

# LINKING SUSTAINABILITY TO OUR STRATEGY

**THIS YEAR'S SUSTAINABILITY STATEMENT MARKS THE FIFTH 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 2021.**



We continue to develop key performance indicators ("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 2021, all THP mills have been audited under certification of Malaysian Sustainable Palm Oil Supply Chain Certification Standard ("MSPO SCCS").

Guided by our values, we remain committed to our EES 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 2021, 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 2021 to 31 December 2021, unless otherwise stated. The content of our Statement is underlined by our commitment towards achieving full MSPO and MSPO SCCS certification before the year ends. Our main aim is to ensure business sustainability amidst the COVID-19 pandemic in 2021 and mitigate environmental challenges such as complying with the NDPE policy which is determined by major industry players.

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.

## SUSTAINABILITY GOVERNANCE

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 sustainability committee (“SC”).

No.	Representative	Member of Sustainability Committee
1	Chief Executive Officer (“CEO”)	Chairman
2	Plantation Director	Deputy Chairman
3	Sustainability	Secretariat
4	Plantation Controllers	Member
5	Marketing	Member
6	CEO’s Office	Member
7	Engineering	Member
8	Estate Department	Member
9	Agronomy	Member
10	Legal & Secretarial	Member
11	Administration (Foreign Labour Unit)	Member

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 estates and mills.

## 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:



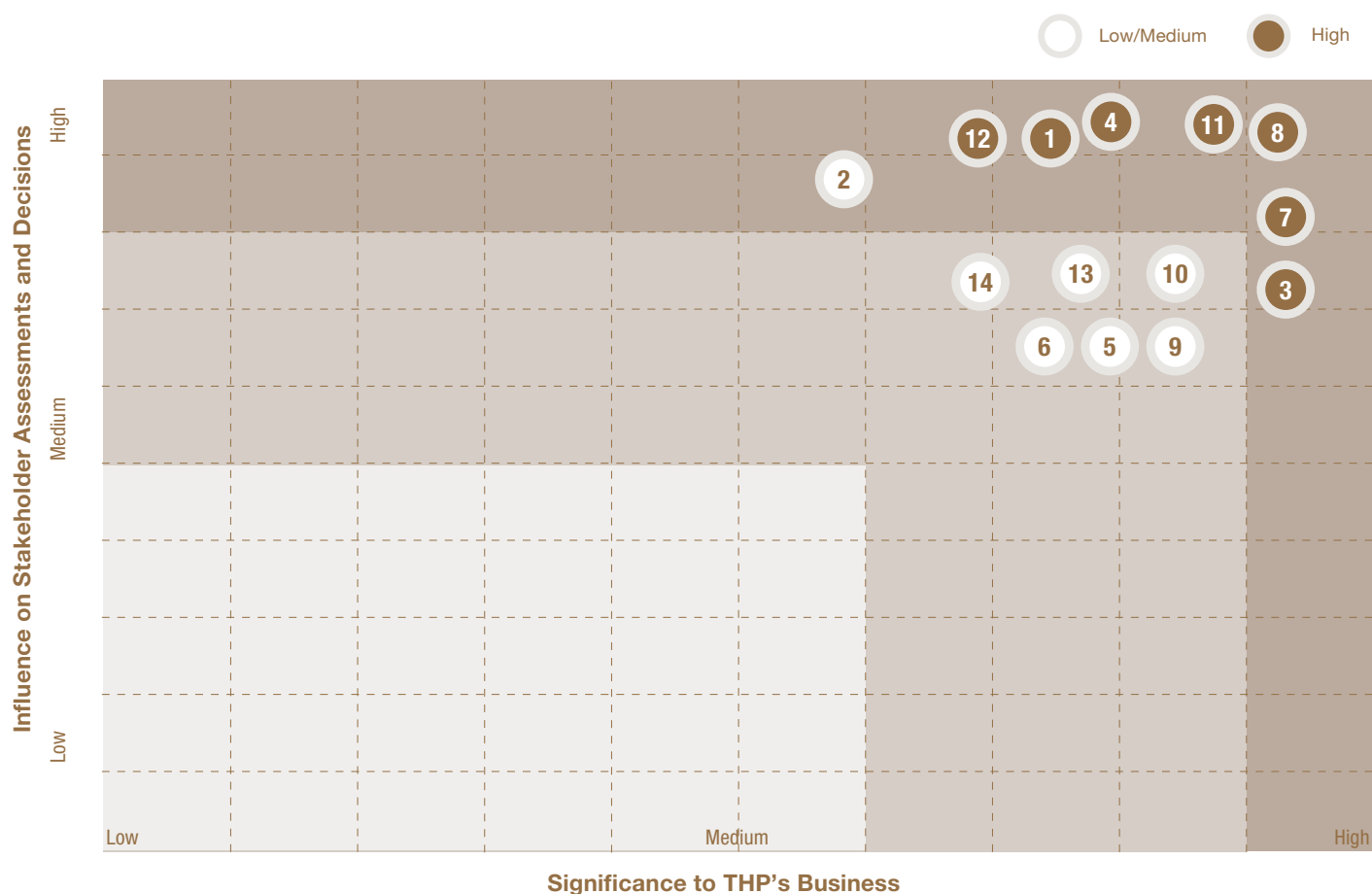
## LINKING SUSTAINABILITY TO OUR STRATEGY

STAKEHOLDER CONCERNS		
<ul style="list-style-type: none"> <li>Growth of THP's earnings</li> <li>Dividend payout</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining THP's financial support and growth</li> <li>THP's relationship with its stakeholders</li> <li>Maintaining good governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of occupational safety and health risks</li> <li>Seeking a supportive workplace environment with competitive wages and benefits</li> <li>Good governance and ethical environmental and social management practices</li> </ul>
1	2	4
<ul style="list-style-type: none"> <li>Business growth and increased yields</li> <li>Achieving MSPO certification</li> <li>Stakeholder relationship management</li> <li>Mitigation of occupational safety and health risks</li> <li>Regulatory requirements on discharge management</li> <li>Preventing human rights violations</li> <li>Talent retention and supporting employees via welfare initiatives and competitive remuneration</li> <li>Improving operational efficiency, including reducing waste</li> <li>Product quality and meeting customers' requirements</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Meeting quality requirements and demand needs</li> <li>THP's performance and management of EES matters</li> </ul>	5
3	<ul style="list-style-type: none"> <li>Management of effluent discharge</li> <li>Provision of support elements (i.e. donations and medical facilities)</li> </ul>	<ul style="list-style-type: none"> <li>Meeting regulatory requirements (i.e. health and safety statistics, air emissions and effluent and discharge, etc.)</li> </ul>
	6	7
MANAGEMENT'S RESPONSE		
1	<ul style="list-style-type: none"> <li>Refer to our Management Discussion &amp; Analysis ("MD&amp;A") on pages 8 to 13 and Audited Financial Statements on pages 79 to 202</li> <li>Product Quality and Operational Efficiency on pages 19 to 20</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Safety and Health on pages 29 to 31</li> <li>Employee Welfare and Development on pages 32 to 33</li> <li>Human Rights on page 28</li> <li>Governance and Ethics on page 21</li> </ul>
2	<ul style="list-style-type: none"> <li>Refer to our MD&amp;A on pages 8 to 13 and Audited Financial Statements on pages 79 to 202</li> <li>Governance and Ethics on page 21</li> </ul>	<ul style="list-style-type: none"> <li>Product Quality and Operational Efficiency on pages 19 to 20</li> <li>Traceability and Supply Chain Management on page 21</li> <li>Governance and Ethics on page 21</li> <li>Biodiversity and Conservation on pages 26 to 27</li> <li>NDPE Commitment on pages 26 to 27</li> </ul>
3	<ul style="list-style-type: none"> <li>Product Quality and Operational Efficiency on pages 19 to 20</li> <li>Traceability and Supply Chain Management on page 21</li> <li>Occupational Safety and Health on pages 29 to 31</li> <li>Effluents and Water Discharge Management on pages 22 to 23</li> <li>Waste Management on pages 23 to 25</li> <li>Employee Welfare and Development on pages 32 to 33</li> <li>Human Rights on page 28</li> <li>Water Management on page 25</li> </ul>	<ul style="list-style-type: none"> <li>Local Communities on page 34</li> <li>Biodiversity and Conservation on pages 26 to 27</li> <li>Effluents and Water Discharge Management on pages 22 to 23</li> </ul>
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		6
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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.

## MATERIALITY MATRIX

In 2021, we identified our material matters via Bursa Malaysia's Materiality Assessment Toolkit. We considered the impact of relevant matters to 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	4. Effluent and Water Discharge Management	10. Human Rights
2. Traceability and Supply Chain Management	5. Waste Management	11. Occupational Safety and Health
3. Governance and Ethics	6. Water Management	12. Employee Welfare and Development
	7. Biodiversity and Conservation	13. Local Communities
	8. NDPE	14. Land Rights
	9. Green House Gases ("GHG")	

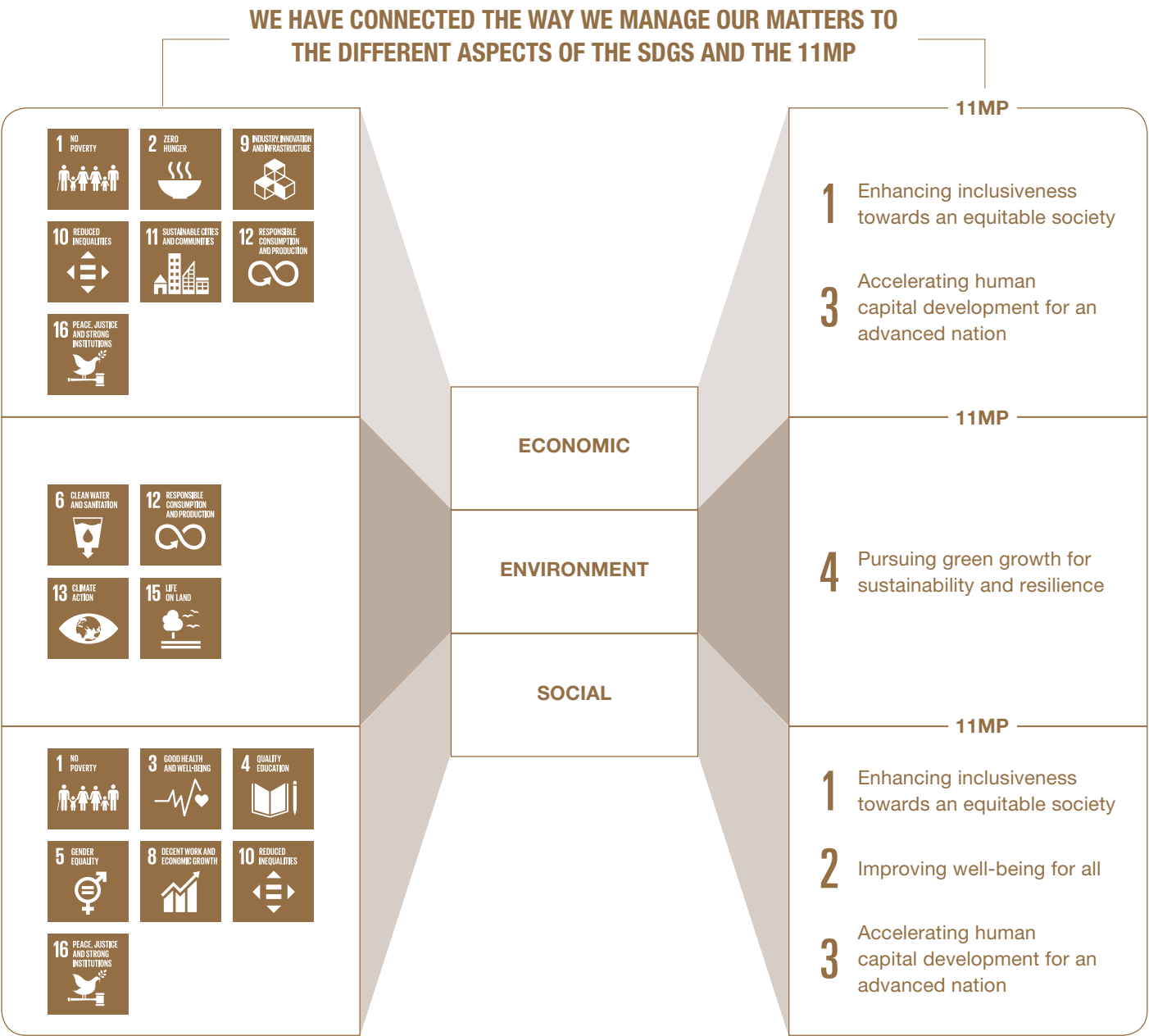
The next section provides details on how we manage our identified material sustainability matters, including key practices we undertake and performance indicators that we monitor.

LINKING SUSTAINABILITY TO OUR STRATEGY

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”) took effect from 2016, with a review in 2018, which set six strategic directions for the country to achieve greater prosperity.

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



## ECONOMIC

### ► 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 8 to 13 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		
		2019	2020	2021
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



ECONOMIC

Good Agriculture Practices

Our plantation operations are guided by our 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 2021

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	2019	2020	2021
Budget for R&D:			
Annual Expenditure	2.4	1.6	1.5

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 2021, all THP mills have been audited by the appointed certification body to be fully MSPO SCCS-certified. To recap, all estates and mills were first fully certified in 2019 with MSPO and MSPO SCCS certification which strengthens the credibility of our products and traceability measures and 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.

## ► 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 underline 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:

Ensuring the estates can trace FFB across the various stages of production, including seedlings, planting, harvesting, and transportation; and

Ensuring palm oil mills are able to trace the production of CPO and PK – from receipt of FFB, mill processing, transporting, to delivery.

Ensuring the validity of MSPO SCCS certification period for five years at all Palm Oil Mills.

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 on page 34. 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 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.

## ► 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 from pages 50 to 63.

### 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.





## LINKING SUSTAINABILITY TO OUR STRATEGY

## ENVIRONMENT

## ► EFFLUENT AND WATER DISCHARGE MANAGEMENT

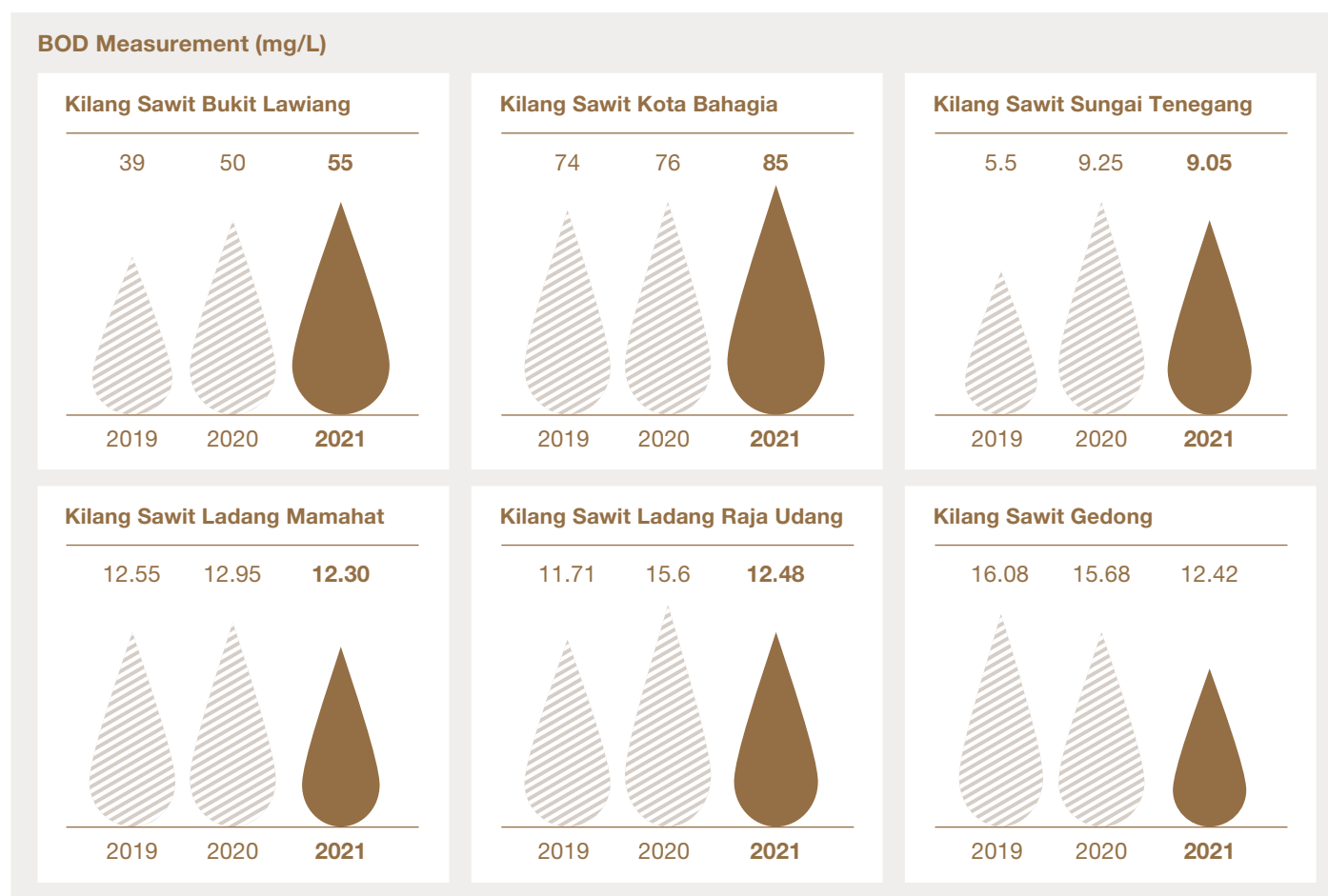
Palm Oil Mill Effluent is a significant by-product of processing FFB. Without appropriate treatment, the effluent may be detrimental to the environment. We understand the importance of managing our environmental impact by appropriately handling our effluent and water discharge.

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

In tandem with technological improvements over the years, 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 done by testing a sample of the treated effluent prior to discharge. Existing regulations require a BOD measurement not exceeding 100 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, which, to date, has consistently remained within DOE limits.



**BOD Limits:** • Peninsular <100 mg/L • Sabah & Sarawak <20 mg/L

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.

	2019	2020	2021
Total POME generated (metric tonne)	555,819	730,387	510,529

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.

## ► WASTE MANAGEMENT

The way we manage our waste influences our environmental footprint and our social license 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 our waste appropriately and reducing our waste output. Waste generated on our sites include scheduled (hazardous) and non-hazardous waste which constitutes less than 10mt/month on average. Third-party contractors are hired to assist in disposing 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 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 are excellent sources of natural energy and fertiliser. Highlighted below is our performance data on biomass residue. We utilised around 90% of Empty Fruit Bunches ("EFB") in 2021 while the balance was sold:

Type of Biomass residue	2019		2020		2021	
	Produced (mt)	Amount re-utilised (mt)	Produced (mt)	Amount re-utilised (mt)	Produced (mt)	Amount re-utilised (mt)
Empty Fruit Bunches	188,794	173,009	190,680.43	180,637.29	177,770.85	159,601.61
Shells	74,534	74,534	76,521.05	75,572.99	91,024.64	91,024.64
Fibre	93,627	93,627	144,518.31	138,988.07	122,876.52	122,876.52

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) have been re-used as organic fertiliser, albeit not measured. As we push forward our sustainability agenda, we will focus on filling the gaps in our reporting disclosures, which includes measurement of other forms of biomass residue.

## LINKING SUSTAINABILITY TO OUR STRATEGY

## ENVIRONMENT

## Types of Biomass Residue

## Empty Fruit Bunches

## Methods of re-utilisation:

- Natural fertiliser in the plantations in West Malaysia, also known as mulching
- Incineration to create Bunch Ash, which is used to fertilise peatland

## Shells

## Methods of re-utilisation:

- As a source of fuel for the boiler system
- Sold to other plantations or industries to be re-used as sources of fuel

## Fibres

## Methods of re-utilisation:

- As a source of fuel for the boiler system

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.

## Emission from the Boilers

We monitor our boiler emissions via the Continuous Emissions Monitoring Systems ("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:

## Smoke Opacity (mg/L)

## Kilang Sawit Bukit Lawang

15

18

17



2019

2020

2021

## Kilang Sawit Kota Bahagia

11.98

15.22

12.40



2019

2020

2021

## Kilang Sawit Sungai Tenegang

3.07

5.03

5.41



2019

2020

2021

## Kilang Sawit Ladang Mamahat

19.01

17.96

18.20



2019

2020

2021

## Kilang Sawit Ladang Raja Undang

22.95

27.08

25.03



2019

2020

2021

## Kilang Sawit Gedong

19.2

5

7.26



2019

2020

2021

In time to come, we believe that DOE regulations will include reporting requirements on emissions of dust particles and GHG emissions. In response to these upcoming requirements, we will implement additional measures to meet increasing regulations.

For example, we are installing the Electrostatic Precipitator ("ESP") as a measure to reduce dust particles in our emissions as per DOE requirement. Capturing and reusing emissions as biofuel would effectively recycle emissions and reduce costs. Therefore, one of our planned measures would be 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 considerations would be necessary prior to its implementation.

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

Year	2019	2020	2021
Average Total Emission	1.830	1.986	1.934

## ► WATER MANAGEMENT

Our plantations and mills require a significant amount of water, thus, managing efficiency of our water consumption is a high priority for us. In doing so, we reduce operational cost and exercise good agriculture 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 at our plantations. Harvested rainwater is also used to manage water tables at 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.

Year	2019	2020	2021
Total water consumed at Mill operations (m <sup>3</sup> )	1,166,755	1,246,457	986,860



### 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.

## LINKING SUSTAINABILITY TO OUR STRATEGY

## ENVIRONMENT

### ► 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 in respecting 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 2019, we have established 335.16 ha of riparian reserves and buffer zones.

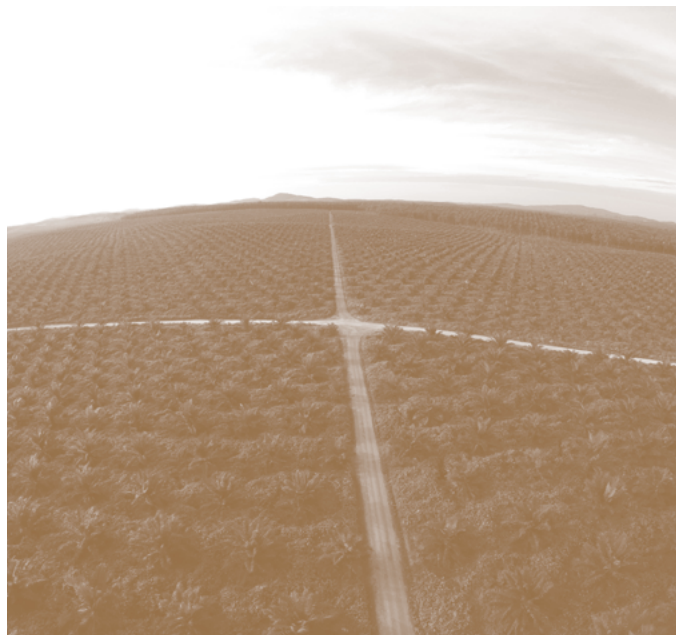
To manage and preserve our riparian reserves, we plant Legumes Cover Crops (“LCC”) to prevent soil erosion. In addition, LCC helps manage the health of our crops by preventing weed growth and increasing the fertility of soil by supplying organic matter.

#### 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:

- 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 before a replanting exercise is performed. This includes the age of the oil palm (palms above 25 years of age would see its 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 flood 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:

##### No Deforestation

- a) To ensure protection of areas with High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) by identifying these areas and performing relevant national, industry and international best practice to protect these areas.
- b) Any plantation development activity must identify HCV areas and HCS forests for protection utilising international best practice guidance.
- c) Where feasible, explore options for natural forest restoration by working with expert stakeholders and communities.

##### No New Development on Peat

- a) No new development on peat land regardless of depth.
- b) Best Management Practices for existing plantation on peat will be stringent and aligned with national, industry and international best practices, which includes guidelines provided by MPOB. Additionally, peat land management shall follow good agriculture practices laid out in our policies, codes and SOPs.
- c) Where feasible, explore options for peat restoration by working with expert stakeholders and communities



### No Exploitation of People and Local Communities

To ensure no exploitation issues, we concern ourselves with:

- a) Upholding human rights
- b) A safe and healthy workplace
- c) Employee welfare and promoting career development
- d) Respecting and upholding land rights
- e) 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 will provide the technical and advisory support for continuous management and care for the peatland. As at end of 2021, 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 palm oil to ensure healthy yields and to avoid damaging the plantation. As part of our conservation efforts and in reducing 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. Some of our efforts include:

- Use of *Tyto alba*, commonly referred to as barn owls, to control rat populations;
- Shredded felled trunks into chips with acceptable size to suppress the breeding of rhinoceros beetles;
- Planting beneficial plants that provide shelter and food for predators and parasitoids of the pest; and
- Use of *Bacillus thuringiensis* ("Bt."), a soil-dwelling bacterium, against insect pest such as *Tirathaba rufivena* and bagworm larvae

### **Towards Biodiversity Conservation**

We have additional efforts in place to conserve areas of natural flora and fauna around us. Our key efforts 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 on 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 it would disrupt the process.

#### **Reducing human-wildlife conflicts**

To manage our impact on the environment, we ensure a minimum width 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.

### **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 SOP 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

SOCIAL

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 obligation towards them. Our practices and internal systems are continuously reviewed and updated to mitigate any negative impact to 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. To this effect, we uphold, respect and protect the rights of all individuals as we understand that this forms the foundation of sustainable business growth.

In 2021, we employed 6,413 employees and workers of which 55.13% are foreigners and 44.87% are locals. Our commitment to them is to uphold their human rights. We have adhered to our Human Resource (“HR”) SOPs that outline the basic principles of human rights, as shown below:

- 1

Fair wages
- 2

No discrimination
- 3

No child labour
- 4

No compulsory or forced labour
- 5

Equal opportunity
- 6

Freedom of association
- 7

Safety and health at work
- 8

Social protection
- 9

Employment security
- 10

Work-life balance

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. Majority of our foreign workers employed by us are from Indonesia.

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

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

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 any City Council or Municipal Council areas and RM1,100 per month for areas other than the City Council or Municipal Council throughout Malaysia. The average monthly earnings of our workers in all our estates are highlighted below:

Earnings (RM)	2019	2020	2021
Average monthly earnings per worker	1,595	1,740	1,870

Other benefits provided to all our employees and workers are discussed under Employee Welfare on pages 32 to 33.

Engagement with Workers’ Union

Workers have access to union representatives and are free to join worker unions. 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 Malayan Agricultural Producers Association (“MAPA”) who engage 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 towards 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.

## ► 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 would benefit all stakeholders and ensure the sustainability of our business.

### Our Policies

In 2021, we still maintain our Occupational Safety and Health Policy and Occupational Safety and Health for Chemical Substances Policy as per year 2020. Some of the key elements from our policies are highlighted below:

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

### Incident Report

#### Severity Rate (%)



#### No. of Cases



THP has set an annual target of zero fatalities and reducing the number of incident cases and year-on-year lost day rate by 5%. For 2021, we achieved the target of zero fatalities (for five consecutive years) with the number of cases decreasing by 6% and the severity rate decreasing by 4%. The decrease was due to the decrease in the severity of injuries.

### Safety and Health Training

Training schedules are reviewed by the respective units' Safety & Health Committee ("SHC") on a regular basis. As previously 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 and more than 85% of employees were trained over the total number of employees, as highlighted below:

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

Average hours of training per employee	2019	2020	2021
Plantation worker	12	8	13
Mill worker	7	10	6
Worker who uses chemicals	8	7	7
Management	4	7	8
Office staff	3	5	5

## LINKING SUSTAINABILITY TO OUR STRATEGY

## SOCIAL

Our key annual training programmes for the year 2021 are highlighted below:

Name of training	Content of training	Frequency of training	Attended by
Mechanical Handling	Safe operating procedure on mechanical handling	Once/year	Tractor Driver & Harvester/ Loaders
Emergency Response Action Plan Procedure (Accident, Chemical Spillage, Fire, Flood, Drowning, Animal Attack)	SOP of Emergency Response Plan ("ERP")	Once/year	All management, staff & workers
Basic First Aider	Basic first aider training	Once/year	OSH Committee
Fire extinguisher safety & fire drill (inspection & training)	Potential sources of fire and fire management procedures	Once/year	All management, staff & workers
PPE handling and replacement procedure	SOP of PPE	5 times/year	All management, staff & workers
SOP training for estate & milling operation and best practices	Briefing on THP SOP based on task/department	4 times/year	All management, staff & workers
SOP for COVID-19	To mitigate risk of COVID-19 infection	Once/year	All management, staff & 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:

- Ensure respective unit compliance to OSHA 1994;
- Determine the level of health and safety of our employees in each business unit;
- Analyse the risk factors that may negatively affect the health and safety of our employees;
- Identify areas of improvement, if any, to be made to the facility to improve levels of health and safety; and
- Advice on improving the safety and health aspects of the working environment.

The main areas inspected during the audit include:

- Review all records related to OSH;
- Safety Operating Procedure of all work sites;
- Amenities for emergency response;
- Personal Protective Equipment ("PPE") provided by estate and mill, and utilised by the workers;
- Systematic maintenance of equipment and machinery; and
- Availability of amenities and infrastructure at the worksite.

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

Key findings from safety and health audit in 2021	Management's response
<ul style="list-style-type: none"> <li>• HIRARC not review and updated</li> <li>• OSH meeting has not been conducted quarterly due to COVID-19 pandemic</li> <li>• Lack of training and retraining for workers due to COVID-19 pandemic</li> <li>• Some training not recorded</li> </ul>	<ul style="list-style-type: none"> <li>• HIRARC will be review and updated after it was highlighted in the audit</li> <li>• SHC meeting will be conducted quarterly</li> <li>• Training and retraining will be carried out as planned</li> <li>• Training records will be updated as per recommendation</li> <li>• Continuous improvement was highlighted as a concern in the audit</li> </ul>

#### Chemical Health Risk Assessment ("CHRA")

The Group's OSH Unit conducted CHRA on ten plantations and three mills in Sarawak and Peninsular in January 2021, 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 are 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 2021	Management's response
<ul style="list-style-type: none"> <li>• Work Practice/system of work</li> <li>• OSH meeting has not been conducted quarterly due to COVID-19 pandemic</li> <li>• Lack of training and retraining for workers due to COVID-19 pandemic</li> <li>• Some training not recorded</li> </ul>	<ul style="list-style-type: none"> <li>• Estate adhere to system of work that has been establish and provide training from time to time to make sure our workers follow current practice.</li> <li>• Estate provided all estate workers with adequate and correct PPE to make sure they are protected from exposure to the chemicals and others hazard. All PPE that had been issued to workers are recorded and monitor by designated field staff to ensure their PPE is always in good condition. Training and safety briefing on PPE was conducted to make sure workers understand the needs of PPE and correct way to wear PPE.</li> <li>• Estate adhere to regulation 27(1) USECHH and without fail to provide medical check-up especially workers that has potential expose to chemicals every year.</li> <li>• Training and briefing on safety has been conducted to educate workers on the importance of following SOPs according to our safety and health programme.</li> </ul>

#### Management of Noise Levels

We monitor the levels of noise around the mills to ensure that levels are below limits stipulated by local regulations. The average results of our noise monitoring in the last three years is 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.

	2019	2020	2021
Average noise levels [Day dB(A)]	60	50	50
Average noise levels [Night dB(A)]	40	45	45



## LINKING SUSTAINABILITY TO OUR STRATEGY

## SOCIAL

## ► 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 and 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 are 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 No. of Employees	2021	
	Men	Women
Management (Senior Management)	11	4
Employees (Management, Executives and Non-Executives)	507	218
Workers (Local)	2,341	612
Workers (Foreign)	2,025	695

**Benefits for Employee 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, and medical allowances and free life insurance.

Life insurance is provided to our workers as well as free transport, accessible and free medical services, besides annual leave. Our workers and employees who work at our estates and mills are provided with free lodging, alongside the absorption of foreign workers' annual levy fees. Furthermore, we support working parents amongst our employees by providing them with 60 days of maternity leave and awarding our employees' children who performed well in school. We acknowledge parental leave as an important benefit to support work-life balance amongst 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	2019	2020	2021
Total number of employees who took parental leave			
- Men	16	1	3
- Women	6	4	1
Total number of employees who returned to work in the reporting year after parental leave			
- Men	16	1	3
- Women	6	4	1

We consider our employees' long-term needs via our contribution 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 efforts towards employee training are summarised as below:

Average hours of training per employee	2019	2020	2021
Management	4	8	8
Employees	5	4	8
Workers	6	13	-

	2019	2020	2021
Total expenditure on training (RM)	66,586	37,270	20,362

We consider our employees' long-term needs via our contribution to the EPF and 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.

Training for non-technical skills	Frequency of training	Employees who attended the training
MPOB Seminar & Training	Once/year	Marketing and Estate Management
MCCG 2021 & Bursa Listing Requirements	Once/year	Secretarial and Management
MAPA & Employment Law	Once/year	Administrative, HR and Management
Institute of Internal Auditors Malaysia	Once/year	Internal Auditors, Finance and Management
Jabatan Tenaga Kerja	Once/year	Administrative and Estate Management

Training for technical skills	Frequency of training	Employees who attended the training
MPOB Seminar & Training	Once/year	Agronomy and Estate Management
Malaysian Institute of Accountants	Once/year	Finance and Management
MSPO Implementation	Once/year	Sustainability and Estate Management
Palm Oil Mills Seminar & Training	Once/year	Mills Management

### Employee Lifestyle Programmes

Various social and sporting events are organised outside the workplace to build teamwork and encourage work-life balance of our employees. Numerous activities were organised both at the headquarters and at the estate/mill-level throughout 2021, including the following:

Date	Events
19 January	Bantuan Banjir di Perumahan Blok B Ladang Sematan
19 February	Kempen Derma Darah di Kompleks Sungai Tenegang
Starting on 19 April (HQ)	Program Solat Zohor Berjemaah di Dewan Perkasa
09 May	Program Khatam Al-Quran 1442H Kompleks Sungai Tenegang
30 May	E-Sports Mini Games Kompleks Sungai Tenegang
July	Program Bantuan Covid-19 di Ladang & Kilang seluruh THP
6 July (HQ)	Program Bacaan Yasin & Doa Selamat
17 & 18 July	Program Vaksinasi Ladang Tanjung Lilin & Ladang Semarang
24 & 27 July	Program Vaksinasi Kompleks Sungai Tenegang
27 July	Program Vaksinasi Ladang Sungai Arip & ladang Sungai Karangan
6 & 27 August	Program Vaksinasi Covid-19 oleh KKIA Kinabatangan di Ladang Bukit Belian
16 September	Kayuhan Hari Malaysia THP Cycling Team di Kinabatangan
24 September (HQ)	"Program Khas Para SriKandi TH: Thriving Women - Inspirasi Wanita Waja Diri: Dia Intan Terpilih"
30 September (HQ)	Majlis Perpisahan Ketua Pegawai Eksekutif (KPE), Tuan Muzmi Bin Mohamed
19 October	Sambutan Maulidurrasul 1443H di Kompleks Sungai Tenegang
22 November (HQ)	Program Bicara Akrab SIRI 5 "Get Resilience, Let's Do it"

Our employees are important to us, and we will strive to consider their welfare and continuously provide them with competitive wages in order to meet their expectations and reward them for their commitment. Our future plans include establishing formal employee engagement platforms to structure our relationship with our employees.

## LINKING SUSTAINABILITY TO OUR STRATEGY

## SOCIAL

## ► LOCAL COMMUNITIES

Our operations are located in numerous areas amongst diverse communities. With this opportunity, we cultivate significant relationships with surrounding communities and contribute to the national economy in areas of job creation and charitable aid.

**Serving the Local Communities**

A number of our estates, especially estates located in Sarawak, are part of a land management programme with indigenous communities. We respect the rights of these communities, therefore

we establish a collaborative approach towards land management with these communities. To do so, we participate in the Sarawak's Native Customary Rights ("NCR") Land Development Programme, which is managed by the Sarawak Land Custody and Development Authority. The programme enables us to work together with native landowners to develop and manage plantation land in certain areas. In 2021, 18% of the NCR land were part of the incentives payment programme with the participation of 2,346 landowners. In exchange for their participation in the programme, indigenous landowners receive income in the form of incentives and leasehold payments. These incentives are paid twice a year, based on the amount of hectares under our management.

	2019	2020	2021
Total amount of incentives paid to local communities, as part of land management (RM)	4,630,363	4,649,135	<b>4,234,502</b>

Furthermore, the close proximity of our plantations to local communities allows us to provide job opportunities to members of these communities.

**Enhancing Education Opportunities Through PiNTAR**

In any community, we recognise that education plays an important role in helping families improve their livelihoods and gain a better future. We do this by participating in the Promoting Intelligence, Nurturing Talent and Advocating Responsibility ("PiNTAR") programme, which we have been part of since 2009. Under this programme, organisations adopt Malaysian schools and provide educational support, leadership, and motivational and teambuilding activities to encourage parents and community involvement in the development of children's education.

THP has adopted SK Ladang Kota Bahagia in Keratong, Pahang and has provided aid to the school since 2010. The school is located in close proximity to our plantation in Pahang, and some of the students are children of our employees and workers. We support the students at the school through various programmes, such as "Program Anakku Sayang", "Program I Love PDPR" and the "Majlis Khatam Al-Quran Online".

We also extended financial support to students from the reformatory classes of Sekolah Kebangsaan Kota Bahagia (Keratong, Pahang) and Sekolah Kebangsaan Obah (Beluran, Sabah). In 2021, we contributed RM15,000 towards the PiNTAR programme.

**Unlocking Entrepreneurial Capabilities**

One of the ways in which we help our communities achieve better future prospects is through the Vendor Development Initiative ("VDI"), which promotes entrepreneurship amongst the locals. Through VDI, we encourage individuals from our local communities to start a business that will allow them to become our business

partner. By giving them the opportunity to earn contracts from THP, we are not only promoting an entrepreneurial culture among the locals, but also helping them earn a living. In addition to this, we also encourage the participation of Bumiputera contractors in the VDI programme. In 2021, we signed contracts worth RM74 million as part of the VDI initiative, of which 39.82% were Bumiputera businesses with a total contract value of RM26.74 million.

We will continue to respect our relationship with our local and indigenous communities and utilise our resources to provide for local development. Additionally, we will play a role in supporting the nation's agenda to assist youths and develop the national economy of countries we operate in.

**Conclusion**

Our sustainability aspirations and efforts are now focused on sustaining MSPO Certification Programmes and improving our commitment towards the NDPE Policy in line with our position as a major industry player. These efforts will guide us in formalising our sustainability commitments and systems that are presently in place to manage our sustainability matters.

We will continue to monitor and manage our material matters and seek to bridge identified reporting gaps. With shifting tides and global trends in the plantation industry, we need to continuously adapt to internal and external changes while closely collaborating with our stakeholders. Led by our values, we will not falter in upholding our sustainability commitments as we move towards becoming a sustainable palm oil player.