



SUSTAINABILITY ANNUAL REPORT 2023

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1.0 Traceability

1.1 Traceability Percentage Year 2023 (every mill)

In 2023, the collective average Traceability To Plantation (TTP) for Prosper Capital Holding Sdn Bhd (PCH) stands at **91%**. Notably, five of the mills have attained a perfect 100% TTP, ***across all ten mills, PCH has maintained a commendable 91% TTP.*** However, a hurdle has been encountered in obtaining geolocation information from smallholders and dealers. This challenge has posed difficulties in achieving our target of complete traceability.

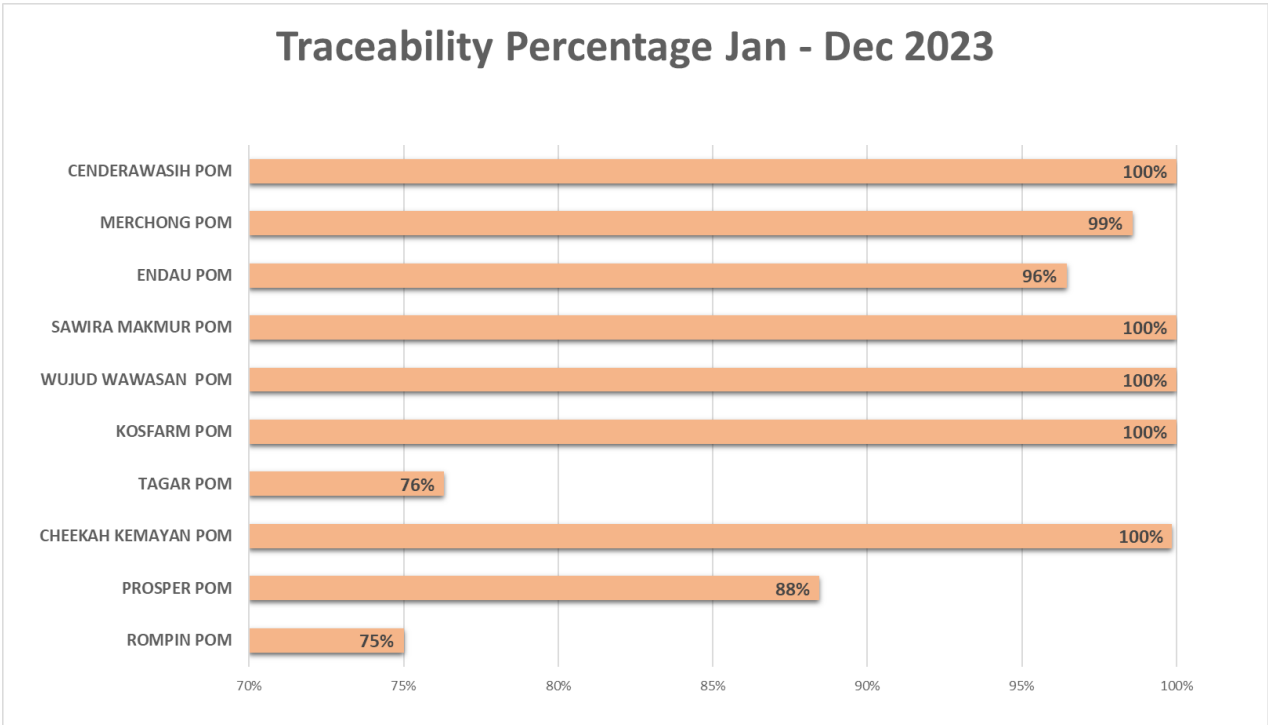
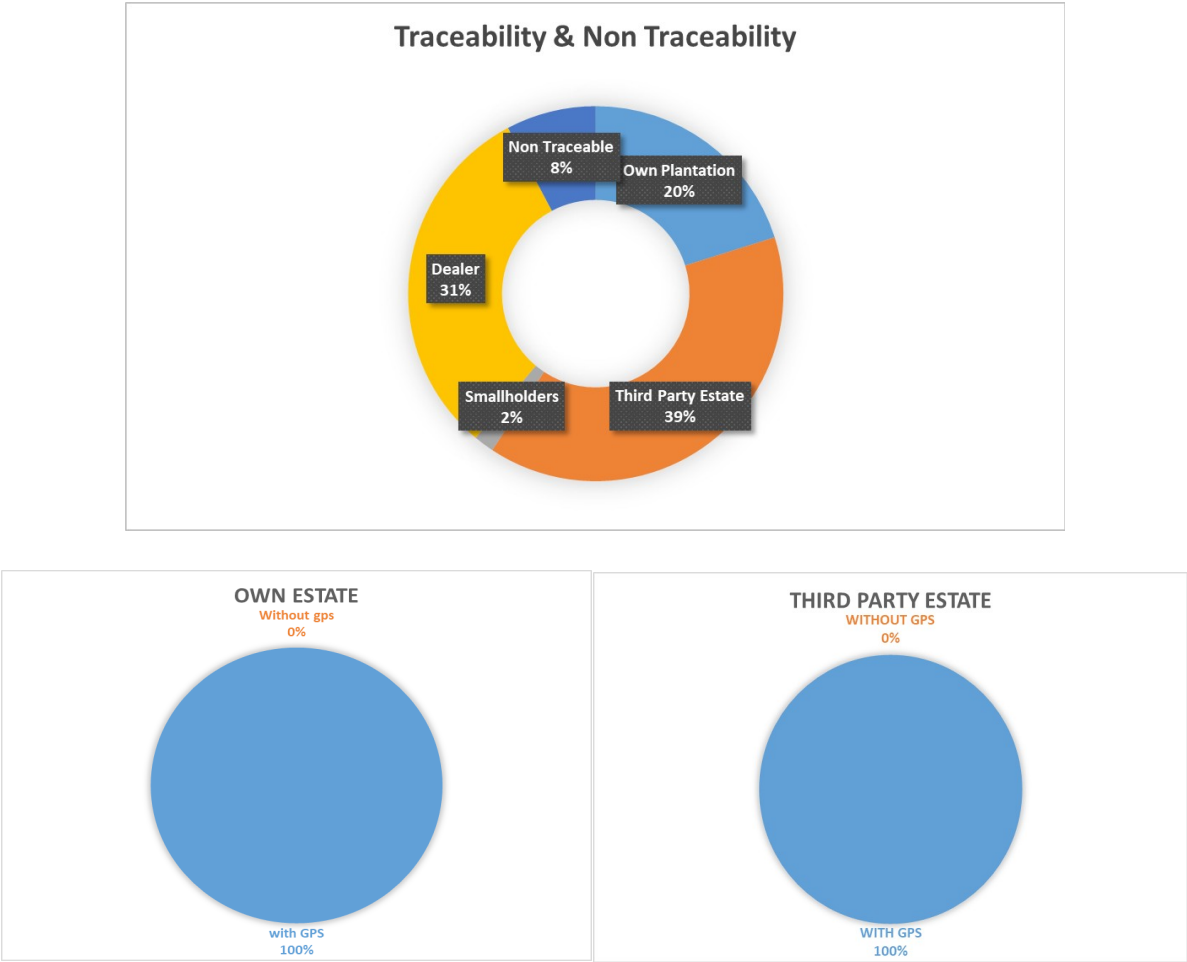


Figure 1. Traceability Percentage Year 2023 for every mill

1.2 Traceability Summary Year 2023 – Traceable and Non-Traceable

Despite this, PCH saw a rise in Fresh Fruit Brunches (FFB) volume collection in 2023 compared to 2022, especially from dealers and smallholders. This impacted the geolocation accuracy slightly, resulting in a dip in overall traceability to the plantation level. Nevertheless, PCH is dedicated to improving and aiming for higher traceability levels within the FFB. The company’s commitment reflects the ongoing efforts to achieve higher standards and transparency across all operations.



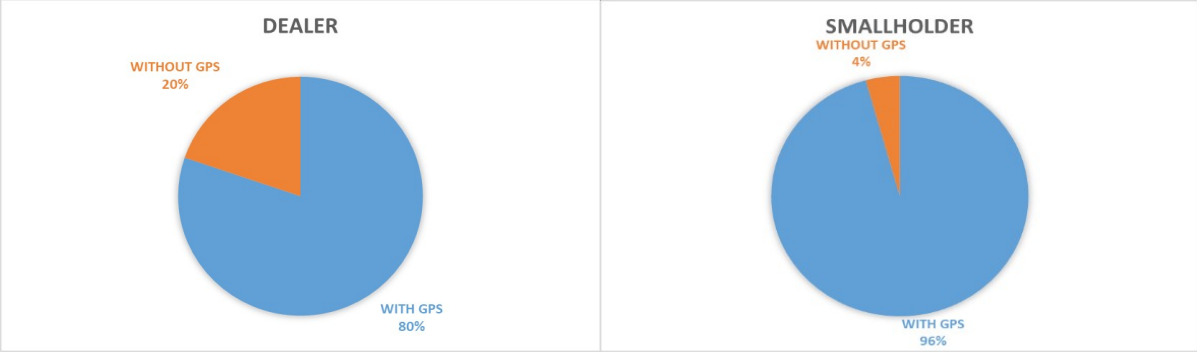


Figure 2. Traceability Summary 2023

2.0 Stakeholder Engagement & Socialization

2.1 Estate & Mill Visit with Supply Chain Stakeholder

PCH appreciates the opportunity to host a visit from our esteemed supply chain stakeholders from China at Tagar Estate, who sought to gain insights into the operations. PCH welcomed the stakeholders to Tagar estate and palm oil mill (POM) for a comprehensive tour. During their visit, they gained understanding of our plantation and milling processes, as well as the morphology of oil palm trees and fruits. The stakeholders also observed the journey FFB to crude palm oil (CPO) production. PCH value their interest and remain committed to transparency and sustainability within the global supply chain.

2.2 People Positive Palm (P3) Project by Consumer Good Forum (CGF) Human Rights Coalition (HRC)

Project P3 brings together the largest collective of international companies focusing on addressing forced labour in the Malaysian palm oil sector. It aims to foster collective action and advocacy on key issues faced by the palm oil industry – including a focus on understanding, addressing and preventing recruitment fees, with the support of the Fair Labour Association (FLA), the International Organization for Migration (IOM) and The Remedy Project. PCH participated in the Project to discuss along with other palm oil industry players on human rights due diligence and potentially help transforming the labour market of the Malaysian palm oil sector.



Figure 3. People Positive Palm Learning Series Launch Event.

2.3 KLK Sustainability Convention 2023

KLK has organised a convention, inviting their FFB suppliers, including PCH, to raise awareness regarding industrial standards and requirements. Specifically, discussions focused on the due diligence procedures mandated by the European Union's Due Diligence Regulation (EUDR). This event provided a platform for sharing insights and fostering understanding among stakeholders. PCH appreciates KLK's initiative in facilitating such meaningful engagements, reinforcing collective commitment to upholding responsible practices throughout our supply chain.



Figure 4. KLK's Sustainability Convention 2023

2.4 Focus Group Engagement Training

In partnership with Cargill and Earthworm, PCH has undertaken a collaborative sustainability initiative focusing on enhancing transparency and traceability within the palm oil industry. This effort involves addressing TTP, implementing Supply Chain Monitoring with Global Forest Watch to combat deforestation, developing effective strategies for TTP data collection from FFB dealers, and executing a No Deforestation, No Peat, No Exploitation (NDPE) Action Plan using Tools for Transformation (T4T). These commitments reflect the company's dedication to responsible practices and sustainability across our supply chain.



Figure 5. Focus Group Engagement Training involving all palm oil mills.

2.5 Ethical Recruitment Programme

PCH engaged in an ethical recruitment light touch engagement, wherein the company's guidelines and supporting documents were assessed against international standards. The resulting report provides a comprehensive overview, including a list of good practices, recommendations for improvement, and prioritised actions for our consideration and implementation.

2.6 TTP Training Workshop for FFB Suppliers (Dealers)

The disclosure of comprehensive TTP remains a persistent challenge, particularly with FFB dealers who regard such information as confidential and sensitive. In response, PCH, alongside the company's supply chain stakeholders and partners, actively initiates engagement with dealers through TTP workshops. These sessions are conducted regularly, especially upon the appointment of new dealers or updates to TTP information requirements, as part of our ongoing commitment to transparency and traceability enhancement.



Figure 6. PCH participated in Southern Central Forest Spine (SCFS) Landscape Project by Earthworm Foundation.



Figure 7. PCH participated in Capacity Building Workshops for FFB dealers.

2.7 Palm Kernel Crusher Engagement Workshop (Sustainable and Traceable PKO)

With the impending implementation of the EUDR in 2025, the importance of TTP within PCH operations has markedly increased. Notably, the criteria for TTP have expanded, now requiring additional details such as the availability of polygon maps and the total planted area of FFB suppliers, alongside existing GPS coordinates. In response, in working with Mewah Oils, PCH aimed at diligently gathering the requisite data to meet upcoming industrial standards and compliance measures.



Figure 8. Palm Kernel Crusher Engagement Workshop at Mewah-Oils.

2.8 Peat Land Management & Standard Operating Procedure on Fire Prevention (Private Sector Session)

The session provided valuable insights into the government's upcoming strategy aimed at improving the accessibility of data information. While various government agencies maintain separate website portals housing diverse databases, the lack of integration results in some data being inaccessible. Recognising this challenge, the proposed plan aims to streamline these systems, facilitating seamless data sharing across multiple portals. This initiative is particularly crucial in preparing for extreme weather events. Additionally, collaborative sessions were held within the palm oil industry to share approaches to peatland management and fire prevention. These discussions offer valuable opportunities for stakeholders to explore and potentially adopt effective strategies in controlling fire outbreaks.

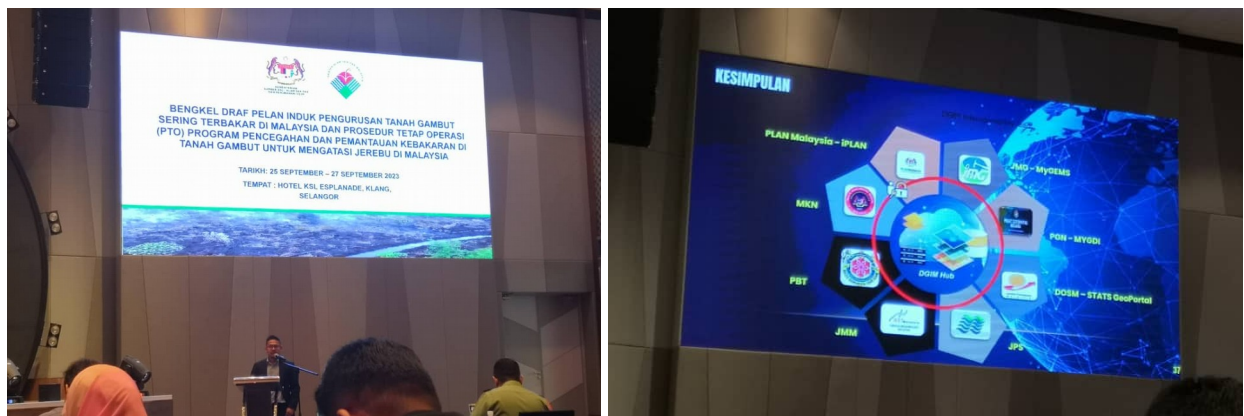


Figure 9. The Session for Peat Land Management & Standard Operating Procedure on Fire Prevention (Private Sector Session)

2.9 The Launching of “Get It Right” by Ministry of Human Resources & Earthworm Foundation

The "Get It Right" Launch Event is a joint effort between the Ministry of Human Resources and Earthworm Foundation. This event provided a platform to discuss how industry players are improving labour practices in line with the National Action Plan on Forced Labour (NAPFL). Sessions included insights from organizations such as the International Labour Organization (ILO), Fuji Oil, and Nestle, offering valuable opportunities for dialogue and collaboration on enhancing labour practices.


















Figure 10. Launch Event of “Get It Right”.

3.0 Certification

The management remains committed to achieving sustainability standards by maintaining certifications under Malaysian Sustainable Palm Oil (MSPO), Roundtable on Sustainable Palm Oil (RSPO), and International Sustainability and Carbon Certification (ISCC). Notably, this year marks another significant milestone as Cheekah Kemayan POM has achieved ISCC certification in addition to its existing certifications. This accomplishment highlights the PCH's ongoing dedication to environmental responsibility and ethical practices.

Table 1. Operating Centres certified under MSPO, RSPO and ISCC.

Operating Centre	MSPO			RSPO	ISCC
	Part 3	Part 4	SCCS		
Total Plantations					
				Cheekah Kemayan Estate only (a*)	
Wujud Wawasan POM			MB		
Kilang Sawira Makmur			MB		
POM					
Cheekah Kemayan POM			MB	 (a*)	
Kilang Kosfarm			MB		
Cenderawasih POM			MB		
Endau POM			MB		
Rompin POM			MB		
Merchong POM			MB		
Tagar POM			MB		
Prosper POM			MB		

a* = under the management of PGC Management Services Sdn Bhd, not ownership of the concession.

4.0 Training/ Workshop

4.1 MSPO 2.0 Training

Upon the announcement of the MSPO Standards 2022 by the Malaysian Palm Oil Certification Council (MPOCC), PCH took proactive measures to ensure compliance. The company organised training sessions for the estates and mills to familiarise them with the updated framework, which includes five key principles. These sessions clarified the differences between Standards 2022 and the previous Standards 2013, highlighting the new requirements and compliance measures. This initiative reflects PCH's ongoing commitment to maintaining sustainable practices throughout our operations.



Figure 11. Training Session on MSPO Standards 2022 for both estate and mill.

5.0 Conservation Project

5.1 Project Summary

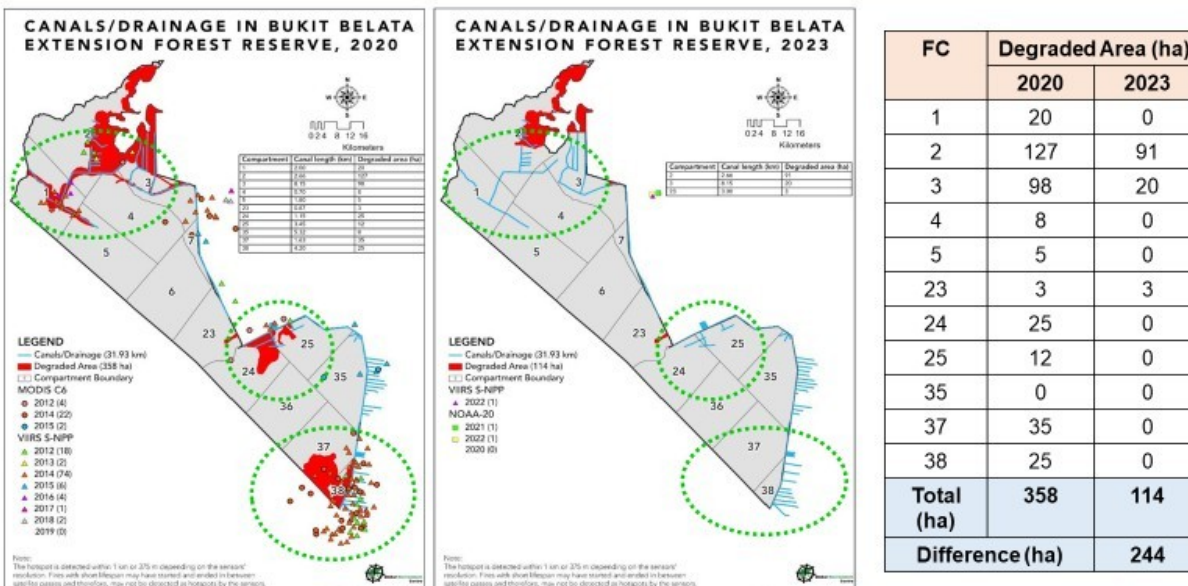
As of July 2023, Global Environment Centre (GEC) has continued to make strides in PCH's sustainability efforts. Key achievements include assessing the location and extent of degradation in forest compartments, rehabilitating 200 hectares through rewetting and natural regeneration in priority areas of the Bukit Belata (Extension) Forest Reserve (BBEEFR), and educating communities and stakeholders on peat hydrology, sustainable peatland management, and fire prevention. PCH is committed to ongoing improvement and collaboration for a more sustainable future.

To assess the location and scale of degradation in the identified forest compartment areas, appropriate assessments were undertaken on key issues including fire incidents and their root causes affecting biodiversity, water management and others. A plan was also developed for rehabilitation of the degraded peatland areas.



Figure 12. Conducted aerial surveys and ground observations BBEFR to monitor the natural forest regeneration of degraded areas due to fire prevention, forest patrolling, rewetting and revegetation.

Reduction of hotspots and degraded areas throughout project implementation period [before (2020) and after (2023)] - 244 ha



Changes in the vegetation type throughout project implementation period [before (2020) and after (2023)] - 244 ha

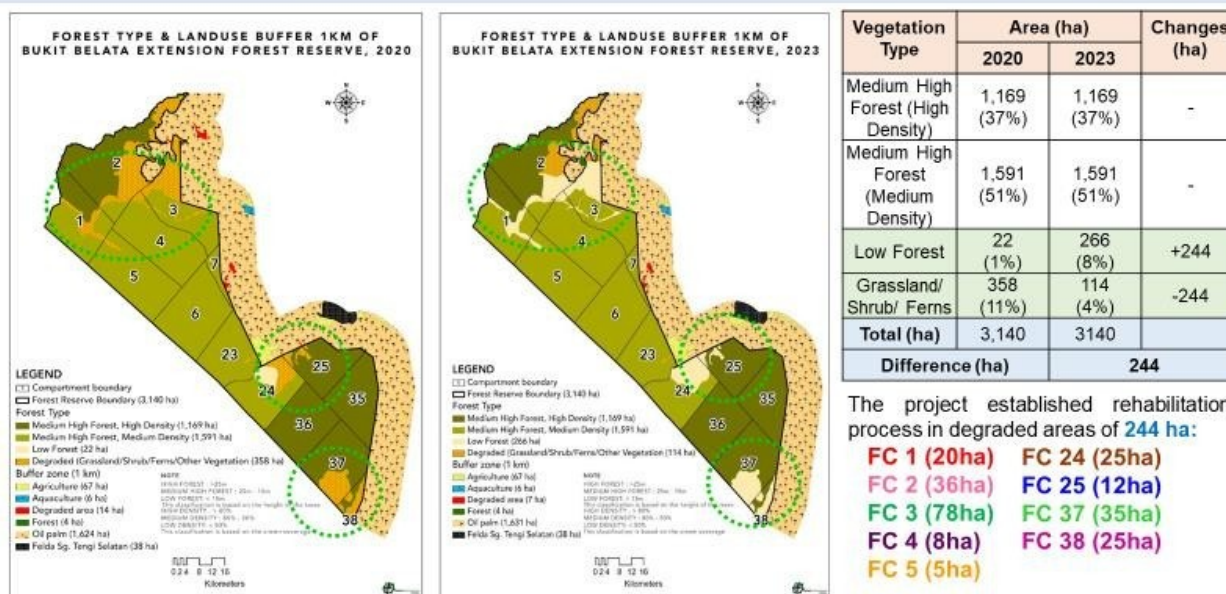


Figure 13. Development of project impact maps showcasing the degraded areas before the intervention (before March 2020) and the impacts (degraded areas transformed into low forests) after the interventions (in 2023).



Figure 14. Site visits and meetings for the “Review of Project Achievements” by MYTransform to the Prosper recovery project sites and Felda Sungai Tinggi Selatan.

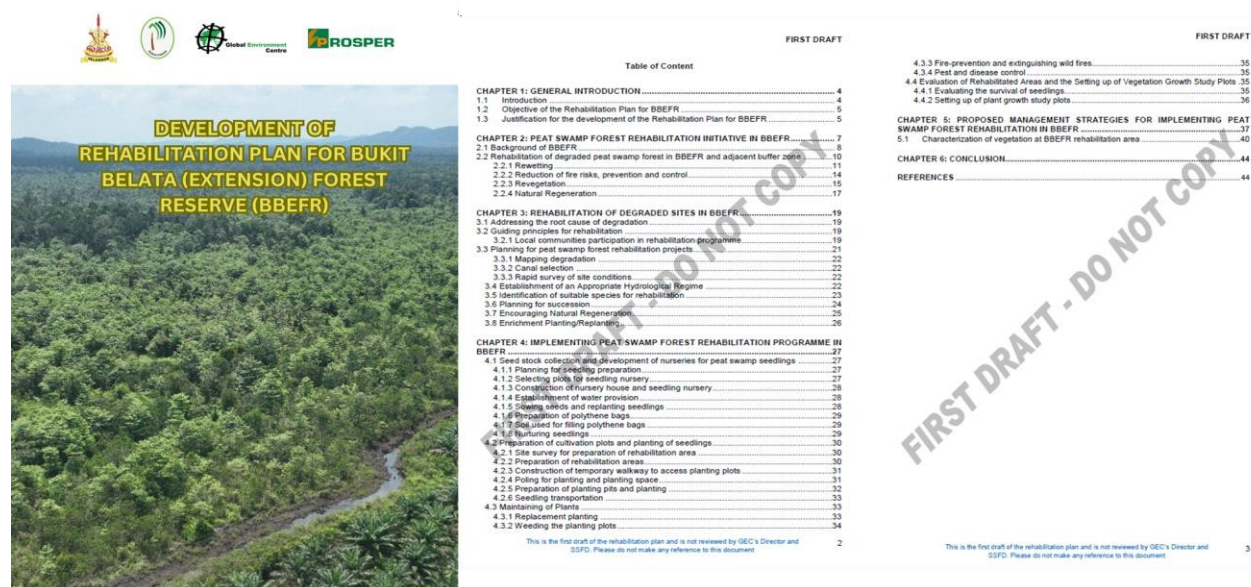


Figure 15. The first draft of the rehabilitation plan for BBEFR was developed based on the initial assessments of the BBEEFR during the implementation of the project in the past 3 years.

Rehabilitation of 200 ha was achieved through seedling procurement and nursery establishment. To portray PCH's commitment as well as the supply chain members' interest in conservation effort, rehabilitation activities (20 ha) were conducted with PCH's staffs, volunteers and community groups on periodic tree planting. Prior to that, maintenance of planted trees such as site cleaning was conducted as a preparation for the "Review of Project Achievements" by MYTransform and "Stakeholder Visit to Prosper Recovery Project Site at BBEFR". The remaining 180ha of less degraded areas are to undergo natural regeneration as Figure 13 showcased the successful transformation from degraded areas to low forests through natural forest regeneration process.



Figure 16. As of July 2023, 1768 tree seedlings have been sown in the Komuniti Warisan Hutan Sg. Tenggi Selatan (KWHSTS) nursery. Currently, the nursery accommodates 1578 tree saplings after contributed some trees for the replacement planting activities at FC 25, BBEFR.



Figure 17. Conducted a small-scale tree planting event with KWHSTS and Felda representatives on 9th September 2022 – successfully planted 200 trees raised in the KWHSTS nursery via sapling buy-back programme.



Figure 18. A tree planting event was organised on 22nd June 2023 at FC 25 for the PCH's staffs (7 pax), supply chain members (14 pax) KWHSTS (15 pax) and GEC (9 pax) during the "Stakeholder Visit to Prosper Recovery Project Site at BBEFR" – successfully planted 300 Nyatoh trees (*Madhuca hirtiflora*) during the event.



Figure 19. Two field staff of GEC, who are also the members of KWHSTS conducted the maintenance activities at 6 ha of planted sites and 2 units of canal blocks in FC 25, BBEFR.

In PCH's ongoing pursuit of sustainability, the company has undertaken various initiatives to foster a deeper understanding of peat hydrology, sustainable peatland management, and fire prevention among community members and stakeholders. These efforts have included engaging in meetings with relevant stakeholders, promoting Malaysian Good Agriculture Practices (myGAP), MSPO, and the RSPO, providing training sessions for local communities, establishing and guiding local fire prevention and monitoring teams, and installing boundary signage to ensure ongoing protection. These endeavors reflect PCH's commitment to responsible management and collaboration with local partners in the sustainability journey.



Figure 20. Three selected members of KWHSTS participated in the Social Entrepreneurship Training with Community-based Organisation in Taiping from 19th-21st May 2023



Figure 21. Three selected members of KWHSTS participated in the *Forum Pembelajaran bersama Komuniti dan Lawatan sambil Belajar di Selangor* from 10th-13th July 2023.



Figure 22. Conducted a training on Good Agricultural Practices on Peatlands and MSPO Certification on 22nd March 2023 in collaboration with MPOB for 24 KWHSTS members and Felda representatives.



Figure 23. Organised a study visit to the agricultural zone of Johan Setia on 21st March 2023 for KWHSTS members to showcase GAP on peatland, which covers land and water management, selection of crops based on peat depths, water tables, crop root zones and other factors for optimum yield.

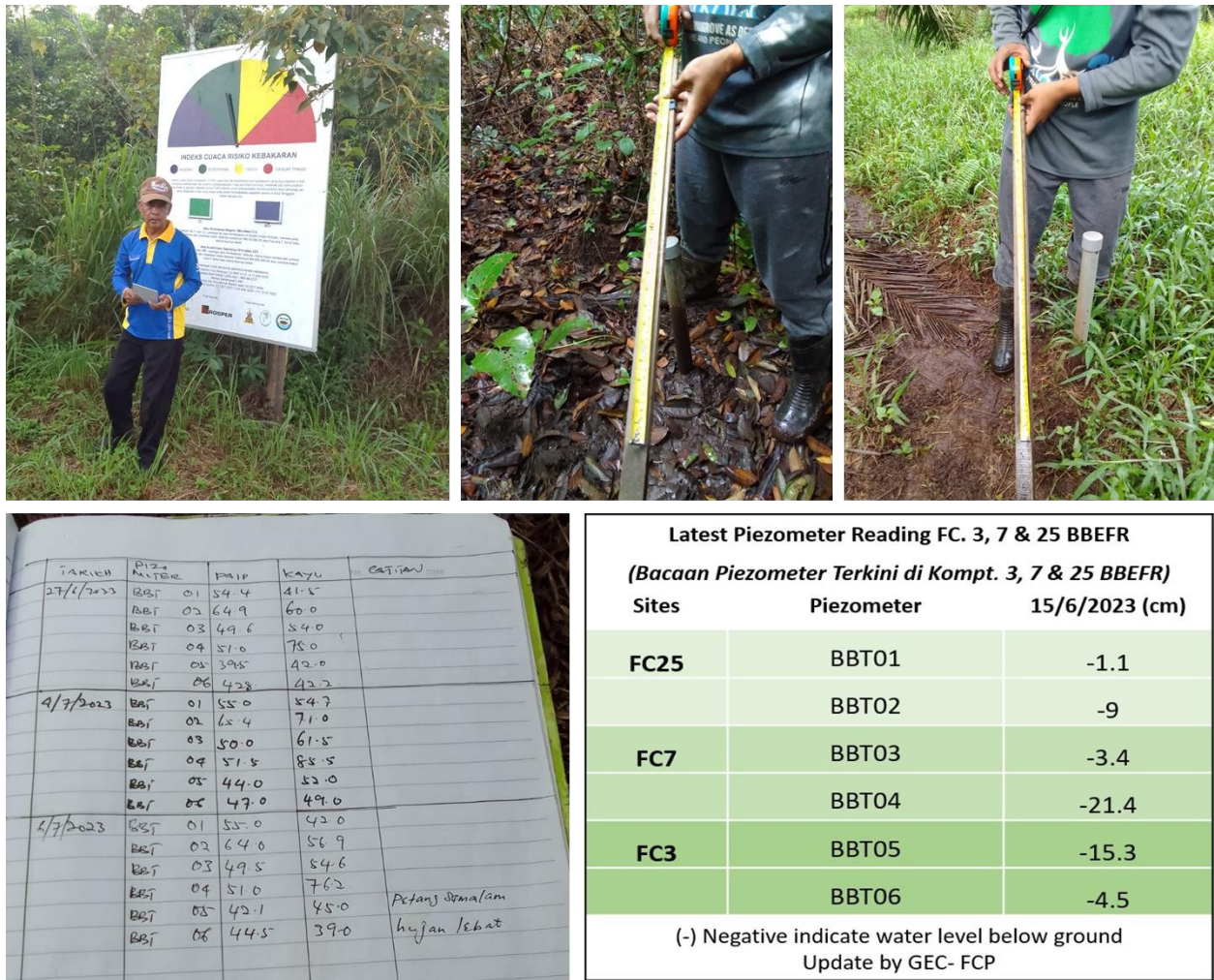


Figure 24. Two patrollers of KWHSTS from Felda Sg. Tenggi Selatan actively undertaken community-based patrolling and monitoring activities at fire-prone peatland areas from December 2022 until July 2023 in BBEFR.



Figure 25. Developed, printed and erected canal block and nursery establishment signboards at FC 25 and FC 3 as well as the KWHSTS nursery in Felda Sungai Tenggi Selatan.

During the implementation period, PCH encountered several challenges that warranted attention. Firstly, the rapid spread and dominance of Lalang grass in the planted site at FC 25, BBEFR posed a significant obstacle to our efforts. Additionally, frequent rainfall episodes and high-water tables at BBEFR in early 2023 hindered ground activities such as field visits, site maintenance, and tree planting. Despite these challenges, PCH remained steadfast in executing our planned implementations. As a result, both PCH and the supply chain members observed substantial changes from the beginning to almost the end of Phase 1 of the Prosper Recovery Project. The company committed to addressing challenges proactively and advancing our sustainability objectives with determination and resilience.

5.2 Completion of Phase 1 of Prosper Recovery Project

The project's phase 1 (2020-2023) has achieved completion of the project, dedicated to the protection and rehabilitation the Bukit Belata (Extension) Forest Reserve (BBEFR), covering 3140 ha of lowland dipterocarp and peat swamp forest within the SE portion of the North Selangor Peat Swamp Forest (NSPSF). This reserve confronted escalating challenges stemming from drainage, fire incidents, and degradation associated with the development of small-scale plantations and agricultural activities along its boundary, alongside encroachments and internal drainage.

Key accomplishments of Phase 1 included: the formulation of a comprehensive rehabilitation strategy targeting degraded forest and peatland in the BBEFR; effective fire prevention and degradation mitigation across the entire 3140 ha forest area, achieved through collaborative efforts with local communities and stakeholders; restoration efforts resulting in the rewetting and recovery support of over 200 ha of degraded peatland and forest; and the establishment of a community-based organization aimed at conservation efforts and fire prevention, alongside the initiation of small-scale livelihood programs.

After an independent assessment and stakeholder visit to the Phase 1 Project Site in June 2023, PCH intend to continue expand the recovery project into its second phase. The objective of **Phase 2 (October 2023 - December 2026)** is to maintain and improve upon the accomplishments of the Phase 1, while also extending the project to encompass 4,000 hectares of the adjacent Raja Musa Forest Reserve, totaling 7,140 hectares.