SUSTAINABILITY ANNUAL REPORT 2021

PROSPER

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THE COMPANY

1.1. Introduction to Company

Prosper Capital Holdings Sdn Bhd (PCH) (formerly known as Prosper Palm Oil Mill Sdn Bhd), an associate company of Far East Holdings Berhad (FEHB) is principally involved in the business of processing Fresh Fruit Bunches (FFB) into main products like Crude Palm Oil (CPO) and Palm Kernel (PK), as well as by-products like Palm Kernel Shell (PKS), Palm Fibre (PF) and Empty Fruit Bunches (EFB).

PCH was founded in 1982. Since then, we have proven to be a reliable and consistent CPO and PK supplier to all the major palm oil and palm kernel oil downstream processors within various segments such as Palm Oil Refineries, Oleochemicals, Biodiesel, Animal Feed as well as Kernel Crushing Plants. Our strategic location allows us to serve major customers present in all the main ports within Peninsular Malaysia such as Port Klang, Pasir Gudang, Kuantan and Butterworth.

PCH's main strength lies within our team's strong technical and commercial capabilities, with many senior management personnel having significant experience and track record within the palm oil industry. Besides, PCH also has approximately 21,000 hectares of oil palm plantation under its management in Pahang. This will ensure the sustainability of its palm oil milling operation and provide competitiveness in term of commercial and quality assurance.

To-date, the company has also formed various business associates and JV arrangements with other companies involved within the upstream and midstream businesses of the palm oil industry, namely oil palm plantation, palm oil milling and kernel crushing. All our associates and JV companies are operating solely within Peninsular Malaysia.

1.2. Our Products

1.2.1 Crude Palm Oil (CPO)

CPO is a type of tropical vegetable oil extracted from the mesocarp of oil palm fruits within the Fresh Fruit Brunches (FFB). It is an orange liquid and semi-solid at room temperature. CPO can be refined and further fractionated and processed to widen its application in the food industry. It can also be used as a feedstock for other applications such as biodiesel, oleochemicals and animal feed.

1.2.2 Crude Palm Oil Kernel (CPKO)

CPKO is a highly saturated edible oil derived from PK. It is a clear yellow liquid and turns into semi-solid at room temperature. CPKO can be used as the feedstock for fractionation or hydrogenation process for various food applications. It is also a common feedstock for oleochemicals and animal feed products.

1.2.3 Palm Kernel (PK)

PK is produced after separating the seed from the
oil palm fruit, cracking and removing the shell. It can be further processed into Crude Palm Kernel Oil and Palm Kernel Expeller or Cake.

1.2.4 Palm Kernel Expeller (PKE)

PKE, which is also referred to as Palm Kernel Cake (PKC), is a by-product from the crushing of PK. PKE is an important ingredient for the formulation of animal feed. It can be used as the supplement for most classes of livestock.

1.2.5 Palm Fibre Oil

PFO or also known as Red Palm oil (RPO), is obtained from the residual oil of the palm-pressed fibre by using solvent extraction process. This product is particularly popular as a raw material for animal feed, biodiesel and oleochemical products.

1.3. MISION

- Producing high quality products and services through continuous innovation and improvement.
- Practising good corporate governance in all aspects of our business.
- Generating good and consistent financial returns and positive developments to all the stakeholders.
- Contributing to sustainable development of society by balancing the economic, environmental and social aspects.
- Enhancing our employee quality of life by providing opportunities to experience the challenges and joys of achievement.
- Empowering our employees towards realising their full potential to achieve successes as a company and as individuals.

1.4. POLICY

In order to show our commitment towards Sustainability, we have developed our Sustainable Palm Oil Policy and made available to all the entities managed by PGC. This Policy will serve as a guideline for our sustainability practices.


TRACEABILITY

As of 31st December 2021, the overall traceability percentage achieved by all the mills under our management are 73.8%. We have managed to collect data from the third-party dealers after participated into a program organized by our end buyer to engaged with the FFB dealers n the end of 2019. This program brings us positive impacts and also its easy for us to engaged with the FFB dealers. We will continue to work on FFB dealer's suppliers mapping to achieve higher traceability percentage for our palm oil mills


CONSERVATION PROJECT

Conservation of Southeast Portion of North Selangor Peat Swamp Forest
Phase 1 - Bukit Belata (Ext) Forest Reserve (BBEFR) Project

A Brief Progress Update from October 2020 to April 2021

1. Introduction

The Global Environment Centre (GEC), a Malaysian non-profit organisation with expertise in peatland conservation, and Prosper Oil Palm (Prosper), a Malaysian oil palm company, signed an Agreement in March 2020 to support the conservation of the Southeast portion of the 81,000ha North Selangor Peat Swamp Forest (NSPSF), which is the largest contiguous peat swamp forest in Peninsular Malaysia. Phase 1 of the project (2020-2023) is focused on Bukit Belata (Ext.) Forest Reserve (BBEFR), which covers 3,140 ha. It has been designed by Prosper as part of its Recovery Plan. The work is undertaken in the framework of the MoU between GEC and the Selangor State Government, which has facilitated joint forest conservation actions in NSPSF since 2010. This brief report describes the progress of the activities conducted from October 2020 to April 2021 according to the implementation plan.

2. Problems encountered during the implementation period

The Movement Control Orders (MCO) the cancellation of the outdoor activities to ward off the spreading of COVID- 19 pandemic has resulted in slightly delayed implementation of the planned activities at BBEFR from October 2020 to April 2021. Nevertheless, the project activities were implemented on timely manner in smaller scale with strict adherence to SOPs. Besides, the Felda community's involvement in the formation of a CBO to participate in in the planned rehabilitation activities was slightly delayed due to the second MCO/Conditional MCO. However, GEC approached the Felda community leaders and conducted a series of discussions to form the CBO at FSTS before reaching out to the interested community members. On the other hand, periodical rain episodes associated with the northeast monsoon season starting from September 2020 and the La Nina phenomenon caused high water tables at the proposed planting site at FC 25 until January 2021. The high water level conditions of the peatland reduced the accessibility into the sites and hindered the commencement of the planting activities. Therefore, the planting activities were conducted in January 2021 onwards when the high water level subsided. Starting from February 2021, hot weather due to heat

waves as reported by Malaysian Meteorological Department (MetMalaysia) affected the adaptability and survival of the newly planted tree saplings at the sites. However, mound-planting technique enabled the trees to survive in such conditions. Moreover, frequent site observations helped the problems to be identified immediately for corrective actions and watering the planted trees that were exposed to direct sunlight.

3. Pictorial report of the activities implemented from October 2020 to April 2021

Figure 1. The pictures illustrating the piezometer installation process at BBEFR including the measurement of peat depth and installation of piezometers

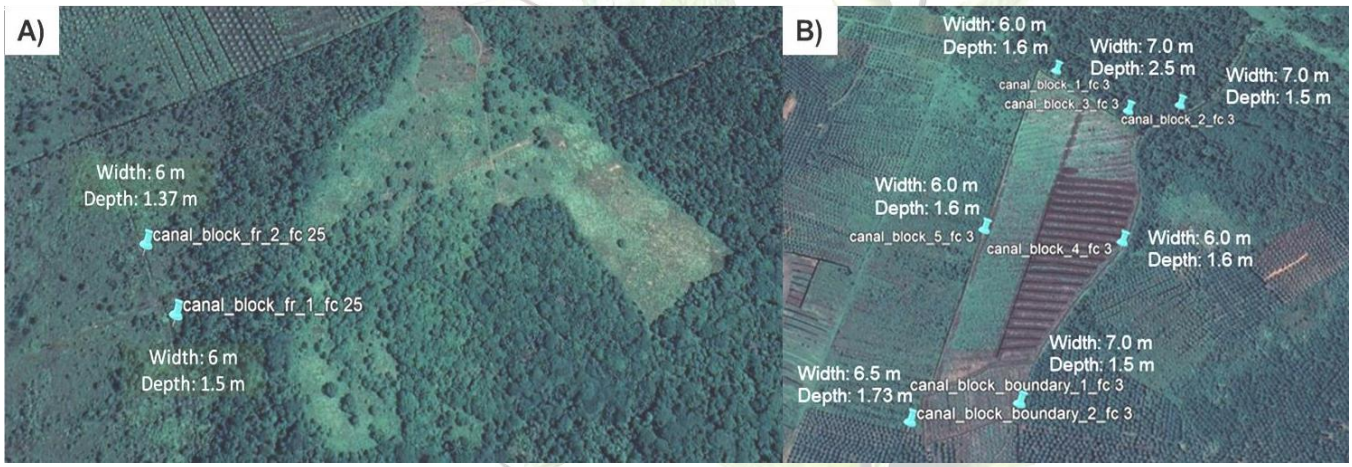


Figure 2. Canal blocks: A) Two (2) units of canal blocks to be constructed at FC 25, BBEFR; B) Seven (7) units of canal blocks to be constructed at FC 3, BBEFR

Figure 3. Peer visit from KWHSTS to GEC-CoSPeC and SHGSU community nursery to understand the roles and activities of SHGSU towards the conservation of peatland forests in NSPSF.

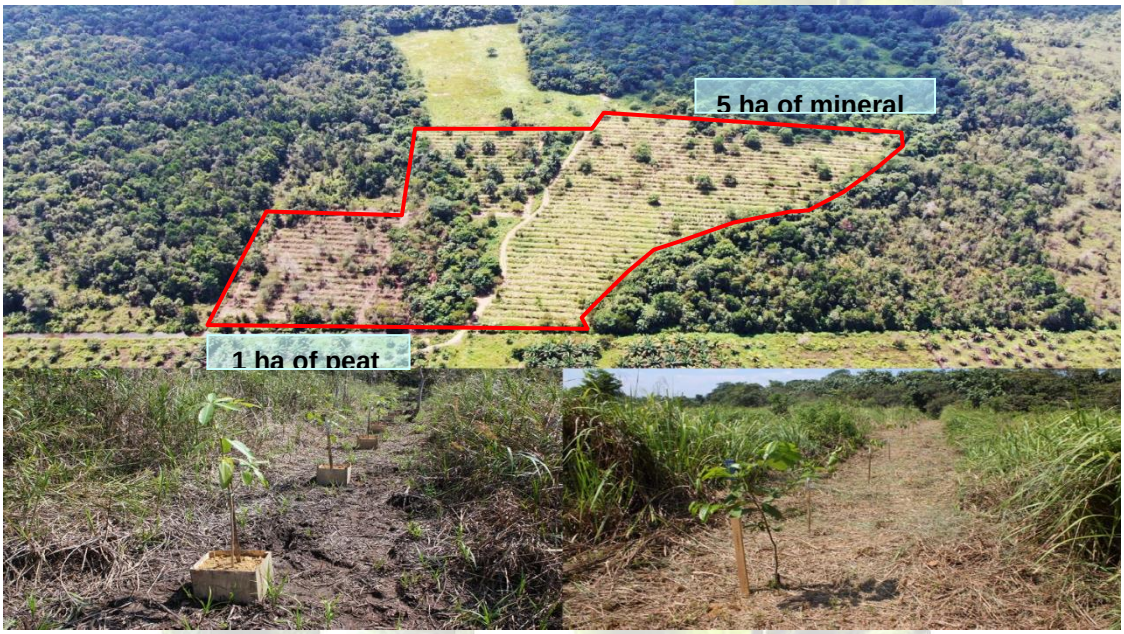


Figure 4. Trees planting at six (6) ha planted site at FC 25, BBEFR.

Figure 5. Patrolling activities and water table monitoring using piezometers at both forest and adjacent oil palm plantation sites as well as updating FDRS colour codes at the forest sites based on the daily FDRS updates disseminated to the patrollers by GEC via WhatsApp groups.

A Brief Progress Update from April until November 2021

1. Problems encountered during the implementation period (April – November 2021)

Full Movement Control Orders (FMCO) and cancellation of outdoor activities due to COVID-19 outbreak (June to September 2021)

The FMCO or Total Lockdown was implemented in Selangor State from June till September 2021 and all the outdoor activities were cancelled to reduce the risk of the spreading of the COVID-19 pandemic. Consequently, this has resulted in some challenges to conduct the planned project activities on site as per the project implementation plan such as carrying out planting and planted site maintenance activities, canal block constructions, the establishment of a nursery as well as the installation of signboards. During this time, GEC along with KWHSTS members concentrated on the preparation of the execution plans, the designing and printing of signboards, selection of the contractors and raising seedlings in the temporary nursery while waiting for the government's announcement on the lifting of FMCO. The work associated with the signboard installation and nursery establishment were mainly conducted after the government announced the shifting of FMCO to the National Recovery Plan Phase 3 (NRP 3). However, activities such as the planting site maintenance and raising of nursery trees were conducted on a small scale by the KWHSTS community members who are residing near BBEFR with strict adherence with COVID-19 SOPs.

2 High water tables due to periodical rain associated with the transitional monsoon and northeast monsoon season (September – December, 2021)

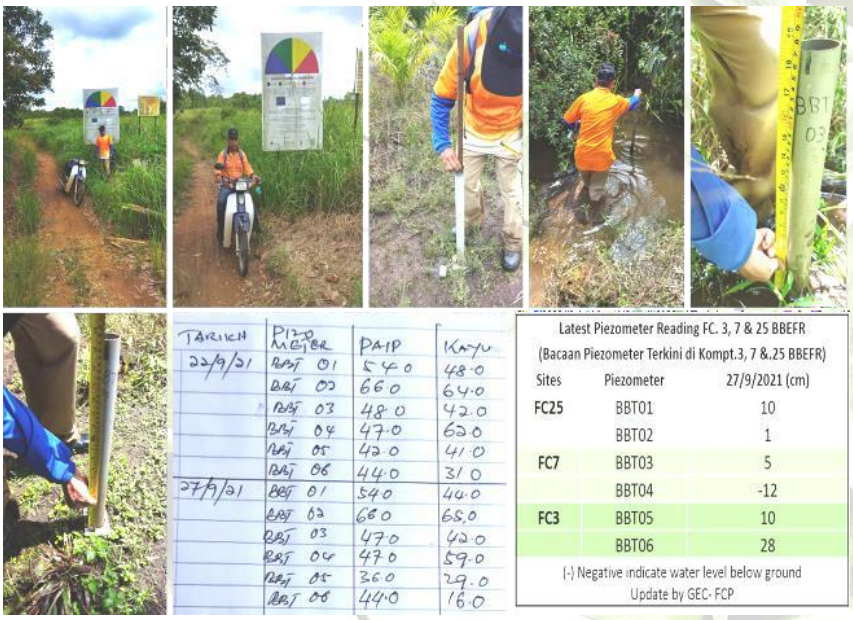
Periodical rain episodes associated with the transitional monsoon and northeast monsoon season starting since September 2021 caused the water tables at the rehabilitation site of FC 3 proposed for 14 ha tree planting and 9 units of canal block construction to remain high. The high water level conditions of the peatland reduced the accessibility into the planted sites and hindered the tree planting and canal block construction activities. Therefore, the tree planting and canal blocking activities have to be temporarily postponed until the high water level has subsided. Meanwhile, regular site inspections will be conducted to monitor the site conditions and the planned activities will be immediately restored once the sites are back to normal condition.

2. Pictorial report of the activities implemented from April until November 2021

Figure 1. Provision of food and other necessities to local communities s=during Covid-19 pandemic.

Figure 2. The establishment of KWHSTS nursery at Felda Sungai Tengi Selatan that has raised 670 Tenggek Burung (*Melicope lunu-ankenda*) and Pulai (*Alstonia angustiloba*) to support the rehabilitation programme at BBEFR.

Figure 3. The maintenance activities such as thinning, weeding, fertilizer application and replacement planting were conducted at five (5) ha of mineral site in FC 25, BBEFR in smaller scales from June until September 2021 by three community members of KWHSTS.



TARIKH	PIZO METER	PAIP	KAYU
22/9/21	BBT 01	54.0	48.0
	BBT 02	66.0	64.0
	BBT 03	48.0	42.0
	BBT 04	47.0	62.0
	BBT 05	42.0	41.0
	BBT 06	44.0	31.0
27/9/21	BBT 01	54.0	46.0
	BBT 02	66.0	68.0
	BBT 03	47.0	42.0
	BBT 04	47.0	59.0
	BBT 05	36.0	29.0
	BBT 06	44.0	16.0

Latest Piezometer Reading FC. 3, 7 & 25 BBEFR
(Bacaan Piezometer Terkini di Kompt.3, 7 &.25 BBEFR)

Sites	Piezometer	27/9/2021 (cm)
FC25	BBT01	10
	BBT02	1
FC7	BBT03	5
	BBT04	-12
FC3	BBT05	10
	BBT06	28

(-) Negative indicate water level below ground
Update by GEC- FCP

Figure 4. Forest patrolling and monitoring activities, including updating FDRS colour codes and monitoring water tables at BBEFR (Pictures taken on September 27, 2021 during the patrolling and water table monitoring activities).

Figure 5. Selected pictures on the installation of signboards (Rehabilitation Project signboards, 'No Entry' signboards, Fire Danger Risk Warning signboards and National Forestry Act (Adoption) Enactment 1985) in BBEFR and other adjacent areas.

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