

LINKING SUSTAINABILITY TO OUR STRATEGY



THIS YEAR'S SUSTAINABILITY STATEMENT MARKS THE FOURTH CONSECUTIVE YEAR THAT THE GROUP HAS REPORTED ON THE PROGRESS OF OUR SUSTAINABILITY JOURNEY, THP IS PROUD TO USE THIS OPPORTUNITY TO REPORT ON OUR PROGRESS IN THE AREAS OF IMPLEMENTATION AND MONITORING OF OUR VARIOUS SUSTAINABILITY INITIATIVES FOR THE FINANCIAL YEAR 2020.



We continue to develop KPIs and regularly monitor our sustainability initiatives, together with regular progress updates to management. In addition to these, the Board of THP has approved and endorsed the updated Group Sustainability Policy in November 2020 which emphasises THP's commitment towards No Deforestation, No Peat and No Exploitation ("NDPE"). To date, all of our estates and mills in Peninsular Malaysia, Sabah and Sarawak have been certified under MSPO. As at December 2020, all THP mills have been audited under certification of Malaysian Sustainable Palm

Oil Supply Chain Certification Standard ("MSPO SCCS"). The certification body is in the process of finalising the MSPO SCCS report and certificate.

Guided by our values, we remain committed to our economic, environmental, and social matters. This includes managing our effluents and water discharge, upholding human rights and maintaining a safe and healthy workplace, as well as preserving riparian areas, exercising good agriculture practices, and improving product quality and operational efficiency.

Sustainability is a journey of continuous improvement, where we embrace change and seek to do better for the sake of our future generations. With the progress made in 2020, we acknowledge that more could be done towards sustainable growth. We will continue our efforts in creating a shared environment that not only secures future agricultural growth and quality products, but also addresses the collective needs of our stakeholders as well as the environment.

ABOUT THE SUSTAINABILITY STATEMENT

The purpose of this Statement is to communicate to our stakeholders on our commitment and management of sustainability risks across Economic, Environmental and Social ("EES") themes.

Our operations consist of three strategic business units, namely oil palm plantations, forestry (harvesting of latex and rubberwood), and management services. The scope of this Statement covers our operations in oil palm plantations in West and East Malaysia, which include activities of cultivating palm oil, processing Fresh Fruit Bunches ("FFB"), marketing Crude Palm Oil ("CPO") and Palm Kernel ("PK"), unless otherwise stated. As palm oil activities in Malaysia is our core business, which contributes almost 100% of our revenue since 2018, emphasis would be placed here.



The reporting period of our Statement is 1 January 2020 to 31 December 2020, unless otherwise stated. The content of our Statement is underlined by our commitment towards achieving full MSPO SCCS certification before the year ends. Our main aim is to ensure business sustainability amidst the COVID-19 pandemic in 2020 and mitigate environmental challenges such as complying with the NDPE policy which is determined by major industry player.

We have referenced Bursa Malaysia's Sustainability Reporting Guide and Toolkits, internationally-recognised Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), relevant industry standards and benchmarks, and guidance that was given through the facilitation from external consultants in previous years when preparing the Statement.

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SUSTAINABILITY GOVERNANCE

Our 'tone at the top' is set by THP's Board of Directors ("the Board"), with whom the ultimate responsibility of setting the Group's sustainability strategic direction rests. The Board is supported by the Chief Executive Officer ("CEO") and the Sustainability Committee ("SC" or "Committee"). Our CEO is tasked with reporting to the Board on the Group's sustainability performance, as well as reviewing updates from the Committee on THP's sustainability management and preparation of the annual Sustainability Statement.

The Committee, which was reformed in November 2020, comprises various Heads of Departments (as listed below). It requires vibrant, competent and effective Committee members to steer THP into the mainstream supply chain of palm oil products. In addition, the Committee is responsible for monitoring the execution of the Board's strategic sustainability directions and overseeing the preparation of the Sustainability Statement.

No	Department/Designation	Role
01	Chief Executive Officer ("CEO")	Chairman
02	Plantation Director	Deputy Chairman
03	Sustainability	Secretariat
04	Plantation Controllers	Member
05	Marketing	Member
06	CEO's Office	Member
07	Engineering	Member
08	Estate Department	Member
09	Agronomy	Member
10	Legal & Secretarial	Member
11	Administration (Foreign Labour Unit)	Member
12	Heads of other Departments	By Invitation
13	TH Representative	By Invitation

In recognition of the ever changing sustainability agenda, we have made incremental improvements to strengthen our sustainability commitment. A dedicated Sustainability Department ("SD") was formed in November 2020 to report directly to the Plantation Director. Previously, Sustainability was only a unit under the Agronomy and Innovation Department and prior to that, it was part of the Investor Relations Department. The SD oversees all related issues concerning sustainability and is also responsible for monitoring the implementation of our sustainability agenda. This is in line with the SD's role as secretariat in the SC.

The sustainability agenda guides THP towards becoming a sustainable and integrated palm oil player over the long term, including being fully MSPO certified by June 2019, MSPO SCCS certified in 2020 and maintaining a comprehensive Sustainability Policy ("the Policy") as a platform to communicate our initiatives. The Policy formalises our commitment to strengthening our sustainability agenda and guides THP towards adopting a holistic approach to business management. With the full support of the Board, we are confident that the Policy will achieve its aim as it is implemented in parallel with the full MSPO certification of our mills and estates.

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STAKEHOLDER ENGAGEMENT

We recognise our stakeholders as being key enablers who support our business activities, contribute to our success and to whom we owe a duty to care for and to share the value we create. Our approach to sustainability takes into consideration the long-term impact of our activities in relation to both the Group and our stakeholders. As such, we proactively engage with our stakeholders. Our approach to engaging with our stakeholders is summarised below, which highlights their main concerns as well as THP's response:

Engagement Platforms

1

- Annual General Meetings
- Quarterly announcements
- Special meetings

2

- Quarterly and special Board meetings
- Quarterly and special Board Committee meetings

3

- Quarterly management meetings and ad hoc meetings

4

- 'Open-door' policy
- Company intranet, special briefings
- Trainings

5

- Regular emails/in-person correspondence to discuss issues raised

6

- Informal grievance channels
- Donation programmes
- Land management schemes

7

- Monthly, annual and special reporting
- Forums

STAKEHOLDER GROUPS

Shareholders

Directors

Management

Employees

Customers

Local Communities
(i.e. towns, villages)Local authorities
(i.e. Malaysian Palm Oil Board ("MPOB"), DOSH, DOE, municipal councils, etc.)

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Concerns		Management's Response
1 <ul style="list-style-type: none"> Growth of THP's earnings Dividend payout 	4 <ul style="list-style-type: none"> Prevention of occupational safety and health risks Seeking a supportive workplace environment with competitive wages and benefits Good governance and ethical environmental and social management practices 	① <ul style="list-style-type: none"> Refer to our Management Discussion & Analysis ("MD&A") on pages 6 to 11 and Audited Financial Statements on pages 75 to 218 Product Quality and Operational Efficiency on pages 18 to 19
2 <ul style="list-style-type: none"> Maintaining THP's financial support and growth THP's relationship with its stakeholders Maintaining good governance practices 	5 <ul style="list-style-type: none"> Meeting quality requirements and demand needs THP's performance and management of EES matters 	② <ul style="list-style-type: none"> Refer to our MD&A on pages 6 to 11 and Audited Financial Statements on pages 75 to 218 Governance and Ethics on page 20
3 <ul style="list-style-type: none"> Business growth and increased yields Achieving MSPO certification Stakeholder relationship management Mitigation of occupational safety and health risks Regulatory requirements on discharge management Preventing human rights violations Talent retention and supporting employees via welfare initiatives and competitive remuneration Improving operational efficiency, including reducing waste Product quality and meeting customers' requirements Regulatory compliance 	6 <ul style="list-style-type: none"> Management of effluent discharge Provision of support elements (i.e. donations and medical facilities) 	③ <ul style="list-style-type: none"> Product Quality and Operational Efficiency on pages 18 to 19 Traceability and Supply Chain Management on page 20 Occupational Safety and Health on pages 28 to 32 Effluents and Water Discharge Management on page 21 Waste Management on pages 22 to 23 Employee Welfare and Development on pages 32 to 34 Human Rights on pages 27 to 28 Water Management on page 24
	7 <ul style="list-style-type: none"> Meeting regulatory requirements (i.e. health and safety statistics, air emissions and effluent and discharge, etc.) 	④ <ul style="list-style-type: none"> Occupational Safety and Health on pages 28 to 32 Employee Welfare and Development on pages 32 to 34 Human Rights on pages 27 to 28 Governance and Ethics on page 20
		⑤ <ul style="list-style-type: none"> Product Quality and Operational Efficiency on pages 18 to 19 Traceability and Supply Chain Management on page 20 Governance and Ethics on page 20 Biodiversity and Conservation on pages 24 to 26 NDPE Commitment on pages 25 to 26
		⑥ <ul style="list-style-type: none"> Local Communities on pages 34 to 35 Biodiversity and Conservation on pages 24 to 26 Effluents and Water Discharge Management on page 21
		⑦ <ul style="list-style-type: none"> Governance and Ethics on page 20 Effluent and Water Discharge Management on page 21 Human Rights on pages 27 to 28 Occupational Safety and Health on pages 28 to 32 Waste Management on pages 22 to 23 Water Management on page 24

Throughout the process, we recognised the limitations of our current stakeholder engagement scope. Nevertheless, as part of the process for MSPO certification, we have expanded and formalised additional platforms for engagement with our stakeholders, including formal stakeholder meetings at each complex level as well as the provision of grievance channels for our stakeholders to submit their concerns regarding our operations.

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MATERIALITY MATRIX

In 2020, we identified our material matters via Bursa Malaysia's Materiality Assessment Toolkit. We considered the impact of relevant matters on the business and the importance of each matter to our stakeholder groups. Below is our materiality matrix:



All relevant matters identified above are material to our operations, and are managed with prudent planning and execution. We have grouped our matters into the following themes:

Economic	Environment	Social
1. Product Quality and Operational Efficiency 2. Traceability and Supply Chain Management 3. Governance and Ethics	4. Effluent and Water Discharge Management 5. Waste Management 6. Water Management 7. Biodiversity and Conservation 8. NDPE Commitment	9. Human Rights 10. Occupational Safety and Health 11. Employee Welfare and Development 12. Local Communities

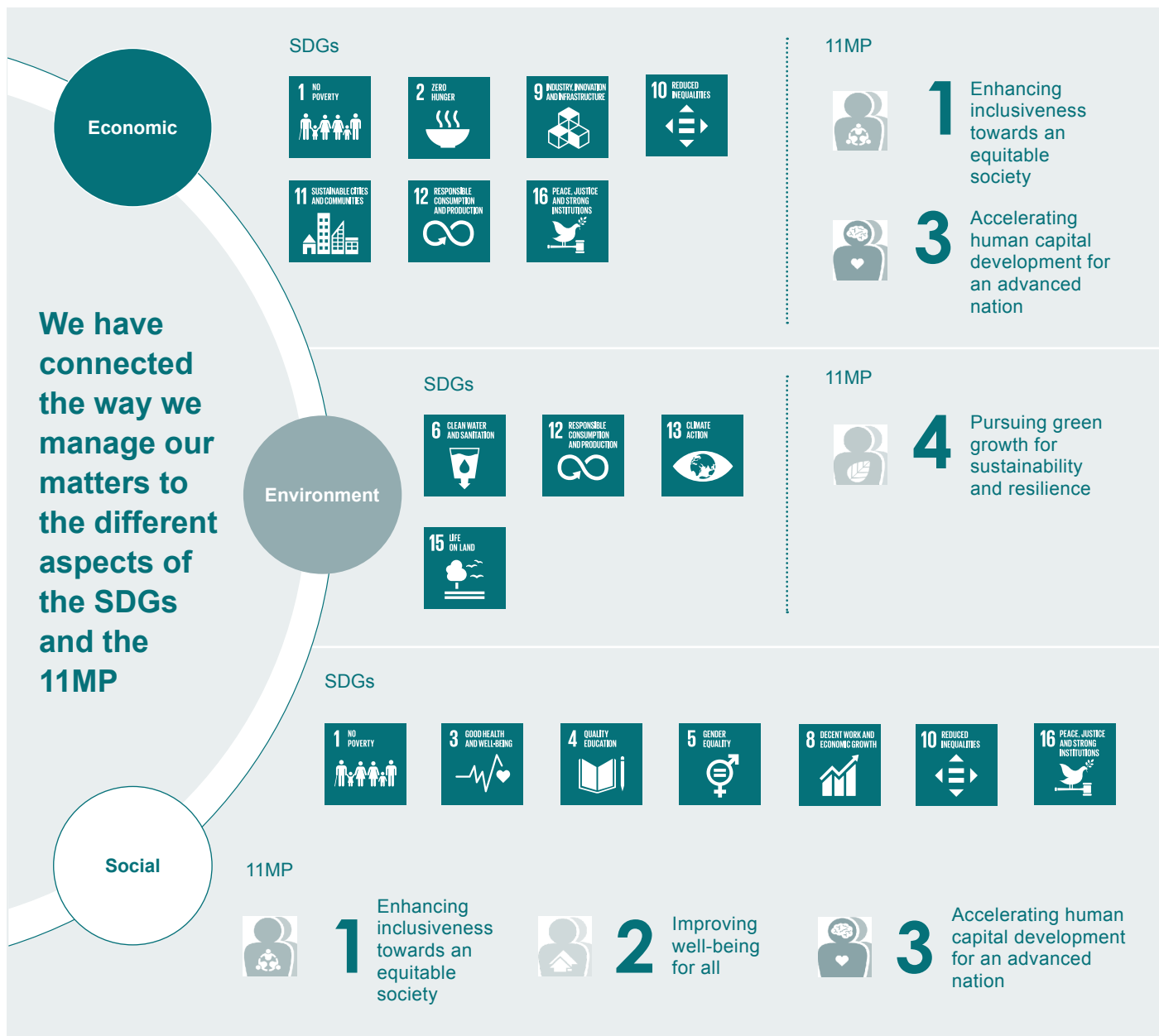
The next section provides details on how we manage all of our identified material sustainability matters, including key practices that we exercise and performance indicators that we monitor.

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MANAGING MATTERS TO CREATE SHARED VALUE

Governments, organisations and people of all backgrounds are unified in agreement that the United Nations Sustainable Development Goals ("SDGs") will help attain the future and quality of life we want for our communities, our businesses and our nations. In Malaysia, the Eleventh Malaysia Plan ("11MP"), which took effect from 2016 and was reviewed in 2018, set six strategic directions for the country to achieve greater prosperity by 2020.

Against the backdrop of the abovementioned agendas, we want to communicate how our matters create value on these universally-recognised platforms. Therefore, we have connected the way we manage our matters to the different aspects of the SDGs and the 11MP. This is shown below:



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ECONOMIC

1 PRODUCT QUALITY AND OPERATIONAL EFFICIENCY

As an upstream oil palm business, we understand the importance of quality in meeting our customers' requirements and our internal business targets. In doing so, we focus on an array of areas to manage product quality and uphold a high rate of operational efficiency. In the Management Discussion & Analysis section of our Annual Report, on pages 6 to 11 we further discuss our operational performance, efforts and significant achievements during the year.



Customer Satisfaction

Our customers are important stakeholders in the sustainable development of our operations. It is our responsibility to produce quality products that benefit our customers, drive business growth and are responsibly produced and sourced. We regularly engage with our customers to understand their needs and develop collaborative relationships to overcome common industrial challenges.

We strive to maintain the quality of our CPO and PK to meet customer requirements. Each batch is measured and monitored against our internal targets, which have been developed in conjunction with the Standard Quality Grade of the Malaysian Standards MS814:2007 and MS236:2007, for CPO and PK, respectively. The table on the right highlights our average performance against the targets:

Average quality indicators	Internal target	Average performance		
		2018	2019	2020
CPO				
Free Fatty Acid ("FFA") (%)	≤5.00	3.98	3.83	3.91
Deterioration of Bleachability Index ("DOBI")	≥2.30	2.41	2.52	2.58
Moisture & Impurities ("M&I") (%)	<0.25	0.16	0.18	0.18
PK				
Moisture (%)	<7.00	5.51	5.85	5.87
Dirt & Shell (%)	<6.00	4.72	4.75	4.78

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Good Agriculture Practices

Our plantation operations are guided by our Standard Operating Procedure ("SOP") on Good Agricultural Practices ("GAP"). Key focus areas of GAP include managing optimum water levels, implementation of site-specific fertiliser programmes, application of integrated pest management and efforts to minimise production of poor fruit sets.

Research and Development

Research and Development ("R&D") is an integral component of the Agronomy Department. The team consists of four talented professionals who are focused on improving elements of operations such as increasing the quality and quantity of yield. Key areas covered by the team include fertiliser recommendations, geospatial service and plantation research. Several projects were carried out during the year, the key highlights of which are:

Key R&D projects in 2020

①

Collaborative study on water level sensors with MPOB and Illuminet Sdn. Bhd. on precision water management techniques for yield improvement on peatland.

②

Oil palm mill by-products utilisation such as application of empty fruit bunches ("EFB") to fields to improve soil structure and retain soil moisture & organic matter and as an additional source of nutrients.

③

Collaborative research with reputable third parties on utilisation of specifically formulated bait for suppressing rat populations through an integrated comprehensive approach.

④

Providing technical support services to estate operations in areas of land development, establishment of estate boundaries, and replanting.

To support our team, annual budgets are allocated for R&D expenditure. The table below highlights our R&D expenditure over the years:

RM million	2018	2019	2020
Budget for R&D:			
Annual Expenditure	2.4	2.4	1.6

MSPO & MSPO SCCS Certification

Given our position as a supplier of CPO and PK, it is essential that we improve sustainability along the supply chain of the palm oil industry.

Under MSPO standards, we address seven key areas:

① Management commitment and responsibility

② Transparency

③ Compliance with legal requirements

④ Social responsibility, safety and employment conditions

⑤ Environment, natural resources, biodiversity and ecosystem services

⑥ Best practices

⑦ Development and new plantings

As of the end of December 2020, all THP mills have been audited by the appointed certification body to be fully MSPO SCCS-certified. MSPO and MSPO SCCS certification will strengthen the credibility of our products and traceability measures, which aligns us with local and global palm oil market demands.

In line with our goal to become an integrated and sustainable plantations company, we will continue to invest in R&D and maintain our internal quality controls, as we explore new areas of agricultural practice to improve yields and produce high quality products.

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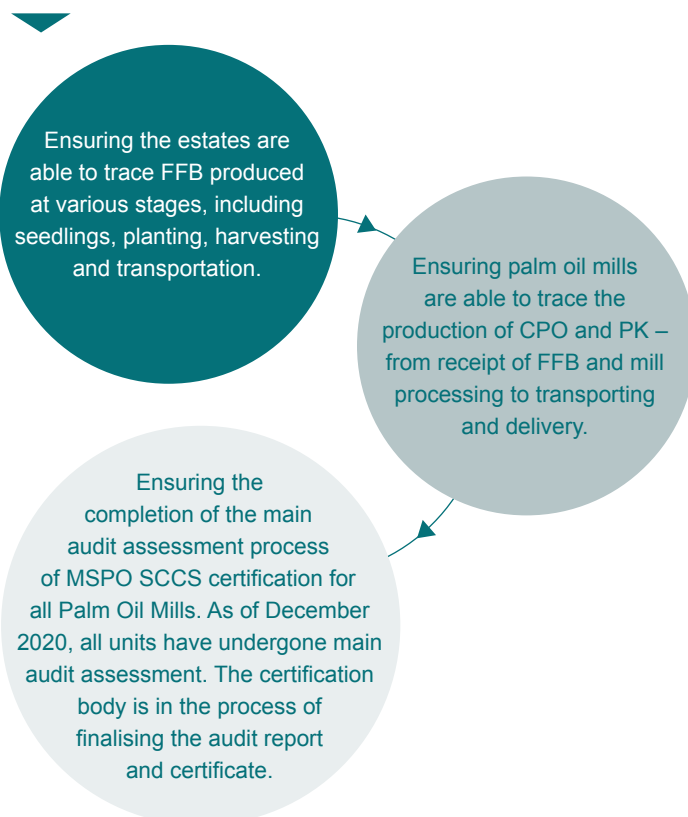
ECONOMIC

2 TRACEABILITY AND SUPPLY CHAIN MANAGEMENT

The production of sustainable palm oil is guided by responsible practices along the supply chain. We acknowledge our role in providing quality products that are made via ethical and sustainable operations. Hence, we pay close attention to the management of our supply chain to ensure that responsible and transparent end-to-end processes and procedures are practised. Our actions enable traceability, which we define below.

Traceability

As part of our efforts to manage our supply chain, we emphasise the importance of traceability as part of our internal procurement and supplier management processes. We are committed to supplying traceable products to our customers. Our efforts are aimed at:



To ensure the FFB produced at estates as well as the CPO and PK produced as part of mill operations are traceable, we have established procedures under the purview of our Estate and Mill Departments. These operations are closely monitored to ensure we manage the sustainable production of our FFB, CPO and PK.

Fair Procurement Practices

All potential suppliers are treated equally, including potential participants of our Vendor Development Initiative (“VDI”) on page 35. Our Procurement Department guides our procurement process by selecting suppliers based on specified criteria, including the extent of vendors’ resources and skills, quality and composition of the requested resource. Furthermore, our procurement process is governed by internal controls, such as limits of authority and approval from the Tender Committee to ensure fair practices.

3 GOVERNANCE AND ETHICS

Good Governance

We are committed to good corporate governance and ethical practices at our workplace. Our governance practices are guided by the recommendations of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) and Bursa Malaysia’s Listing Requirements.

Further information on our corporate governance structure and initiatives during the year can be found in the Corporate Governance Overview Statement on pages 48 to 60.

Anti-Corruption Practices

At THP, we avoid all forms of corruption at the workplace. We have in place mitigation measures such as operational limits of authority and procedures for all Directors and employees to declare any conflicts of interest. In addition, our ‘open-door’ policy promotes open channels of communication at the workplace. To date, we have not had any cases of corrupt practices at our offices.

As we recognise the importance of formalising our values and workplace practices, we will establish our own Code of Ethics to guide our management and employees in a structured manner. Our Whistle-Blowing Policy has been formalised and enforced to further endorse a safe and secure platform to report any incidents.

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1 EFFLUENT AND WATER DISCHARGE MANAGEMENT

Palm Oil Mill Effluent (“POME”) is a significant by-product of processing FFB. Without appropriate treatment, the effluent may be detrimental to the environment. We understand the importance of managing our environmental impact by appropriately handling our effluent and water discharge.

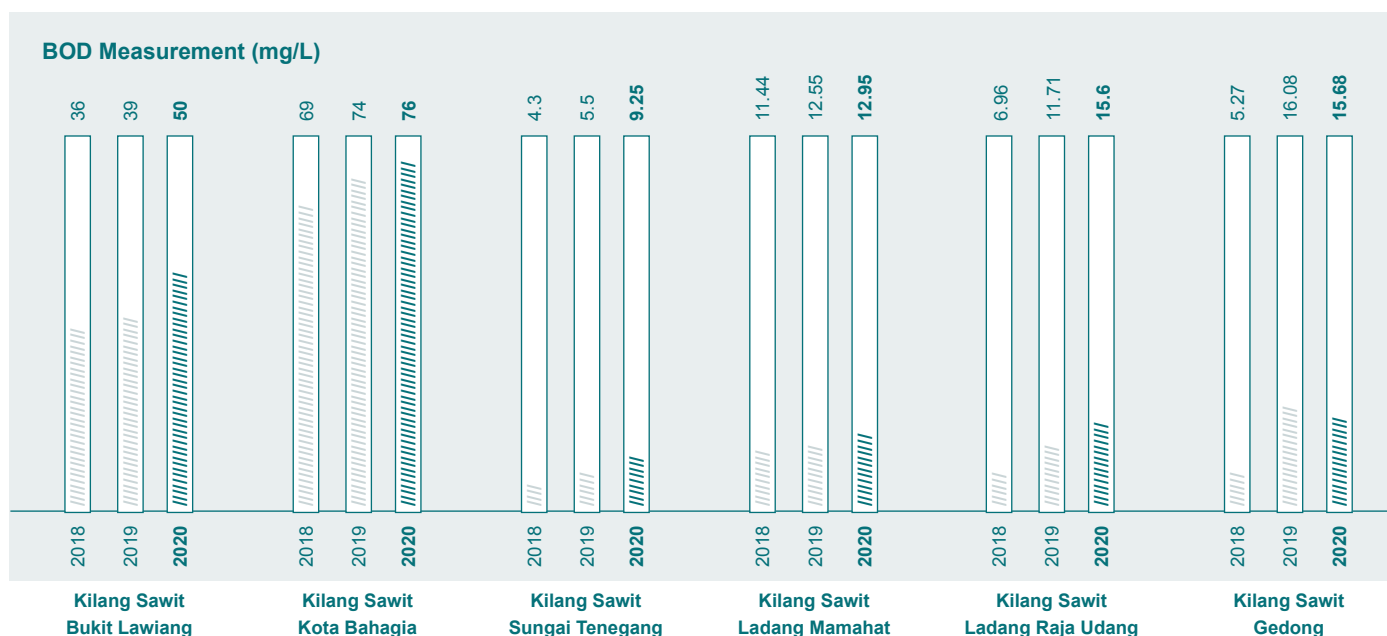
Palm Oil Mill Effluent (“POME”) and Biological Oxygen Demand (“BOD”) Measurements

Over years of technological evolution, we have improved our POME processing methods to manage the BOD measurements of our effluent and water discharge. The implementation of a tertiary effluent treatment plant at some of our mills has assisted in maintaining the

BOD measurement below the regulatory limit, as highlighted below. Meanwhile, our other mills are striving to upgrade effluent treatment plants in anticipation of stricter DOE regulations in time to come.

Furthermore, we have stringent processes and internal controls in place to appropriately treat our effluents and maintain BOD readings within regulatory limits. The primary control is conducted by testing a sample of the treated effluent prior to discharge. Existing regulations require a BOD measurement not exceeding 100 mg/L, 50 mg/L and 20 mg/L in West Malaysia, Sarawak and Sabah's Kinabatangan Basin, respectively. At THP, our target is to maintain our BOD measurements below regulatory requirements.

The table below demonstrates our performance against regulatory requirements. To date, we have consistently remained within DOE limits.



In particular, our Sungai Tenegang palm oil mill achieved the lowest BOD measurement for the last three years. In terms of its footprint on the Group, our Sungai Tenegang mill processes all the FFB from our estates in Kinabatangan and Lahad Datu, Sabah with the production contributing approximately 10% of our Group revenue.

	2018	2019	2020
Total POME generated (MT)	607,285	555,819	730,387

Our total POME generated depends on the amount of FFB processed.

We continuously look at improving discharge treatment at all our mills to reduce the BOD levels of POME generated, as well as upholding rigid internal controls and systems to prevent inappropriate discharge of effluents.

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2 WASTE MANAGEMENT

The way we manage our waste influences our environmental footprint and our social licence to operate. Hence, we observe strict internal controls in waste management to prevent mishandling and to ensure adherence to relevant laws and regulations.

Hazardous and Non-Hazardous Waste Management

We constantly monitor and manage our waste as we focus on disposing of our waste appropriately and reducing our waste output. Waste generated on our sites includes scheduled (hazardous) and non-hazardous waste which constitutes less than 10MT/month on average. Third-party contractors are hired to assist in disposing of our waste. Disposal of our scheduled waste is performed as required by the environmental regulations under the DOE, which includes working with third-party contractors who have been endorsed by the DOE.

We monitor our collected scheduled waste via collection records provided by our waste contractors upon completion of waste collection from our sites. These are reported to the DOE every month.

Our newer mills are equipped with increasingly efficient processing plants, which assist us in moving towards reducing our waste output. In terms of our domestic waste, we dispose of our domestic waste appropriately through waste collectors. Moving forward, we seek to report performance indicators of the total domestic waste collected.

Biomass Residue

Biomass residue is a by-product of FFB processing, which in turn is an excellent source of natural energy and fertiliser. Highlighted below is our performance data on biomass residue (we utilised around 99% of shells and 96% of fibres in 2020 while the balance was sold).

Type of biomass residue	2018		2019		2020	
	Produced (MT)	Amount reutilised (MT)	Produced (MT)	Amount reutilised (MT)	Produced (MT)	Amount reutilised (MT)
Empty Fruit Bunches	210,956	150,180	188,794	173,009	190,680	180,637
Shells	57,619	57,619	74,534	74,534	76,521	75,573
Fibres	126,461	126,461	93,627	93,627	144,518	138,988

The production of biomass residue is positively correlated with the production of CPO and PK. At present, we are able to measure some of our biomass residue, as shown above. Other forms of biomass residue (trunks and pruned fronds) are reused as organic fertiliser, albeit not measured. As we advance our sustainability agenda, we will focus on filling the gaps in our reporting disclosures, which includes measurement of other forms of biomass residue.

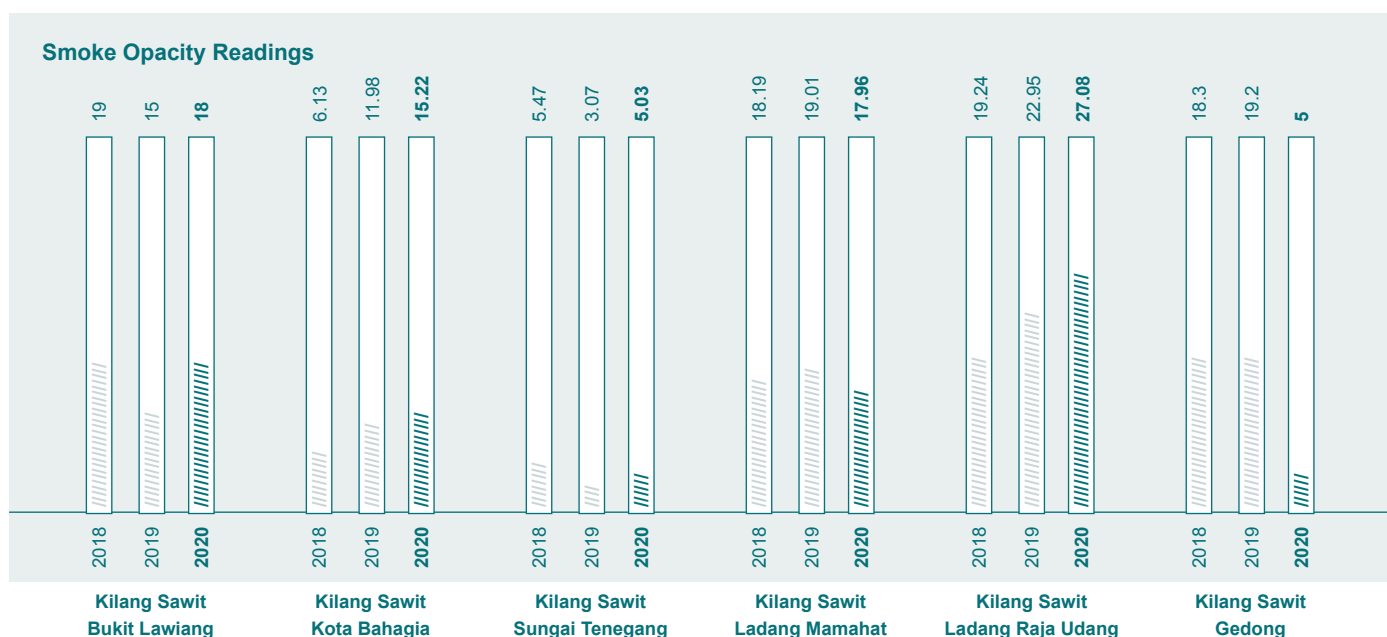
Empty Fruit Bunches	Shells	Fibres
Methods of reutilisation: <ul style="list-style-type: none"> Organic fertiliser in the plantations in West Malaysia, also known as mulching Incineration to create Bunch Ash, which is used to fertilise peatland 	Methods of reutilisation: <ul style="list-style-type: none"> As a source of fuel for the boiler system Sold to other plantations or industries to be reused as sources of fuel As a source of mulching in the main nursery 	Methods of reutilisation: <ul style="list-style-type: none"> As a source of fuel for the boiler system As a source of mulching in the main nursery

One of the key uses of our biomass residue is the use of shells and fibres to fuel boilers, which are utilised in processing FFB at our mills. We have practised this over the years and it has enabled us to save costs and reduce our environmental footprint.

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Emission from the Boilers

We monitor our boiler emissions via the Continuous Emissions Monitoring System (“CEMS”), which is implemented as part of local environmental regulations. The system monitors and concurrently updates the DOE on the contents of our emissions. At present, local regulations require us to maintain smoke opacity below 40%. Over the years, we have maintained our smoke opacity in line with regulations, as shown below:



In time to come, we believe that DOE regulations will include reporting requirements on emissions of dust particles and Greenhouse Gas (“GHG”) emissions. In response to these upcoming requirements, we will implement additional measures to meet increasing regulations. For example, we are installing Electrostatic Precipitator (“ESP”) as a measure to reduce dust particles in our emissions as per DOE requirements.

Capturing and reusing emissions as biofuel will effectively recycle emissions and reduce costs. Therefore, one of our planned measures is to build a biogas plant at each of our sites. The plant will capture methane and produce biogas as a source of natural fuel at all our mills. These methane-capturing facilities are costly to build and as such, long-term planning and evaluations will be necessary prior to their implementation.

Furthermore, we acknowledge current reporting gaps in monitoring domestic waste, other forms of biomass residue and GHG emissions. Our mills are in the process of closing these gaps and have begun monitoring and recording the data based on total average emissions from EFB, POME and fuel consumption, as shown below:

GHG Emissions (tCO ₂ e/ MT FFB)	2018	2019	2020
Average Total Emissions	1.695	1.830	1.986

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3 WATER MANAGEMENT

Our plantations and mills require a significant amount of water, thus managing the efficiency of our water consumption is a high priority for us. In doing so, we reduce operational cost and exercise good agricultural practice. Furthermore, our estates and mills are surrounded by natural water streams. It is our responsibility to prevent our operations from damaging these waterways.

Water Consumption

At our plantations, we perform rainwater harvesting by digging weirs and pits to collect rainwater to provide the trees with resources over a longer period of time. Harvested rainwater is also used to manage water tables in peatland. At the mills, FFB processing requires water of purer quality, hence our utilisation of municipal water. Once treated, the processed water can be reused on-site for non-operational purposes such as drip irrigation, washing or gardening around the mills and estates.

At our Raja Udang mill, we use steam traps to reduce our water consumption. Steam traps filter the condensation, which is then reused for dilution. In addition, we reuse water to cool turbines and conduct continuous sterilisation as a method of reducing water consumption. We highlight our annual water consumption below.

Total water consumed in mill operations (m³)		
2018	2019	2020
1,602,285	1,166,755	1,246,457



Water Sampling

Our mills and estates share rivers with local communities, hence it is our responsibility to prevent contamination of the rivers due to effluent and water discharge from our operations. To do so, we conduct water sampling in these rivers. Water sampling is conducted by external laboratories and the results are reported to the DOE. To date, there have been no instances of water contamination in rivers surrounding our operations.

Managing water consumption during FFB processing is an ongoing challenge in our industry. However, we have significantly reduced our water footprint due to efforts such as rainwater harvesting, reusing water in other areas of operations and investing in newer technology which reduces water consumption. In the future, we seek to identify more opportunities to reduce our water consumption.

4 BIODIVERSITY AND CONSERVATION

We recognise that our operations are surrounded by local ecosystems and biodiversity. As a member of the agricultural industry, we understand our role and responsibility to respect these habitats and to support the sustainability of surrounding ecosystems. We have therefore implemented practices and controls to minimise our impact on the environment.

Riparian Reserves

Riparian reserves are areas of conservation between land and rivers teeming with life from the habitats of flora and fauna. The importance of identifying these areas for conservation lies in their role of supporting local ecosystems as well as maintaining water and soil quality. As part of our efforts, we have identified and incorporated buffer zones and riparian reserves within our plantations. As of 2020, we have established 335.16 Ha of riparian reserves and buffer zones.

To manage and preserve our riparian reserves, we plant Legumes Cover Crops ("LCC") to prevent soil erosion. In addition, LCC help to manage the health of our crops by preventing weed growth and increasing the fertility of soil by supplying organic matter.

Environmental Impact Assessments

Prior to every replanting exercise, we perform extensive Environmental Impact Assessments ("EIA") via third-party consultants. EIA is performed with the aim of minimising adverse environmental impact. For this reason, criteria considered in an EIA report includes:

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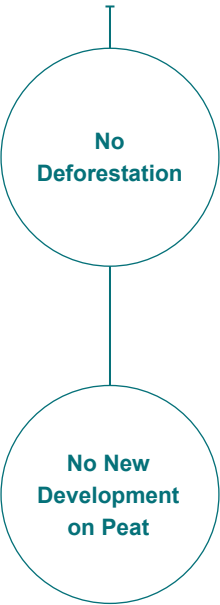
- soil erosion/slope stability and soil conditions
- water and noise pollution
- potential loss of flora and fauna and their habitats
- waste disposal
- impact of replanting and abandonment
- socio-economic and ecological impact
- safety and health
- peat soil subsidence

Results of the EIA are then reported to the DOE. A number of considerations are taken into account before a replanting exercise is performed. These include the age of the oil palm (palms above 25 years of age would see their yield fall below 15 MT/Ha), height of palm (palms exceeding 45 feet would prove a challenge to harvest) and areas where soil quality has eroded due to floods or palm root diseases.



NDPE Commitment

We work closely with the widest possible range of industry stakeholders to implement our commitments related to the protection of:



- To ensure protection of areas with High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) by identifying these areas and conducting the relevant industry, national and international best practices to protect them.
- Prior to any plantation development activity, HCV areas and HCS forests must be identified for protection, conforming to international best practice guidance.
- Where feasible, explore options for natural forest restoration by working with expert stakeholders and communities.
- No new development on peatland regardless of depth.
- Best Management Practices for existing plantation on peat will be stringent and aligned with relevant industry, national and international best practices, which include guidelines provided by the MPOB. Additionally, peatland management shall follow good agricultural practices as laid out in our policies, codes and SOPs.
- Where feasible, explore options for peat restoration by working with expert stakeholders and communities.

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**No
Exploitation of
People and Local
Communities**

To ensure no exploitation issues, we concern ourselves with:

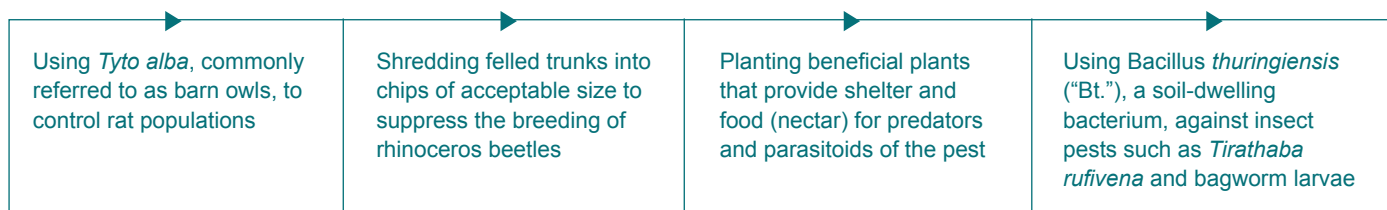
- Upholding human rights
- Providing a safe and healthy workplace
- Promoting career development and employee welfare
- Respecting and upholding land rights
- Creating shared value for local and national growth

Peatland Management

At THP, we only plant on peat which has been set aside by the Malaysian government for agricultural development. We understand the nature of peatland and over the years, we have managed our peatland via extensive efforts and strict internal processes. This includes maintaining water at optimum levels and draining excess water to prevent peat degradation. Our Agronomy Department provides the technical and advisory support for continuous management and care of the peatland. As at end of 2020, THP owned 44,749.27 Ha of peatland in Malaysia, of which 14,924.84 Ha is unplanted.

Integrated Pest Management

Pest management is an unavoidable practice in cultivating oil palm to ensure healthy yields and to avoid damaging the plantation. As part of our conservation efforts and to reduce our use of chemicals, we adopt the practice of integrated pest management, which encourages the use of bio-pesticides and bio-control agents at our estates based on the most suitable pest management plan. Our efforts include:

**Towards Biodiversity Conservation**

We have additional measures in place to conserve areas of natural flora and fauna around us. Our key measures include:

Canopy cover We ensure that we do not disrupt the canopies of the jungles. Suitable spacing and density of trees are integral in supporting a range of wildlife, especially arboreal species such as orang utans and gibbons that seldom venture onto the ground.	Allowing natural decomposition of dead vegetation Decomposition of dead vegetation feeds the soil with nutrients and supports a natural ecosystem. We do not apply weed killers and pesticides to these areas as this would disrupt the process.	Reducing human-wildlife conflicts To manage our impact on the environment, we ensure a minimum width of up to 50m between habitats and our operations. Where larger animals are concerned, we collaborate with experts in the field to develop and maintain green fences.
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Zero Burning Policy

We understand the environmental and health risks associated with open burning practices, which is why we observe a strict zero-burning policy across our operations, as stipulated in our SOPs and Environmental Policy. When performing land clearing for plantation development or replanting, trees are felled, chipped and stacked. To date, there have not been any cases of open burning at plantations owned and operated by us.

LINKING SUSTAINABILITY TO OUR STRATEGY



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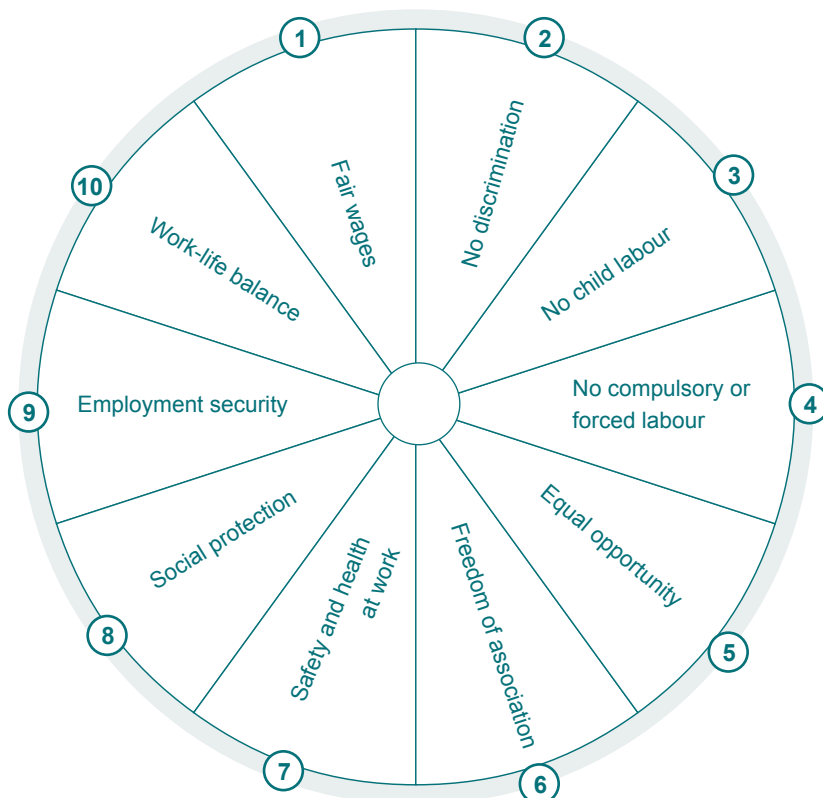
1 HUMAN RIGHTS

Our employees and workers are important stakeholders and the cornerstone of our success. The human rights of our workforce are respected and valued as we uphold our obligations to them. Our practices and internal systems are continuously reviewed and updated to mitigate any negative impact on our stakeholders. We have not faltered in supporting them and ensuring that their rights are protected.

Our Human Rights Commitment

As part of our commitment to becoming an integrated and sustainable plantation company, we see human rights as an essential component of our sustainability mandate. Thus, we uphold, respect and protect the rights of all individuals as we understand that this forms the foundation of sustainable business growth.

In 2020, we employed 7,560 workers, of whom 51.75% are foreign and 48.25% are local. Our commitment to them is to uphold their human rights. Although we have yet to formalise a policy on human rights, we have adhered to our Human Resource ("HR") SOPs that outline the basic principles of human rights, as shown below:



Supporting Our Foreign Workforce

All our workers are treated fairly and equally. For foreign workers, the hiring process is especially different as the workers are required to relocate from their home countries. For that reason, we want to support their transition to the best of our ability. Our hiring process for foreign workers ensures that the workers are not bound by hidden fees or harmful conditions which would violate their rights. All of the foreign workers employed by us are from Indonesia.

The process begins with us obtaining quota approval to hire workers from the Labour Department and Home Ministry. Upon our request, our appointed agents will begin the recruitment and immigration process in Indonesia and make flight arrangements for the workers. Then, our representatives will meet them once they arrive in Malaysia. All costs involved, including Malaysian government levy fees, visa application and first-time flight ticket costs, are borne by us.

Upon arriving at our sites, all foreign workers are provided with safe and secure accommodation close to their worksites.

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We strictly adhere to the national minimum wage regulations in our areas of operation. Effective February 2020, under the Wage Order 2020, the Malaysian government specifies a minimum wage of RM1,200 per month for the work carried out in a place of employment in city council or municipal council areas and RM1,100 per month for areas other than city council or municipal council areas throughout Malaysia. The average monthly earnings of our workers in all our estates are highlighted below:

	2018	2019	2020
Average monthly earnings per worker	1,522	1,595	1,740



Other benefits provided to all our employees and workers are discussed under Employee Welfare on pages 31 to 36.

Engagement with Workers' Union

Workers have access to union representatives and are free to join workers' union. This allows our workers to engage in open dialogue, discuss and raise issues through available platforms. The most common union is the All Malayan Estates Staff Union ("AMESU") and National Union Plantation Workers ("NUPW").

Union representatives represent our staff's and workers' interests when holding discussions with the Malayan Agricultural Producers

Association ("MAPA"), who engages with the union representatives on THP's behalf. Topics discussed include basis of wages and other matters that impact staff and workers.

Moving forward, we remain committed to respecting and protecting the rights of our workforce as well as encouraging our workers to communicate any issues they are facing to us. We seek to formalise our commitments to our workers in an appropriate policy, which will include the setting up of formal feedback channels.

2 OCCUPATIONAL SAFETY AND HEALTH

Our employees' and workers' safety and health are a top priority for us. Our policies and measures underline the management's strict approach to occupational safety and health. It is our duty to provide the best care to our employees, as a safe, healthy and conducive environment will benefit all stakeholders and ensure the sustainability of our business.

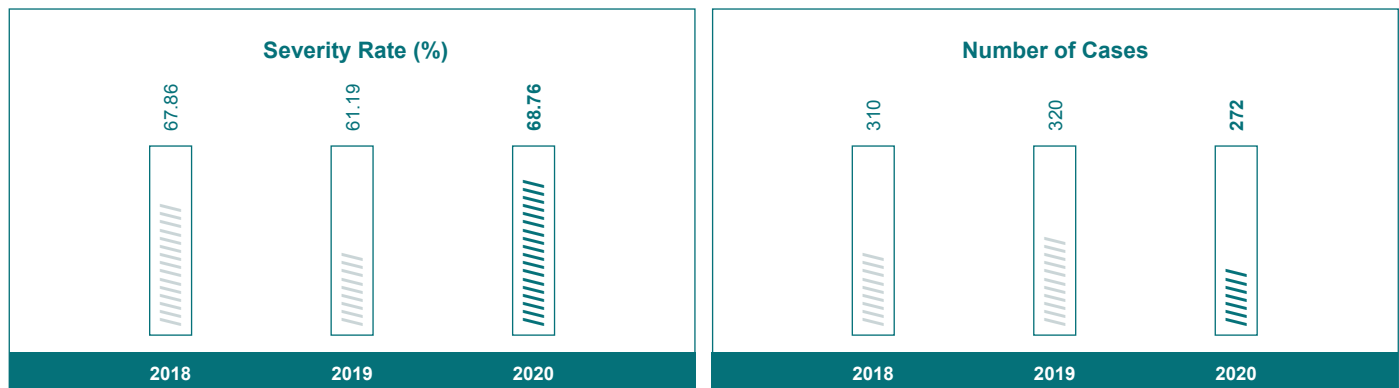
Our Policies

In 2020, we still maintained our Occupational Safety and Health Policy and Occupational Safety and Health for Chemical Substances Policy as per year 2019. Some of the key elements from our policies are highlighted below:

Safe and healthy working environment	Information, instruction, training and supervision is communicated to all employees	Identify all accidents, diseases, poisonings and dangerous occurrences and take preventive measures
Comply with OSH Act 1994 and Factories and Machinery Act 1967	Ensure all employees have appropriate work equipment as well as personal protective equipment as required for their jobs	Strive to improve the knowledge and sense of responsibility of each employee

LINKING SUSTAINABILITY TO OUR STRATEGY

Incident Reports



THP has set an annual target of zero fatalities and of a reduction in the number of incident cases and year-on-year lost day rate of 5%. For year 2020, we achieved the target of zero fatalities with the number of cases decreasing by 15% and the severity rate increasing by 8%. The increase was due to the increase in the severity of injuries.

Safety and Health Training

Training schedules are reviewed by our OSH unit on a regular basis. As discussed above, workers and employees are assigned to relevant training schedules and are required to attend them. We monitor the participation rates at our training sessions and more than 85% of employees were trained in 2020, as highlighted below:

Average hours of safety and health training per employee by scope of work

Employees	2018	2019	2020
Plantation worker	16	12	8
Mill worker	8	7	10
Worker who uses chemicals	11	8	7
Management	7	4	7
Office staff	6	3	5

Our key annual training programmes for the year 2020 are highlighted below:

Name of Training	Content of Training	Frequency of Training	Attended by
Awareness of company policies and objectives (OSH Policy)	Communicated and implemented OSH Policy	Once/year	All management, staff and workers
Emergency Response Action Plan Procedure (Accident, Chemical Spillage, Fire, Flood, Drowning, Animal Attack)	SOPs of Emergency Response Plan ("ERP")	Once/year	All management, staff and workers

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Name of Training	Content of Training	Frequency of Training	Attended by
Basic First Aider	Basic first aider training	Once/year	OSH Committee
Fire extinguisher safety and fire drill (inspection & training)	Potential sources of fire and fire management procedures	Once/year	All management, staff and workers
PPE handling and replacement procedure	SOPs of PPE	5 times/year	All management, staff and workers
SOP training for estate & milling operations and best practices	Briefing on THP SOPs based on task/department	4 times/year	All management, staff and workers
SOP for COVID-19	To mitigate risk of COVID-19 infection	Once/year	All management, staff and workers

Safety and Health Audits

Internal safety and health audits are conducted annually by our OSH unit. The audits cover all our estates and mills. The aim of our audits are to:



The main areas inspected during the audit include:

- | | |
|---|--|
| ① Reviewing all records related to OSH. | ④ Systematic maintenance of equipment and machinery. |
| ② Safety Operating Procedures of all worksites. | ⑤ Availability of amenities and infrastructure at the worksites. |
| ③ Amenities for emergency response. | ⑥ Personal Protective Equipment ("PPE") provided by estates and mills. |

LINKING SUSTAINABILITY TO OUR STRATEGY

The findings are communicated to the respective managers of mills and estates. Their actions are followed up in the next audit. Key findings from the latest safety and health audit are shown below:

Key findings from safety and health audit in 2020	Management's response
Workers did not wear PPE properly as required by employer	Training on PPE will be continued to educate the workers
Inadequate signage in fields	Signage will be in place
Noise Risk Assessment ("NRA") was not conducted	NRA will be fully assessed on August 2021
Lack of training and retraining for workers	Training and retraining will be carried out as planned
Some safety records were not updated	Safety records will be updated as per recommendation

Chemical Health Risk Assessment ("CHRA")

The Group's OSH Unit conducted CHRA on five plantations and two mills in Sabah and Sarawak in January 2019, following the expiry of the previous assessments. The CHRA is a required assessment in response to the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000. The CHRA is performed every five years to ensure that the appropriate controls and measures are in place to protect the health of employees who may be exposed to chemicals that are hazardous to health at work. All assessed plantations and mills passed the assessment. Most findings were similar to the OSH audit performed during the same period. Additional key findings from the CHRA audit are shown below:

Key findings from CHRA audit 2019	Management action plan/ response
To carry out a Health Surveillance programme to check for symptoms of skin-related diseases since the chemicals handled were mostly denoted with the "sk" notation. This requirement is in accordance with Regulation 27(1) USECHH2000.	The Health Surveillance programme that is currently conducted includes checking for symptoms of skin-related diseases as recommended. Safety records will be updated as per recommendation.
To establish a safe system of work for the operation of water treatment plants and ensure that all OSH aspects are explicitly addressed in all future procedures. The safe system of work and practices need to be documented, implemented and periodically reviewed. This requirement is in accordance with Regulation 15(2) USECHH2000.	A Safe Operating Procedure has been set up for this work unit including an operations manual. OSH training is to be conducted to create awareness. The establishment of this system has been documented, implemented and reviewed.
It is recommended for the mill to provide proper PPE storage for all PPE that are currently in use. A systematic inspection and cleaning process for the PPE used is also needed as part of the PPE programme.	The PPE box is to be enhanced in terms of inventory and safety. The PPE box inventory is to be updated periodically to ensure the adequate provision of proper PPE accommodation for all PPE that are currently in use.

LINKING SUSTAINABILITY TO OUR STRATEGY



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Key findings from CHRA audit 2019

It is recommended for the Company to continue providing training to workers to ensure that they are competent when handling emergency situations. Additionally, workshop personnel are encouraged to be trained as competent first aiders. This training must be conducted on a periodic basis to ensure competency is still valid. This requirement is in accordance with OSHA 1994 Act 514 Part IV.

Management action plan/response

An Emergency Response Drill is to be implemented twice a year to maintain ERP personnel's knowledge and skills. Such training will help to improve the turnover time to reduce casualties in cases of accidents.

Management of noise levels

We monitor the levels of noise around the mills to ensure that levels are below the limits stipulated by local regulations. The average results of our noise monitoring in the last three years are shown in the table below. Limits during the day is 65 dB(A) and 55 dB(A) at night. Workers are provided with ear plugs to protect their hearing in areas with high noise levels.

Noise levels	2018	2019	2020
Average noise levels [Day dB(A)]	58	60	50
Average noise levels [Night dB(A)]	50	40	45

3 EMPLOYEE WELFARE AND DEVELOPMENT

We care about our people, and are committed to meeting the requirements of our employees and workers in the areas of career development, competitive remuneration and welfare. Without the commitment and drive of our workforce, we would struggle to grow as a business.

Our People

THP's talented and diverse workforce is our strongest resource and has been the bedrock of our success. We are committed to developing a strong workforce which can drive the Group's strategic direction and create a positive impact on our economic, environmental and social dimensions.

Total number of employees	2020	
	Men	Women
Management (Senior Management)	11	3
Employees (Management, Executives and Non-Executives)	581	175
Workers (Local)	2,264	614
Workers (Foreign)	2,960	952

Benefits for Employees and Workers

We understand the needs of our employees and workers to adapt to a competitive and changing society. To support our employees, we provide a number of benefits, such as home, car, travel, medical allowances and free life insurance.

Free life insurance is provided to our workers as well as free transport, accessible and free medical services and annual leave. Our workers and employees who work at our mills and estates are provided with free lodging, alongside the absorption of foreign workers' annual levy fees.

LINKING SUSTAINABILITY TO OUR STRATEGY

Furthermore, we support working parents among our employees by providing them with 60 days of maternity leave and rewarding our employees' children who perform well in school. We acknowledge parental leave as an important benefit to support work-life balance among our employees.

All permanent employees and workers are entitled to parental leave and all employees who took parental leave, returned to work as shown below:

Turnover rates	2018	2019	2020
Total number of employees who took parental leave			
Men	6	16	1
Women	5	6	4
Total number of employees who returned to work in the reporting year after parental leave			
Men	6	16	1
Women	5	6	4

We consider our employees' long-term needs via our contributions to the Employees Provident Fund ("EPF") and Social Security Organisation ("SOCSO") on behalf of our employees. We also established the Retirement Gratuity Scheme, for which all permanent employees are eligible. The scheme provides our retiring employees with an attractive retirement package.

We believe in a fair and equal workplace. We treat our employees equally and provide competitive remuneration based on their individual performance.

Career Development and Training

We want our Group to be a platform for career progression and development for our employees. To realise this, we encourage our employees to broaden their knowledge base and provide them with various career development programmes such as job rotation, mobility and training programmes to help them advance in their careers.

A budget is allocated annually for employee training and is administered by our HR department which monitors and organises appropriate training programmes based on employees' skills and designations. Our employee training efforts are summarised below:

Average hours of training per employee	2018	2019	2020
Management	4	4	8
Employees	6	5	4
Workers	7	6	13

Training expenditure (RM)	2018	2019	2020
Total expenditure on trainings	217,096	66,586	37,270

Training for non-technical skills	Frequency of training	Employees who attended the training
JAS	Once/year	Estate Management
MAPA	Once/year	HQ Employees
SSM	Once/year	HQ Employees