicates the need for using harmful chemical compounds that pollute the environment.



Recycling



Cultivating awareness and habits in the employees by encouraging the reusing of materials such as containers, papers, paper boxes while performing their respective job function.

Recycling has proven to have dual benefits of conserving and preserving the environment while reducing operating costs.

Old Hen

Disposing of live old hens reduces pollution and need for washing and cleaning as there is no culling carried out nor remnants of carcasses at the farm.

2. Air Pollution Management

Chicken manure generates stench that can be unpleasant to the our employees and communities around our farm. The absence of such unpleasant stench in our farm is testament to the effectiveness of our sustainability measures particularly with regards to air pollution :

Frequent Clearance of Chicken Manure

Clearing of chicken manure every alternate days helps to reduce toxic gases that creates unpleasant stench if accumulated in huge amount, which in turn creates inconvenience to our employees and in long term, can cause sickness to the communities around LTKM farm.

Effective Microorganisms (Microbes)

To treat chicken manure into fertiliser, LTKM uses microbes to achieve this purpose. These microbes does not harm the nature in anyway and has proven to reduce pungent smell during fermentation.

No Disposal Through Burning

LTKM does not dispose of waste through burning. Our wastes are regularly collected and managed by waste recycling companies.

3. Pest Control

Control of pests and wild birds invasion is very important for disease prevention. Preference in controlling the intrusion using non-chemical method has been introduced :



Wire netting has been installed at chicken houses around the farm, at the feed mill and eggstore distribution center that act as the primary prevention measure against wild birds intrusion.

Traps are placed at designated location as secondary prevention against intrusions by rodents.



- Wire nettings at eggstore distribution center for prevention of wild bird entries.

- Bird proof netting at closed chicken house for prevention of wild bird entries.



- Closed house design provides 100% bird proof invasion.



4. Water and Energy

Water

Water is used in cooling pad to maintain the temperature in chicken houses and for feeding of the livestock. In financial year 2019, water consumption increased as compared to the previous reporting year due to higher temperature recorded and largely due to change of water reading method from manual pool measurement at the end of the working day, to installation of water meter as required by Melaka state water supplier.

Water Consumption (gal)		
FY2017	FY2018	FY2019
73,694,515	79,281,607	106,848,720

Apart from cooling system and livestock feeding, sanitising activities in the chicken house and workers internal use also contributes to the water consumption in the farm area, albeit in a smaller quantity.

While opportunities to conserve water is limited due to the nature of the operation, we do seek out opportunities to continually improve our management practices and procedures pertaining to water usage.

Water Treatment

LTKM has its own water treatment plant to process and treat natural water resources drawn from own artesian well. The processed water has been formulated based on recommendation given by industry experts.

Sample of water are taken periodically and sent to external laboratory for testing, to ensure that the quality of the processed water are safe for consumption by the livestock.



- Water tanks for sedimentation process at first stage filtering.

- Water from tanks are further filtered to produce potable water safe for livestock consumption.



Electricity

Our operation primarily uses electricity to power farm plants and machineries.

Energy Consumption (kWh)		
FY2017	FY2018	FY2019
11,231,634	12,767,540	13,041,394

Energy consumption has increased over the years due to the increase in production. LTKM will continuously work hand in hand with our consultant and energy manager to optimise energy consumption and seek to reduce wastage due to inefficiency in our operations.

As a directive from Energy Commission Malaysia (“ST”), LTKM is required to appoint certified consultant and energy manager, to:

- Ensure the safety compliance of our electrical equipment and during installation.
- Ensure the energy consumption is well within the stipulated range allocated.
- Recommend steps to monitor and regulate consumption for the period evaluated.

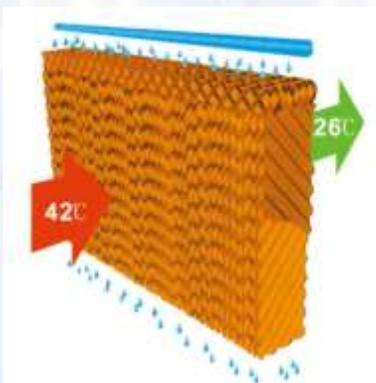
Report will be submitted to ST every six months with the recommendation of the consultant and energy manager on:

- Energy consumption for the period of six months prior submission of report.
- Steps taken to monitor and regulate consumption during the period evaluated.

ST will evaluate and provide comments and feedbacks on our processes that requires further improvement.

LTKM has undertaken several steps to reduce and better manage energy usage:

Natural cooling system



Use of cooling pads for temperature control in chicken houses.

Use of industrial ventilation fan to provide fresh air to the livestock in chicken houses.



Energy efficient



Use of LED lighting and new generation air-conditioning with system such as inverter technology in offices to reduce power consumption.

Preferential procurement based on guidelines provided by Energy Commission Malaysia.



Creating awareness



Cultivating energy conservation practices among employees by emphasising on turning off the electricity for air-conditioners, fans and lights for long absence from premise during lunch or out of office.

Backup Power

Backup power source to prevent line-down which will be critical in the event power supply failure. Sufficiently and strategically placed at focal areas of the farm.

Two types of backup power source used:

- Industrial Uninterruptible Power Supply (UPS) Unit.
- Standby Generator Set (Genset).



• Standby Genset.

• Industrial UPS.



5. Planting



Unoccupied areas in the farm are planted with oil palm trees. Initially, planting of trees forms part of a requirement by the town council as a buffer zone.

Over the years, the tree planting effort has continued on. So far, a total of 91 acres of unoccupied land has been used for this purpose.

The trees planting has helped contribute to reducing the carbon footprint from our operations. It also helps to reduce the amount of rain water runoff as well, which reduces erosion and pollution in our waterways and may reduce the effects of flooding.



C. Stakeholders' Assessment and Decision



At LTKM we understand that interest and welfare of stakeholders such as employees and community particularly those living around the farm, are important to ensure sustainability and growth.

1. Employees' Welfare and Safety

Our safety goal is:

- Prevention of all workplace injuries and illnesses.
- Ensuring safety road signs and safety instruction signboards are placed in critical areas in the farm to remind vehicle operators and employees to adhere to company's safety rules.
- Providing trainings on handling of machines and equipments and update employees' skill to handle machines and equipments safely.

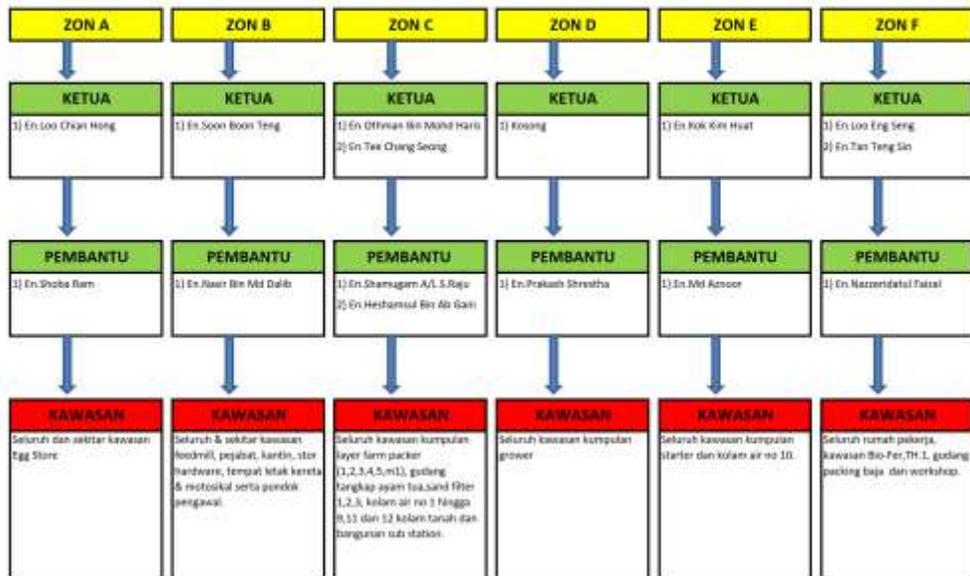


- Signboards erected around the farm area to remind employees of safety regulations and practices.

- Emergency contact number for relevant authorities are posted at operations area of the farm.



JAWATAN KUASA KESELAMATAN DAN KESIHATAN PEKERJA LTK (MELAKA) SDN BHD
SISTEM ZONING 2018



For this purpose, Internal Hygiene and Safety Committee (“the Committee”) has been created to oversee the implementation of safety procedures and provide guidance and training. The Committee consists of employees from different levels and positions.

The Committee is tasked to perform random checks on designated zones around the farm to ensure that employees are following the rules and regulations laid down by the company and to issue reminder, warning letter or propose action for violation of stipulated hygiene and safety rules and regulations.

Annually the Committee coordinates with the Fire and Rescue Department of Malaysia (BOMBA) to provide training and demonstration in operating fire-fighting equipment and the steps to be taken during emergencies such as putting out a small fire or performing evacuations. The Committee also coordinates with the Malaysia Civil Defence Force (APM) to provide training such as basic first-aid and cardiopulmonary resuscitation (CPR) training and demonstration to employees.



Accident and Dangerous Occurrence Case Reported

In compliance with regulatory requirements, we have been submitting the accident and dangerous occurrence report to Malaysia Department of Occupational Health and Safety (DOSH) on yearly basis.

Following are numbers of reported cases to DOSH in compliance to the regulation:



The numbers of cases reported to DOSH has been on the declining side for the past few years and the numbers reported since financial year 2018 has been the lowest in LTKM history so far.

By creating awareness on Occupational Safety and Health in employees, LTKM has managed to reduce the number of reported cases of accidents and dangerous occurrences.

LTKM provides employment opportunities particularly for the community in its neighbourhood. Our operation currently employs over 450 workers at the farm ranging from operators to management. We value the contribution of our employees and provide various benefits and opportunities for development and enhancement of their skills namely :

Accommodation near to farm for local and foreign employee for easy commuting from home to work and back, and to ensure their safety to and from work.



A total of 88 units of worker quarters were built for employees' accommodation.

Transportation for employees.



Uniform, safety boots and bio-security apparels for workers.



First-aid kit for emergency use are placed at all areas of our operations.



Internal and external trainings to keep abreast with the industry and regulatory requirements.



2. Community Service

Giving back to the community is part of our culture. At LTKM, we believe that caring is all about sharing, especially towards the underprivileged and less fortunate.

LTKM regularly makes eggs and cash contributions to organisations such as schools, homes for the underprivileged and charitable organizations, namely :

- o Love and Care Charitable Association in Klang, Selangor.
- o Grace Community Services in Klang, Selangor.
- o Taiwan Buddhist Tzu-Chi Foundation Malaysia, Kuala Lumpur.
- o Masjid Al-Falah Kampung Idaman in Pelabuhan Klang, Selangor.
- o SRJK (C) Sin Wah, Durian Tunggal, Melaka.
- o SRJK (C) Chabau, Durian Tunngal, Melaka.
- o SRJK (C) Pin Hwa I Klang, Selangor.
- o Lions Club Bandar Baru Klang, Selangor.
- o Pertubuhan Kebajikan Anak-Anak Yatim/ Miskin, Klang, Selangor.

***Hari Raya Dinner Celebration
at Pertubuhan Kebajikan Anak
Yatim / Anak Miskin Kelang
(PENYAKIN)***



3. Regulatory Bodies

As a producer in the food industry, LTKM complies strictly with the standards stipulated by the authorities namely the Department of Veterinary Services (“DVS”) of the Ministry of Agriculture and Agro-Based Industries Malaysia (“MOA”) and the Agri-Food & Veterinary Authority of Singapore (“AVA”).

We continuously control and monitor our qualities to ensure that these standards are strictly followed. Our in-house veterinarian works closely with officers from DVS in conducting tests for disease control on our livestock in accordance with regulatory requirements and industry practices. The steps and the results of the test are documented and reported to DVS as per regulations.

Every year we have continued to receive the certification for Malaysia Good Agricultural Practices (MyGAP) issued by MOA for our commendable farm management practices



LTKM BERHAD (442942-H)
102, Batu 1 1/2, Jalan Meru, 41050 Klang,
Selangor Darul Ehsan, Malaysia

Tel : (603) 3342 2830

Fax : (603) 3341 1967

www.ltkm.com.my