

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE BOARD IS COMMITTED TO NURTURE AND PRESERVE THROUGHOUT IJM PLANTATIONS BERHAD (“THE COMPANY”) AND ITS SUBSIDIARIES (“THE GROUP”) A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS AND GOOD CORPORATE GOVERNANCE PRACTICES AS SET OUT IN THE BOARD’S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL, MADE IN COMPLIANCE WITH PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS (“LR”) OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) AND GUIDED BY THE STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS.

BOARD’S RESPONSIBILITY

The Board affirms its responsibility for maintaining a sound risk management framework and internal control system to safeguard the shareholders’ investments and the Group’s assets, as well as to discharge its stewardship responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle B of the Malaysian Code on Corporate Governance.

The Board continually articulates, implements and reviews the adequacy and effectiveness of the Group’s enterprise wide risk management and internal control system which has been embedded in all aspects of the Group’s activities. The Board reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Group’s risk appetite and tolerance, with a system that is viable and robust.

Recognising the ever-changing risk landscape, the Group’s system is designed to manage effectively rather than completely eliminate the risk of failure to achieve the Group’s business objectives. Accordingly, such systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud. The aim, however, is to ensure that any adverse impact arising from a foreseeable future event or situation on the Group’s objectives is identified, mitigated and managed.

For the financial year ended 31 March 2021 (“FY2021”), the Board has received assurance from the Chief Executive Officer & Managing Director (“CEO&MD”) and the Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.

During FY2021, the Risk Management Committee (“RMC”) reviewed, appraised and assessed the controls and actions in place to mitigate and manage the overall Group’s risk exposure, as well as raised issues of concerns and recommended mitigating actions. The RMC reports to the Audit Committee on a quarterly basis and as part of its

monitoring activity ensures key risks are deliberated and mitigating actions are implemented. The Audit Committee presents a summary of its deliberations and decisions to the Board on a quarterly basis.

During the financial year, the adequacy and effectiveness of the system of internal controls was reviewed by the Audit Committee in relation to the internal audits conducted by the Internal Audit Department (“IAD”), as well as the control issues reported by the external auditors. The Audit Committee deliberated on the audit issues and actions taken by Management, and a summary of these deliberations has been presented to the Board.

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and operating units. Key processes have been established for reviewing the adequacy and effectiveness of the risk management and internal control system.

1. Authority and Responsibility

- The Management Committee (“MC”) manages the Group’s operations in accordance with corporate strategies and business objectives, strategies, policies, key performance indicators and annual budgets as approved by the Board.
- The Audit Committee, with the assistance of the RMC, has oversight over the Group’s risk management framework, and obtains assurance through the IAD, on the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also consults the independent external auditors of the Group, whenever required.
- The RMC oversees and performs regular reviews on the risk management processes of the Group’s business and operations to ensure prudent risk management. The RMC for Sabah operations is chaired by the CEO&MD and the

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RMC for Indonesian operations is chaired by the Chief Executive Officer (Indonesia). Both the RMCs comprise of representatives from operations, as well as from the relevant Head Office operations support departments. The two (2) RMCs report to the Audit Committee on a quarterly basis where key risks and mitigating actions are deliberated and implemented.

- The Nomination & Remuneration Committee assists the Board by including in but not limited to reviewing and recommending appropriate remuneration policies for Directors and senior management, reviewing succession plans, recommending candidates to the Board, and evaluating the performance of the Board as a whole, Board Committees and the contribution of individual Directors on an annual basis.
- The Securities and Options Committee administers options and/or shares under the employee share scheme of the Company and regulates the securities transactions in accordance with established regulations and By-laws.

2. Planning, Monitoring and Reporting

- Regular, comprehensive and up-to-date information is conveyed to the Board and its Committees covering finance, operations, key performance indicators and other business indicators such as economic and market conditions at their monthly or periodic meetings, facilitating the monitoring of performance against the corporate strategy and business plans.
- Annual budgets are prepared for the forthcoming year and approved by the Board. These budgets are used to monitor actual versus budgeted and prior period's performance with major variances being reviewed and management actions taken as necessary.
- Periodic company briefings with analysts are conducted to apprise the shareholders, stakeholders and the general public of the Group's performance whilst promoting transparency and open discussions.
- Annual validation of the Group's sustainability materiality matrix was carried out at the Group level to ensure that the identified factors remain relevant and material to the business and stakeholders. Adjustments are made in line with current circumstances facing the Group. The outcome is disclosed in the Sustainability Report of the Annual Report.

3. Policies, Procedures and Values

- The Company's culture reflects its core values, behaviours and decisions. These form the base of an effective risk management system and are reflected in the Company's statements of vision, mission and core values, code of ethics and conduct, corporate disclosure policy, diversity and inclusion policy, anti-bribery and corruption policy as well as avenues for whistleblowing.
- Clearly documented standard operating policies and procedures to ensure compliance with internal controls, relevant laws and regulations, which are subjected to regular reviews and improvements, have been communicated to all levels and are easily accessible on the Company's intranet platform.
- Established guidelines for recruitment and termination, human capital development and performance appraisal to enhance staff competency levels have been disseminated to all employees.
- Clearly defined levels of authority for day-to-day business aspects of the Group covering procurement, payments, investments, acquisition and disposal of assets are reviewed periodically.
- Adoption and consistent application of appropriate accounting policies in the annual financial statements of the Group, and prudent judgements and reasonable estimates have been made in accordance with the applicable approved accounting standards in Malaysia. Processes and controls are in place for effective and efficient financial reporting and disclosure in the annual and quarterly financial statements of the Group to give a true and fair view of the financial position and financial performance of the Group.

4. Audits

- The IAD of the Group's holding company IJM Corporation Berhad performs internal audits on various operating units within the Group on a risk-based approach based on the annual audit plan approved by the Audit Committee. The IAD checks for compliance with policies and procedures and the effectiveness of the internal control system and highlights significant findings of non-compliance in the quarterly Audit Committee meetings of the Group. Further details of the IAD's functions and activities are set out in the Audit Committee Report.
- The external auditor's annual audit strategy, audit plan and scope of works for the financial year in relation to the audit services on the Group's financial statements as well as

non-audit services, if any, are reviewed and approved by the Audit Committee. Further details on the oversight of the external auditors are set out in the Audit Committee Report.

- The Company and certain subsidiaries, which are accredited with various quality, health, safety and environment and other certifications, undergo scheduled on-site audits by auditors of the relevant industry certification bodies. The results of these audits are reported to management.

5. Risk Management

The RMC principally develops, executes and maintains the enterprise wide risk management system to ensure that the Group's corporate objectives and strategies are achieved within the acceptable risk appetite of the Group. The Group's risk management framework conforms with international guidelines of the ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management Framework 2017. The risk management reviews cover responses to significant risks identified which would ensure the achievement of: the corporate strategies and business objectives; effectiveness and efficiency of operations; integrity of information and reporting; and compliance with the relevant laws, regulations, policies and procedures.

A risk map summarising the risks to the achievement of strategic, operational, reporting and compliance objectives, using quantitative and qualitative aspects to assess their likelihood and impact matrices, and the controls for assuring the Board that processes put in place continue to operate adequately and effectively to manage those risks to acceptable levels, is prepared quarterly.

As the business risk profile changes, new areas are introduced for risk assessment and the necessary updates are made to the existing risk register.

The Group's Head Office considers and incorporates the risks associated with the Group's strategic objectives and overall risk appetite which are not addressed at operations level. The consolidated major risks and the mitigating actions are reported to the RMC before being presented to the Audit Committee and the Board on a quarterly basis.

Risk Management & Integrity Department ("RMI")

The risk management and integrity functions are outsourced to the RMI of IJM Corporation Berhad, which is headed by the Chief Risk Management & Integrity Officer. With the Group's ongoing commitment to enhance the robustness of the Group's risk and

compliance framework, the RMI was established during the year as a Group function assisting the Board, Audit Committee and Management in discharging their risk management responsibilities. The key roles and responsibilities of RMI is to provide support to the Group with regards to risk management implementation and activities, ensuring that risks are prudently identified, analysed and effectively managed. These include development and implementation of risk management and compliance strategies, as well as to spearhead and coordinate governance, risk management and compliance programmes across the Group.

Recognising the diverse nature and the challenges faced by the Group, RMI's programmes and activities are tailored to meet the specific needs and requirements of the Group. Risk management workshops for the Group were conducted during FY2021 in collaboration with an external consultant. The main objective of the engagement was to review the Group's current risk profiles in relation to business plans and to be in line with the Group's strategic focus; with corruption risks being assessed concurrently during these workshops. The Audit Committee monitors the strategy and delivery of risk management and compliance programmes through progress reports submitted on a quarterly basis.

The other key role and responsibility of RMI include coordinating compliance programmes and activities to provide awareness, training and communication to employees on the risks of non-compliance, specifically to Section 17A of the MACC Act 2009. In an effort to provide assurance that the Group's operations and activities are conducted in line with the key regulatory requirements, RMI facilitates the process of identification, analysis, evaluation, monitoring and reporting of the Group's state of compliance while continuously promoting the culture of integrity and ethics.

Risk Assessment Reviews

During the financial year ended 31 March 2021, the Group conducted their risk management and internal control system reviews which were assessed by the RMC and reported to the Audit Committee at each quarter. The Group identified significant risk areas of concern and mitigating actions were undertaken within appropriate timeframes. The management of the Group's significant risks identified for the financial year 2021 is outlined below:

a) Strategic Risk Management

Strategic risks refer to the risks resulting from economic and regulatory conditions and the inherent cyclical nature of the business.

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Political risks

Political risks refer to the change of government, government decisions, reforms, events or conditions that may affect the performance of the Group's businesses such as new laws and regulations, minimum wage increases and new taxes. With the state of Emergency declared on 11 January 2021, coupled with the government-imposed movement restrictions since 18 March 2020 as part of preventive measures in meeting the challenges posed by the COVID-19 pandemic, there may be policy modifications, changes, monetary and economic stimulus plans affecting the Group moving forward.

The Group will closely monitor and proactively manage the associated risks by engaging and working with the governments in office to improve business, consumer and market sentiments in addition to complying with the governments' directives to address the COVID-19 pandemic impacts.

Commodity and Currency risks

The Group is susceptible to commodity risks as palm product prices are subject to market volatility which affects its profitability. The Group manages such commodity risks with the following measures:

- Constant monitoring of the commodity prices to determine the appropriate timing to transact sales;
- Selling using the Malaysian Palm Oil Board ("MPOB") and PT Kharisma Pemasaran Bersama Nusantara ('PT KPBN') average price mechanism;
- Hedging through forward sales or crude palm oil pricing swap arrangements; and
- Close monitoring of pricing trends of major oils and fats.

The Group manages its foreign exchange exposures by monitoring its movement and would enter into forward foreign exchange contracts or cross currency swap contracts when there is a need. Borrowings are kept to an acceptable level.

Regulatory risks

The Group's businesses are governed by relevant laws, regulations, standards and licenses. The Group constantly assesses the impact of new laws and regulations affecting its businesses to ensure that its processes and infrastructure settings are able to operate under the new requirements.

The Group continuously manages and monitors its regulatory risks through the following measures:

- Be updated with the new laws and/or requirements by participating in seminars, conferences and trainings, both in-house and external, as presented by authorities, experts or specialists;
- Implementing appropriate policies, procedures, guidelines, and contract management practices; and
- Maintaining regular communication with the authorities, industry bodies and members, accounting, tax and legal experts to ensure compliance at all times.

The Group initially adopted an Anti-Bribery and Corruption ("ABC") Policy in 2019 in view of the introduction of Section 17A of the MACC Act 2009. With effect from 1 June 2020, a commercial organisation may be found liable for acts of corruption committed by any persons associated with the organisation. During FY2021, the Group has enhanced its policies, procedures, manuals and code of conduct and ethics for employees as part of its anti-bribery and corruption system. Through the code of business conduct for third parties, these anti-bribery and corruption principles are extended to the Group's associates, business partners and its supply chain.

The government-imposed movement restrictions are aimed at restricting mass movements and gatherings to contain the COVID-19 pandemic and break the chain of transmission. The Group has complied with the directives as well as instituted new work arrangements for business continuity. The Group will continue to comply with government directives and respond promptly to changes in a concerted effort towards containing the spread of COVID-19.

b) Financial Risk Management

Debt Recovery

This risk arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, liquidity, cash flows and funding. The Group minimises such exposures with the following measures:

- Assessing the creditworthiness of potential customers before granting credit limits and periods;

- Close monitoring of collections and overdue debts; and
- Ensuring effective credit utilisation to keep leverage at a comfortable level.

Working Capital Management

The Group closely monitor its operating cash flows by maintaining sufficient level of cash to meet its working capital requirements. Regular assessment on the Group's cash flow position is being conducted to ensure that a healthy balance is maintained between the continuity of funding and financial flexibility through availability of necessary credit facilities.

c) Operational Risk Management

Operational risks arise from the execution of a Group's business including risks of inadequate skilled workforce, adverse climatic conditions, equipment and systems failure as well as overcapacity situations.

Inadequate skilled workforce risk

Similar to other companies in the industry, the Group faces a common challenge in the form of an inadequate skilled labour due to the difficulty in recruiting skilled workers. To mitigate the risk of slowdown in harvesting operations, various measures as follows are being carried out by the Group to attract and retain skilled labour:

- Working with the industry fraternity to improve the availability of labour;
- Upgrading the living quarters of workers complete with amenities including electricity and water, medical care, crèche, education centres, recreational and sports facilities in phases;
- Entering into partnership with NGOs such as the Borneo Child Aid to provide education to the children of workers with the intention of retaining the workers;
- Encouraging local school leavers to participate in the plantation sector and to offer suitable internship programmes for undergraduates via joint ventures with universities and agricultural/labour authorities; and
- Reviewing the remuneration benefits of workers from time to time to stay competitive.

Adverse weather risk

To mitigate the effect of any prolonged dry weather and severe flooding, the Group continued to ensure the following measures are being carried out and in place:

- Employing good agronomic and estate practices as per the operating manual;
- Carrying out water conservation and irrigation measures to ensure the oil palms receive adequate water;
- Deepening reservoirs, where possible, to increase water storage capacity with the objective of irrigating the surrounding fields; and
- Ensuring appropriate agricultural training for the cadets and field staff.

Pandemic risks

A year on since its outbreak in early 2020, the prevailing coronavirus ("COVID-19") pandemic continues to overshadow other risks and has created intensely damaging global economic effects and unprecedented threats to lives and livelihood. While travel bans and movement control measures are absolutely essential in impeding the outbreak of COVID-19, the freeze on the intake of new workers had resulted in severe shortage of harvesters to the industry in which the Group operates, high level of job losses and unemployment.

Whilst the industry in which the Group operates is allowed to continue operating during this government-imposed movement restrictions period, the Group has ensured that necessary procedures are put in place to manage the risk and closely monitor the situation to ensure its operations are not disrupted and are in compliance with the regulations and rules imposed by the authorities during the movement control periods.

The Group is wary of the COVID-19 pandemic and has taken the necessary steps to protect its employees, contractors and suppliers at its properties and work sites. These measures are updated from time to time and include the following: establishing crisis management teams; instituting daily precautions, sanitisation and daily temperature readings; introducing alternative work arrangements; postponing physical group events and face to face trainings; issuing travel advisory guides for business and non business travels; and enforcing quarantine rules in accordance with the

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health authorities' pronouncements. The Group will continue to monitor the situation closely and will do whatever is necessary to protect its employees and the supply chain whilst ensuring business continuity.

The path to economic recovery hinges on the scale and effectiveness of the vaccine rollouts, though uncertainties remained in the light of the emergence of new virus variants globally. The Group strongly supports the COVID-19 vaccination and has been encouraging its employees to sign up for the vaccination programme. The Group is also exploring opportunities with various government channels to expedite the vaccination of its employees.

Greater adoption of digital communication was also necessary to overcome the restrictions imposed on physical meetings. The Group's critical business systems are accessible remotely to support the changing operating landscape brought about by the pandemic so that there will be minimal disruption to the operations. The Group's first fully virtual 35th Annual General Meeting was held on 21 September 2020 to further demonstrate the Group's commitment towards continued innovations and that we are responsive and remain relevant to our stakeholders.

While key economic indicators are pointing towards an improving outlook for the Malaysian economy, the containment and actual impact of the COVID-19 pandemic remain uncertain; and the rising infection rates continue to adversely affect global economic prospects despite the increasing vaccinations.

d) Disaster Recovery Management

With the advent of cyber threats, Management Information System ("MIS") failure and other potential hazards such as fires, floods, earthquakes and major equipment failures, amongst others, the continuity of business operations is of a major concern to the Group.

To manage the risk, the Group has put in place the necessary disaster recovery plan for its critical business system.

Regular incident management drills including basic fire safety are conducted to ensure that our employees are familiar with the planned emergency responses and crisis management plans. During the financial year, the Group did not encounter any major business interruption or crisis situations.

6. Anti-Bribery and Corruption System ("ABCS") Policy

The ABCS compliance function is outsourced to the Risk Management & Integrity Department ("RMI") of IJM Corporation Berhad, which is headed by the Chief Risk Management & Integrity Officer. As part of the commitment in ensuring that all business dealings are conducted in an honest and ethical manner whilst maintaining the highest standard of integrity and corporate governance, various efforts have been undertaken by the Group. During the financial year, the Anti-Bribery and Corruption System ("ABCS") was formalised for the Group pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which came into force on 1 June 2020. As an essential component of the Group's ABCS framework and to complement the existing Code of Conduct, the ABCS Policy ("the Policy") was established and approved by the Board in May 2020, further formalising the Group's commitment to upholding and strengthening the Group's corporate governance and ensuring the Group commitment to ethical conduct, integrity and accountability in all business activities and operations of the Group. The Policy outlines key guiding principles and mitigating controls in place with regards to anti-bribery and corruption. It is guided by the Guidelines on Adequate Procedures issued in accordance with Section 17A of the MACC Act.

The ABCS Policy has been published on the Group's website with the intention to:

- set out the parameters including the main principles, policies and guidelines which the Group adopts in relation to anti-bribery and corruption;
- provide guidance to its Board members and employees whilst discharging their duties; and
- serve as guiding principles for its customers, business partners and stakeholders.

The objective of the Policy is to continuously enforce the Group's Code of Conduct and business ethics in order to ensure that all directors and employees understand their responsibilities in compliance with the Group's zero-tolerance for bribery and corruption within the organisation. All directors and employees of the Group are required to read, understand and acknowledge the ABCS Policy and the Code of Conduct & Ethics for Employees; and sign the Integrity Pledge in acknowledgement of their obligations and responsibilities. The Policy will be reviewed at least once every three years to ensure that it continues to remain relevant, appropriate and effective towards enforcement of the principles highlighted therein and to ensure continued compliance with the prevailing laws.

Since the introduction of Section 17A of the MACC Act, an ABCS implementation plan has been established to communicate and disseminate the ABCS Policy throughout the Group through a series of awareness and training programmes including mandatory e-learning courses on ABCS, which have been launched for the Group's employees and members of the Board to enhance Group-wide awareness and understanding on Section 17A and ABCS as well as to propagate a strong tone from the top and ethical culture within the Group.

The Group's holding company has also formalised the appointment of a Chief Risk Management & Integrity Officer with effect from 3 August 2020 and a Compliance Officer at the Group level under the purview of the Audit Committee to support implementation and increase the effectiveness and efficiency of the ongoing ABCS implementation efforts. Compliance with the ABCS Policy will be monitored closely, both on an ongoing basis and in conjunction with the Group's Corruption Risks Assessment exercise to ensure the appropriateness of the mitigation measures established to minimise the exposure to these risks.

To ensure that business is conducted conforming to the highest level of integrity and ethics, the ABCS Policy and the Code of Business Conduct for Third Parties were also distributed to business partners as an effort to communicate the Group's stance on ABCS, in which they will be aware and acknowledge that reasonable and appropriate measures will be taken to demonstrate their commitment to act professionally and with integrity in all business dealings. A Due Diligence process has been embedded to ensure a viable potential defence to Section 17A through a series of guidelines, assessments, reporting and monitoring implemented in alignment with MACC's Guidelines on Adequate Procedures. Additionally, clauses relating to ABCS have been incorporated in written agreements to ensure that business partners and suppliers to the Group understand their obligations and abide by the relevant laws and regulations. Continuous reinforcement of communications to the business partners and suppliers on the Group's expectations in relation to ABCS are in progress.

7. Sustainability

Major sustainability risks have been addressed in line with the Group's sustainability framework and business strategies emphasising key focus areas of Marketplace, Environment, Community and Workplace as elaborated in the Sustainability Report.

8. Insurance

The Group has in place adequate and regularly reviewed insurance coverage for its business operations, assets and employees where it is available on economically acceptable terms to minimise the related financial impacts of any losses should they arise.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the LR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the financial year under review and up to the date of issuance of this statement, the Board is pleased to state that the Group's system of risk management and internal control was rated overall as satisfactory, adequate and effective for the Group's purpose and safeguards the Group's assets and shareholders' investments, as well as the interests of customers, employees and other stakeholders. There have been no material losses, contingencies or uncertainties identified from the reviews.

The Board will continue to monitor all major risks affecting the Group and will take the necessary measures to mitigate them and enhance the adequacy and effectiveness of the risk management and internal control system of the Group.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 27 May 2021.

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ABOUT THIS REPORT

Sustainability Report 2021 is incorporated into the IJM Plantations Berhad Annual Report 2021, and is prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: Core option. The disclosure in this report was also guided by Bursa Malaysia’s Sustainability Reporting Framework which comprises the Sustainability Reporting Guide and six (6) supporting toolkits, and the GRI Sustainability Reporting Guidelines. The report covers the sustainability journey of the Group over the past financial year, from 1st April 2020 to 31st March 2021, with historical data from previous years for comparison, where available and relevant. Any significant changes beyond the reporting period will be covered in the following year’s publication.

The scope of this report covers the sustainability related targets, achievements and various initiatives carried out in the financial year 2021, unless otherwise specified, and covers the entire Group’s operations covering Malaysia and Indonesia. The Group strives to provide its stakeholders with an overview of the Group’s strategies and progress made in meeting its sustainability commitments, of which this report was prepared based on key sustainability issues discussed through the annual review of materiality aspects, management meetings and stakeholder engagement activities.

The Group believes that external assurance adds credibility and transparency to the report, and will move towards improving its data reporting and embrace additional external assurance in the future. Significant data and practices were externally verified during the third-party sustainability audits carried out in the Group’s operations. The reported sustainability data was also verified by Internal Audit.