

JAWALA INC.

SUSTAINABILITY REPORT 31 JULY 2019

This sustainability report has been prepared by Jawala Inc. (the “**Company**”) and its contents have been reviewed by UOB Kay Hian Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the accuracy, completeness or correctness of any information, statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, and telephone (65) 6590 6881.

BOARD STATEMENT

The Board of Directors (the “**Board**”) is pleased to present the inaugural Sustainability Report of Jawala Inc. (the “**Company**”) for the financial year ended (“**FYE**”) 31 July 2019. This report is prepared in line with the sustainability reporting requirements of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual. In this report, we share a description of our existing policies, approaches and initiatives towards sustainability, with focus on environmental, social and governance (“**ESG**”) topics that are considered material to the Company and its subsidiary (collectively, the “**Group**”) and our key stakeholders.

We aim to improve our sustainability practices continuously to better support our business strategies, and to explore constructive learning opportunities for sustainability on an on-going basis.

SCOPE OF THIS REPORT

Reporting Boundaries and Standards	<p>The Report is prepared as guided by the international reporting framework, Global Reporting Initiative ('GRI') Standards:</p> <ul style="list-style-type: none"> • Materiality: Focusing on issues that impact business growth and are of utmost importance to stakeholders, • Stakeholder Inclusiveness: Responding to stakeholder expectations and interests, • Sustainability Context: Presenting performance in the wider context of sustainability, and • Completeness: Including all information that is of significant economic, environmental and social impact.
Reporting Period and Scope	This report covers data and information from 1 August 2018 to 31 July 2019
External Assurance on this Report	This report has not been audited by external auditors. We will consider seeking external assurance for our future sustainability reports when the need arises.

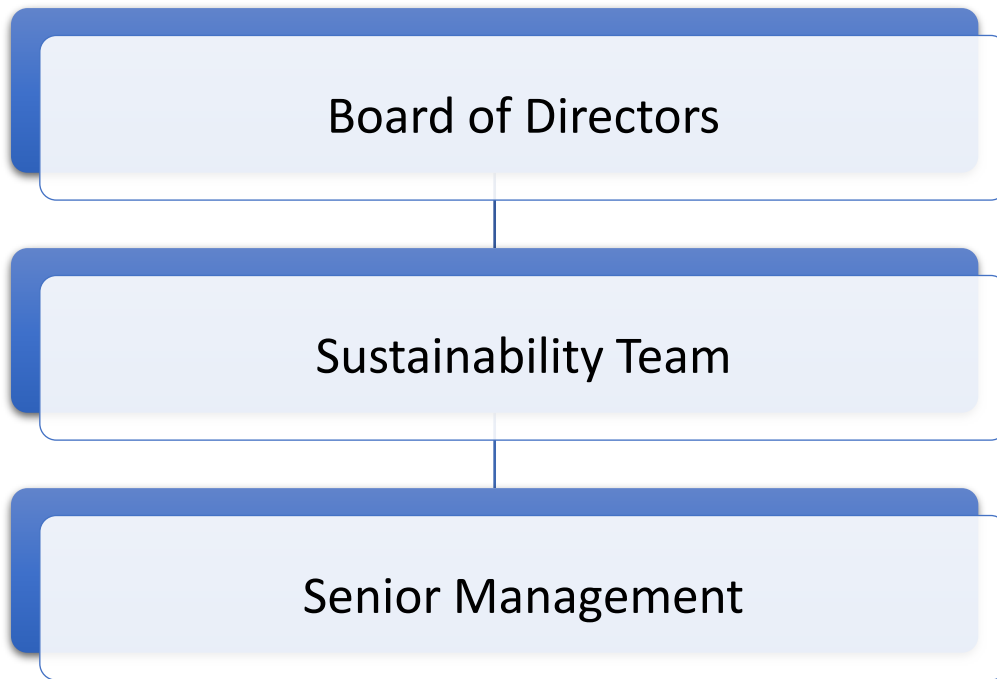
OUR SUSTAINABILITY APPROACH

SUSTAINABILITY GOVERNANCE

Our organisation-wide sustainability agenda is the “Replanting Sabah’s Forests for Future Generations”, led by a team comprising certain senior management and key executives of the Group who assist the Board in overseeing the sustainability reporting. The team initiates, drives, and monitors various aspects of the Group’s sustainability practices, ensuring effective integration of ESG initiatives into the business operations and corporate objectives.

The Board is entrusted with the responsibility of overseeing the business and corporate affairs of the Group, including sustainability. The Board has considered sustainability issues as part of its strategic formulation and determined the ESG factors which are material to the Group for reporting. The Board is assisted by a team comprising certain senior management and key executives of the Group who review, assess and make recommendations to the Board on sustainability matters. This includes identification, management and monitoring of the material ESG factors.

The Board of Directors and senior management determined material topics which have the greatest economic, environmental and social impact. The Board also reviews and approves the Company’s sustainability report.



STAKEHOLDERS' ENGAGEMENT

The Group has taken steps to understand the needs and expectations of our key stakeholders and strive to build mutually beneficial relationships. The Group engaged our stakeholders in the following ways:

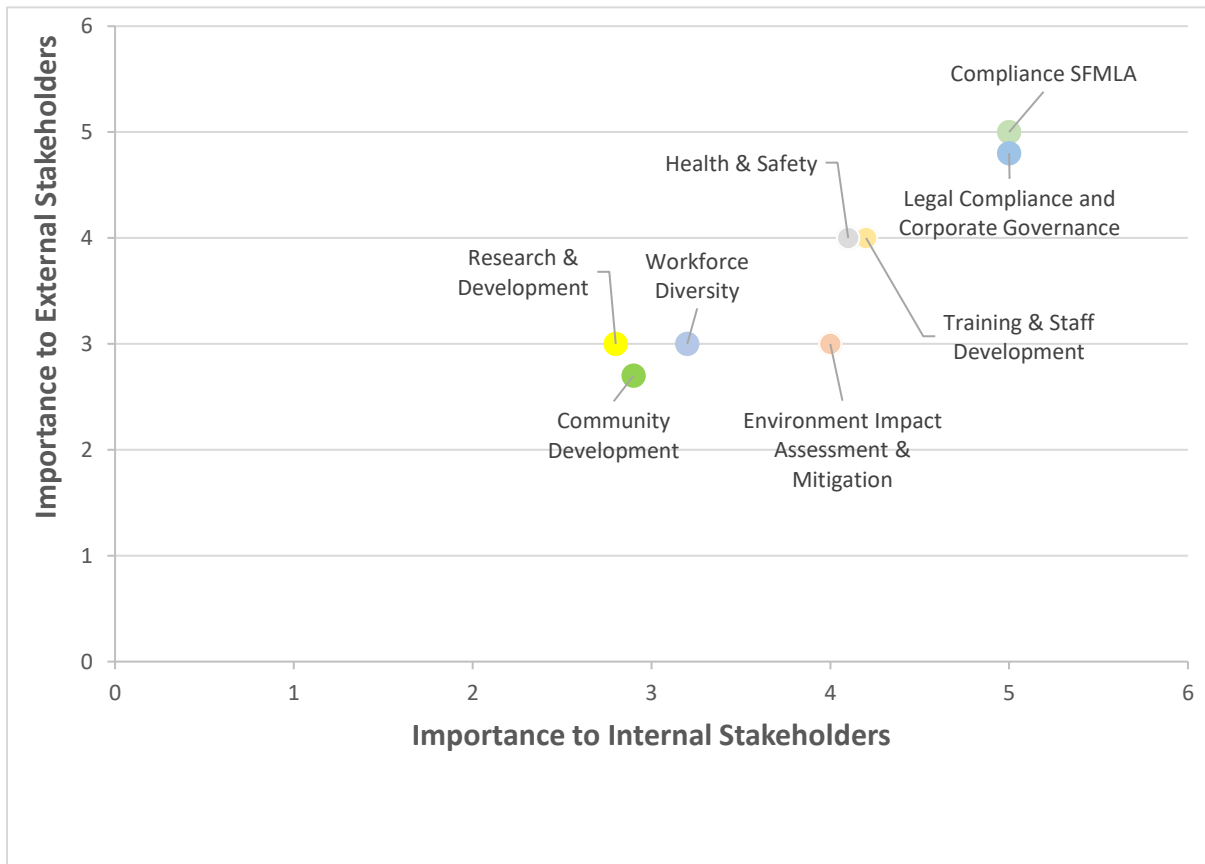
- **Shareholders:** Annual general meetings, websites, corporate and SGX-ST announcements
- **Government and Regulators:** Consultations and seminars organized by regulatory bodies, advice and information from professionals e.g.; sponsors and regular liaison with The Sabah Forestry Department to comply with their regulatory requirements
- **Employees:** Communication, training, briefings, regular staff performance appraisals
- **Suppliers:** Suppliers' assessment and feedback
- **Customers:** Meetings and feedback

MATERIALITY SUSTAINABILITY MATTERS

Our material sustainability matters are determined on the materiality matrix taking into account the risks and impact on the internal and external stakeholders. The Senior Management reviewed, identified and prioritised 4 key sustainability matters, namely, Compliance with SFMLA; Environmental Impact Assessment and Mitigation; Research and Development; and Health and Safety, based on their importance to our stakeholders and the sustainability impact to our businesses.

Our Materiality Matrix

ESG factors of priority is at the top right-hand corner item ① to ④ because they are highly relevant to the stakeholders and significant to the business.



- ① Compliance SFMLA – E
- ② Legal Compliance and Corporate Governance – G
- ③ Training and Staff Development – S
- ④ Health and Safety - S
- ⑤ Environmental Impact Assessment and Mitigation - E
- ⑥ Workforce Diversity - S
- ⑦ Research and Development - E
- ⑧ Community Development - S

<p>E = Environment S = Social G = Governance</p>
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This is our first year of reporting and we recognise the improvement required for sustainability reporting. Data collection and reporting for each of the sustainability matters are being improved for better reporting in the future. In this FY2019, we summarise key sustainability targets in the table below:

Key Sustainability Highlights – Targets and Achievements

Sustainability Matters	2019 achievement	Targets - 2020
<ul style="list-style-type: none"> • Environmental Impact Assessment and Mitigation • Compliance with SFMLA 	<ul style="list-style-type: none"> • Forest silviculture - 94% • Replanting - 392 hectares • 100% Complied 	<ul style="list-style-type: none"> • Forest silviculture – 96% • Replanting – 984 hectares • 100% Complied
Research and Development	Replanted close to 357,000 seedlings	Replanting – 427,000 seedlings
Workforce Diversity	<ul style="list-style-type: none"> • Board – 30% Female • Employee Gender: 32% F: 68% M 	<ul style="list-style-type: none"> • Board – 30% Female • Employee Gender: 35% F: 65% M
Health and Safety	LTI – No major incident*	LTI – No major incident

Legend:

F- Female

M – Male

*- LTI: Lost Time due to Injury defined as a major incident involving fatality or injuries to workers require hospitalisation and workers to stop work for more than 4 days.

For this year, each of the specific sustainability matters is explained in detail in the following sections.

MATERIAL ESG FACTORS

ENVIRONMENT

Under the environment material matters, we focus our efforts relevant to our business operation – forest plantation. Key material sustainability matters relevant to forest plantation are:

ENVIRONMENTAL IMPACT ASSESSMENT AND MITIGATION

Being a forest resource company, the principles of sustainable forest management are:

- protection forest reserves, wildlife reserves, virgin jungle reserves etc.
- protection of riparian reserve.
- not to discharge any toxic chemicals into the river which is liable to cause pollution.
- no illegal logging, no hunting of wildlife, no fishing, explosives or poisons.

We achieve the principles by complying with Sustainable Forest Management License Agreement (“SFMLA”). Details of our compliance efforts are outlined in the compliance SFMLA section.

COMPLIANCE SFMLA

The Company is required to submit 10-year Plantation Development Programme as part of our Forest Management Plan (“FMP”). All plantation activities are conducted in strict compliance with the FMP and all standards pertaining to plantations in the SFMLA.

Practices to ensure the perpetuity of forest as natural resource include:

- precautionary measures to protect the forest from fire, encroachment and poaching including patrolling;
- planting, regenerating, harvesting, silvicultural treatments of residual stand and forest protection;
- observes the rules within the riparian reserve;
- recognizing the limitations on the capacity of the forest to produce a sustainable flow of products through schedule replanting;
- establish the goals and actions for managing the Commercial Class II Forest Reserves on an ecologically sustainable and economically substantiated basis.
- emphasis shall be placed on all aspects of forest management including silvicultural treatment and enrichment planting,
- Environmental Impact Assessment (EIA) is considered during the planning process to reduce the adverse environmental impacts.
- minimizing environmental impact through reduced impact logging and extraction of logs.

As part of our forest regeneration through replanting, the replanted areas will be curated, and site preparation is planned thoroughly. The site preparation includes under brushing and felling of remaining vegetation post salvage logging. All felled vegetation will remain on site, mechanically spread and crushed by excavators. Once the site cleared and crushed, the site will be treated to suppress weed growth prior to planting.

To facilitate the planning and implementation of site preparation operation and planting, each site is compartmentalised, and each compartment is divided into smaller blocks in sizes of 10 – 40 hectares. This will ensure site clearing and planting can be carried out systematically and concurrently, in a phased approach to reduce bare-soil exposure.

During the year, we achieved the following:

- Achieved 94.5% of silviculture treatment for forest concession under our management, representing almost 659 hectares.

Forest
Silviculture



- Replanted 392 hectares with 4 major seedlings suitable for forest regeneration

Replanting



RESEARCH AND DEVELOPMENT

The Group conducted its research and development in terms of developing most productive and strong seedlings for various type of trees for replanting. Our efforts include establishing germination house to ensure most suitable condition for the seedlings to grow and finding the best method for propagation techniques.

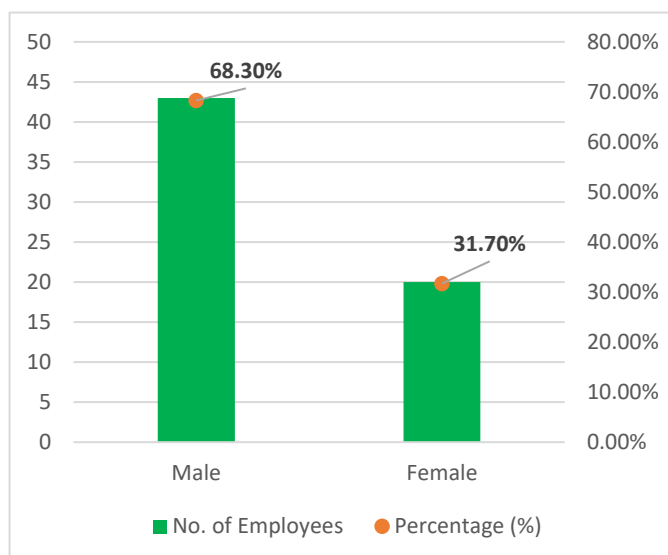
We germinated and successfully produced a total of almost 357,000 seedlings for replant in our forest concession. The seedlings include type from Laran (Local), Laran Merah, Albizia Falcataria, Eucalyptus pelita and E. Pelita.



SOCIAL

WORKFORCE DIVERSITY

We have 63 employees as at 31 July 2019. Our Group takes an active role in succession planning and work towards creating a diverse workforce as regard to age, gender and ethnic diversity. One third of our Board members are women and 50% of our Board members consist of independent directors.



Our employee comprising of 68% male: 32% female. We include women in all our recruitment processes and women candidates are open to all designation.

Due to our nature of dealing with forest areas which are located in rural areas, our female employees are mostly in the area of administration and office-based, although we do have operational female staff handling seedlings and research & development.

The Group has taken appropriate steps to employ Malaysian Bumiputras in line with the country's national policy. Among the

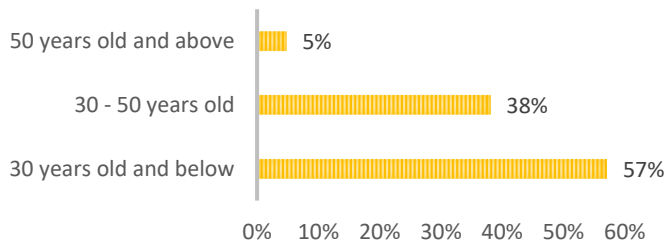
steps taken include:

- Training and instruction shall be both on the job and in educational or professional institutions in Malaysia or abroad so as to develop capabilities of local staff and to transfer the technical and managerial skills.
- Equal right shall be accorded at all times to all employees in the same job classification regardless of race and religion.
- Adequate insurance cover for its employees and third parties' liability.
- Adequate housing and medical facilities for the employees. The Camp Clinic was setup in 2019.
- Adequate Occupational Safety and Health (OSH) committee was set up to create awareness and conduct training to protect the health and safety of its' employees. All accident incidences have to be reported to the OSH committee immediately with action plan.
- Establish educational institutions in conjunction with the Education Department.

Our Employee Age Profile as at 31 July 2019

We have a young employee profile with our employees aged 50 and below representing almost 95% of our employees. This youthful profile is due to challenging and labour-intensive environment particularly working in the remote forest areas. In addition, we want our young employees to grow with us.

AGE PROFILE - PERCENTAGE (%)



The diversity in term of our employee include our senior employees aged 50 and above, transferring their knowledge and experience and guiding our younger employees on the operational and strategic business areas.

TRAINING AND STAFF DEVELOPMENT

People are our assets. We recognise the contributions made by our people and encourage them to learn and develop new skills through trainings and skills development. During the FYE2019, we sent our people to 11 trainings with specialised topics ranging from health, safety, environmental monitoring to legal and workers rights.

On 20 June 2019, Jawala Inc. engaged Axcelasia, external trainer who conducted a whole day training on Corporate Liability and Sustainability Training to the Directors and Senior Management.



HEALTH AND SAFETY

The Group places emphasis on the health and safety aspects of our employees. Suitable personal protective equipment (“PPE”) are provided to our employees working in dangerous environment dealing with herbicides and suitable materials, equipment and emergency toolkit for employees working close to forest areas with probable natural wildlife.

A Health and Safety Committee was established to ensure that all aspects of health and safety were considered. A key parameter that we measure is Lost Time Injury (LTI). Lost Time Injury refers to any incidents that result in a fatality, disability or an employee missing work for more than 4 days due to an injury. Employees who return to work after sustaining an injury may also be counted as a Restricted

Work Injury if they are unable to completely perform their job duties as outlined in their job description. Also, only injuries deemed to be work related will count as a Lost Time Injury. We are pleased to report no major incidents occurred or zero LTI in the FYE2019.

COMMUNITY DEVELOPMENT WITHIN THE LICENSE AREA

The Group recognises the importance of the development of community where it operates. Our efforts include:

- Establishment of workplace for the community;
- Development of education and medical facilities;
- Provision of communication facilities;
- Adequate medical facilities at Camp Clinic with a nurse and a medical assistant whereby the community is allowed to use free of charge; and
- Active participation in the community development projects.

Jawala Inc, was one of the main sponsors of the Forum on the New Sabah, " New Challenges, New Realities, New Opportunities" held on 18 June 2019. The keynote speaker was YAB Datuk Seri Panglima Haji Mohd Shafie Bin Haji Apdal, Chief Minister of Sabah on Sustainable Development in Sabah.



On 21 June 2019, Jawala Plantation Industries Sdn Bhd, the sole subsidiary of Jawala Inc, had a Hari Raya open house at the Camp site and invited all the staff and their families.



LEGAL COMPLIANCE AND CORPORATE GOVERNANCE

Legal compliance and corporate governance have always been one of the top priorities of the Group. The decision-making process of the Group is strictly in line with legal and regulatory requirements, and in compliance with the Code of Corporate Governance and the regulations and guidelines issued by the State of Sabah Government in respect of the Sustainable Forest Management License Agreement (SFMLA).

ETHICS AND INTEGRITY

We promote an ethical “act with integrity” culture throughout the Group and seek to conduct our business in an ethical manner and in compliance with the best practices. All directors are required to complete and sign an annual declaration form declaring any direct or indirect interests and any interested party transactions in relation to the Group.

ANTI-CORRUPTION AND ANTI-FRAUD

The Group is committed to zero-tolerance policy to bribery and corruption, we have put in place monitoring and management control systems to detect bribery, fraud or other malpractices. We have also established a whistle-blowing policy for employees and other stakeholders to get direct access to our Audit Committee Chairman. By doing so, our employees and stakeholders can be assured that all reports or suspicions of potential breaches of our Code of Ethics, corruption and frauds are taken seriously by the Board. The whistleblowers can also be assured their identities are kept anonymous.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has put in place policies and procedures to ensure compliance with the relevant laws and regulations e.g. the Listing Rules of SGX-Catalist Rules, SFMLA and Personal Data Protection Act (“PDPA”) etc.

ENTERPRISE RISK MANAGEMENT (“ERM”)

We recognize the importance of risk management and how business risks may adversely affect the Group’s financial and operating performance. The Group has implemented an ERM system and performed at least half yearly risk refresher exercise to identify, assess and manage the top five risks. The outsourced internal auditor is engaged to independently carry out a yearly risk re-assessment and update risk profiles and risk registers. While it is the responsibility of the Audit Committee, as delegated by the Board of Directors, to oversee the effectiveness of the system of risk management and internal controls, the core function of the ERM framework remains with the Senior Management.

1. Sustainability Report mapping to GRI

a. Mapping GRI Content Index – Core Option

	GRI STANDARD	DISCLOSURE	REFERENCE
GENERAL DISCLOSURES	102-1	Name of the organisation	Jawala Inc.
	102-2	Activities, bands, products and services	Annual Report 2019: Pg. 1
	102-3	Location of headquarters	Lot 2-10 & 2-11, Pusat Komersil, Latitud 6, 88300 Kota Kinabalu, Sabah
	102-4	Locations of operations	At Camp – Annual Report 2019: Pg.1
	102-5	Ownership and legal form	Pg. 2-3
	102-6	Markets served	Sabah, East Malaysia
	102-7	Scale of the organisation	Pg. 8
	102-8	Information on employees and other workers	Pg. 8-9
	102-9	Supply chain	Not applicable
	102-10	Significant changes to the organisation and its supply chain	Not applicable as first time reporting
	102-11	Precautionary principle or approach	Not applicable
	102-12	External initiatives	Not applicable
	102-13	Membership of associations	Not applicable
	102-14	Statement from senior decision maker	Pg. 3
	102-18	Governance structure	Pg. 3
	102-40	List of stakeholder groups	Pg. 3
	102-42	Identifying and selecting stakeholders	Pg. 3 – 4
	102-43	Approach to stakeholder engagements	Pg. 3 - 4
	102-44	Key topic and concerns raised	Pg. 5
	102-45	Entities included in the consolidated financial statements	Annual Report 2019: Pg.83
102-46	Defining report content and topic boundaries	Pg. 2	
102-47	List of material topics	Pg. 4	
102-48	Restatements of information	Not applicable as first time reporting	

	GRI STANDARD	DISCLOSURE	REFERENCE
	102-49	Changes in reporting	Not applicable as this is first reporting
	102-50	Reporting period	1 August 2018 to 31 July 2019
	102-51	Date of most recent report	Not applicable as first time reporting
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Lot 2-10 & 2-11, Pusat Komersil, Latitud 6, 88300 Kota Kinabalu, Sabah
	102-54	Claims of reporting in accordance with the GRI Standards	Pg. 2 This report is guided by GRI Standards (Core Option)
	102-55	GRI content index	Pg. 13 – 15
	102-56	External assurance	The Company may consider seeking external assurance in the future.

b. Mapping GRI Content Index – Specific Topics

	GRI STANDARD	DISCLOSURE	REFERENCE
MATERIAL TOPICS	Economic Performance		
	203-2	Significant indirect economic impact	Not applicable
	205-1	Operations assessed for risks related to corruption	Pg. 11
	Environment		
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Pg. 5 – 7
	304-3	Habitats protected or restored	Pg. 5 – 7
	305-2	Energy indirect (Scope 2) GHG emissions	Pg. 5 – 7
	307-1	Non-compliance with environmental laws and regulations	Pg. 5
	Employment		
	401-1	New employee hires and employee turnover	Pg. 8 – 9
	Occupational Health and Safety		
	403-9	Work-related injuries	Pg. 9 -10
	Diversity & Equal Opportunity		
	405-1	Diversity of governance bodies and employees	Pg. 5 & Pg. 8 – 9
	Local Communities		
	413-1	Operations with local community engagement, impact assessments, and development programs	Pg. 10
419-1	Non-compliance with laws and regulations in the social and economic area	Pg. 11	