

PEOPLE. PLANET. PROGRESS:

Our ESG Year in Review



2024

INTEGRATED WOOD PROCESSING SDN BHD

ESG REPORT 2024

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(1) EXECUTIVE SUMMARY

At Integrated Wood Processing Sdn Bhd (IWP), we are dedicated to foster a sustainable, ethical and responsible business environment. Our commitment to Environmental, Social and Governance (ESG) principle is integral to our mission and values. As a manufacturer of timber products, we recognize the importance of minimizing our environmental impact, promoting the well-being of our employees and local communities and ensuring robust governance practices.

Our ESG goals are :

- *Environmental*: Reducing our carbon footprint, ensuring responsible sourcing and advancing sustainable manufacturing practices.
- *Social*: Promoting a safe and inclusive workplace, supporting community development and ensuring the well-being of our employees.
- *Governance*: Strengthening corporate transparency, ethical business practices and stakeholder engagement to ensure responsible management.

We are committed to be aligned with international sustainability standards, such as Sabah TLAS (Timber Legality Assurance System), PEFC (Programme for the Endorsement of Forest Certification), maintain the obtained compliance certificate and continually improving our practices to achieve long-term positive outcomes for the environment, society and our stakeholders.



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(1.1) COMPANY PROFILE

Integrated Wood Processing Sdn Bhd is a timber manufacturing company incorporated in Malaysia in 2018. The company specializes in producing timber products and operates a timber processing facility in Tawau, Sabah. IWP is dedicated to sustainable practices, innovation and maintaining high manufacturing standards to meet the global demand for quality timber products.

The manufacturing facility in Tawau covers 13 hectares and is equipped with modern machinery. Its strategic location near key sources of raw materials ensures a consistent and sustainable supply of timber. The facility is designed to support efficient processing, rigorous quality control and compliance with relevant standards, supporting the company's goal of responsible and reliable timber production.

As a company, IWP continues to prioritize growth, expanding our footprints in global markets while maintaining a strong focus on quality, sustainability and customer satisfaction. With clear goals of innovation and long-term environmental responsibility, the company is well-positioned for sustained success in the global timber product market.

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(2) RISK, OPPORTUNITIES & MANAGEMENT ACTION PLANS

Table 1: Risk, opportunities & action management plans

Material Topics	Risks	Opportunities	Impact to key stakeholder	Management Approach
Environment				
Energy	<ul style="list-style-type: none"> - Interruptions of energy supplies. - Energy cost volatility. 	<ul style="list-style-type: none"> - Discover the advantage of renewable energy to generate electricity 	SESB	<ul style="list-style-type: none"> - To launch an energy-saving campaign. - Wood waste is fully reused to generate energy providing steam for the kiln dry chamber, dryer and hot press machine.
Water & Effluents	<ul style="list-style-type: none"> - Rain-wash of effluents into nearby river 	<ul style="list-style-type: none"> - Proper management of drainage system 	EPD	<ul style="list-style-type: none"> - Ensuring the drainage clean & free from foreign materials
Emission	<ul style="list-style-type: none"> - Potentially affecting public health - Penalty by the relevant authority 	<ul style="list-style-type: none"> - Proper chimney management 	Local community	<ul style="list-style-type: none"> - Regularly monitor & maintain gas & dust emission from chimneys to ensure compliance with allowable standards.
Waste management	<ul style="list-style-type: none"> - Pollution of air, water & soil 	<ul style="list-style-type: none"> - Proper waste management practices to reduce, recycle & dispose 	EPD	<ul style="list-style-type: none"> - Record & report all waste to be disposed & reused. Kept update in E-SWIS system - Ensure compliance with the relevant regulations
Social				
Employment	<ul style="list-style-type: none"> - Shortages of worker with specific expertise - Violation of labour laws 	<ul style="list-style-type: none"> - Effective talent management 	Local community	<ul style="list-style-type: none"> - To recruit, provide training, retain potential & performing employees - To prioritize hiring of local employees - Raise awareness about key labour laws, regulations and treaties

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Human Rights	<ul style="list-style-type: none"> - Discrimination - Forced Labour - Child Labour - Lack of freedom of Association & Collective bargaining 	<ul style="list-style-type: none"> - Clear employment policy & commitment 	JTK, Employees, Labour union	<ul style="list-style-type: none"> - Establishment of clear company policy - Raise awareness among employees - Implement proper grievance mechanisms - Conduct monitoring & social studies - Support the in-house workers union
OSH	<ul style="list-style-type: none"> - Accidents & injuries result in regulatory penalties 	<ul style="list-style-type: none"> - Clear policy commitments on OSH 	Employees	<ul style="list-style-type: none"> - Strengthening OSH practices. - Effective training program - Upskilling OSH capability
Training & Education	<ul style="list-style-type: none"> - Potentially lead to waste of resources & financial loss due to lack of awareness & competency 	<ul style="list-style-type: none"> - Effective structure on training & development programs. 	Employees	<ul style="list-style-type: none"> - Implementing Deming cycle (Plan- Do- Check- Act cycle) for continuous improvement and better learning outcomes.
Governance				
Policy commitments	<ul style="list-style-type: none"> - Inadequate communication & training 	<ul style="list-style-type: none"> - Demonstrate a strong & transparent commitment towards relevant laws, regulations & international treaties 	All stakeholders	<ul style="list-style-type: none"> - Adopt an effective communication strategy for management and all workers - Comprehensive training to ensure employees aware, fully aligned and engaged.
Supply chain traceability	<ul style="list-style-type: none"> - Lack of traceability & risk of illegal raw materials sourcing 	<ul style="list-style-type: none"> - Digitalized supply chain traceability system 	Employees	<ul style="list-style-type: none"> - Proper record maintained to enable end-to-end traceability, from log harvesting, delivery to company factory, manufacturing process into finished products

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(2.1) ESG PERFORMANCE & TARGETS

Table 2: IWP's ESG Performance 2024 and Target of 2025

Material Matters	Performance of 2024	Target for 2025
Environment		
Energy	- IWP reuse wood waste to generate team energy for required operation	- To reduce diesel consumption - To reduce electricity usage
Emission	- Gas & dust emission loads fall below the allowable limit of 150mg/Nm3	- To maintain gas & dust emission loads below the allowable limit of 150mg/Nm3
Waste Management	- Wood waste from production 100% reused as biomass	- To manage and reduce glue waste from production activities - Dust compressed into briquette and reused as biomass
Environment Compliance	- Zero non-compliance to environmental regulatory - Zero fined imposed by EPD	- To maintain zero case of non-compliance - To maintain zero fined imposed by EPD
Social		
Employment	- Employee turnover rate at 33% - Local employees at 25%	- To reduce employee turnover rate - To increase local employees
Diversity & Equal Opportunities	- 43% female employees - 57% male employees - Zero record of violation	- To maintain zero record of violation
Forced Labour	- Zero record of violation	- To maintain zero record of violation
Child Labour	- Zero record of violation	- To maintain zero record of violation
Freedom of Association & Collective Bargaining	- KSIWP in-house workers union officially established on 12 Nov 2024	- To achieved zero record of violation
Occupational Health & Safety	- Zero case of non-compliance to OSH regulatory - Zero case of fatalities	- To maintain zero case of non-compliance to OSH regulatory - To reduce accident case and severity rate
Governance		
Policy commitments	- Anti-bribery & Anti-corruption Policy, 2022 - Sustainable & Chain of Custody (CoC) Management Commitment Policy, revised 2022 - Employment Policy, 2022 - Occupational Safety & Health Policy, 2021	- To maintain zero violation cases

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Grievance mechanism	- In March 2024, grievance mechanism & <i>Peti Aduan</i> were officially implemented	- Ongoing enhancement to maintain effectiveness and ensure responsiveness
Compliance with Laws & Regulation	- Zero non-compliance to relevant applicable regulatory	- To maintain zero case of non-compliance towards relevant applicable regulatory
Supply Chain Traceability	- A total of 80.38% of timber procured is certified under FSC, PEFC and Sabah TLAS. - FSC: 14.39% - PEFC: 7.55% - IWP shipped Sabah's first EUDR compliance plywood export to Europe in September 2024	- To increase the procurement of certified timber and maintained the traceability record. - Progressing towards a digital traceability system to ensure compliance with EUDR and enhance operational efficiency
Sustainability & Legality Certification	- PEFC CoC certification maintained - Sabah TLAS certification maintained	- To maintain certification and pass the annual surveillance audit
Quality Assurance Certification	- Obtained UKAS & CE certifications marking in 2024, besides holding JAS, CARB and US EPA since 2019	- To maintain all certifications and pass the annual surveillance audit

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(3) GOVERNANCE

At IWP, we believe that strong governance is the cornerstone of long-term sustainability and value creation. As a manufacturer of timber products, we understand that the importance of transparency, ethical practices and accountability in building trust with our stakeholders. Our governance practices are designed to ensure the integrity of our operations, compliance with regulatory requirements and alignment with the highest standards of corporate responsibility.

Our Board of Directors are central to our governance framework, providing strategic oversight and ensuring that our business practices are aligned with our long-term sustainability objectives. Our executive team lead by the CEO, is responsible for the day-to-day management of the company and the implementation of the BOD's strategic directives. The team ensures that governance practices are integrated across all levels of the business and work closely with the directors to monitor performance against our ESG goals.

(3.1) Stakeholder engagement

Our approach focuses on fostering transparent, collaborative relationship with key industry stakeholders, customers, local community, government agencies and regulatory bodies to support sustainable forest management and promote responsible business practices.

Table 3: IWP's Key stakeholder engagement

Key Stakeholders	Areas of Interest	Engagement Methodology	Frequency of Engagement
Community	Corporate social responsibility	Donations	On-going
	Employment opportunities	Advertisement at various media for locals	As needed
Government	Compliance	Attend seminars on related regulatory issues	On-going
	Labor practice	Active engagements with related government department	On-going
	Environmental impact	Monitoring visit by agency	Annually
Employees	Career development	On-job training	As needed
	Employee welfare & occupational safety & health	Association & collective bargaining	On-going
Supplier	Due Diligence	Visit & discussion with supplier	As needed
	Service delivery & procurement documents	Purchasing contract, etc.	On-going
	Services & Product quality	Correspondences	On-going
Customers	Product quality	Correspondence	On-going
	Compliance with relevant regulations, sustainability certification & quality standard	Continuous engagement with customers for better customer experience	On-going
Other	Timber Industry associations	Meeting & discussion	On-going
	3th Party Auditor	Surveillance audit	Annually

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In 2024, IWP strengthened its engagement with relevant government statutory bodies, departments and authorities, such as the Sabah Forestry Department. Through ongoing dialogue and active participation, we work closely with these institutions to align our operations with state and national forest policies, legal frameworks and international sustainability standards. These collaborations support our goal of responsible forest sustainability and governance and contribute to long-term ecosystem conservation and community well-being.

To contribute to the collective advancement of sustainable forestry and timber industries, IWP is an active member of several key industry associations. These include:

- Sabah Timber Industries Association (STIA)
- Timber Association of Sabah (TAS)
- The Malaysian Panel-Products Manufacturers' Association (MPMA)
- Malaysian Wood Moulding & Joinery Council (MWMJC)
- Malaysian Timber Association (MTA) – through STIA

By joining these associations, IWP engages in industry-wide discussions, shares best practices and support initiatives aimed at improving sustainability, market access and ethical standards across the timber industry. Our involvement ensures that we stay informed on emerging trends, regulatory developments and stakeholder expectations while contributing to the resilience and future viability of the industry.

Through these associations, IWP able to engage with national statutory bodies such as Malaysia Timber Council (MTC) and the Malaysia Timber Industry board (MTIB), offering relevant industry knowledge and perspective when needed.

(3.2) Policy & Commitments

IWP is committed to maintain ethical standards across operations, recognizing that responsible conduct supports long-term progress. We strive to operate in accordance with relevant laws, regulations, international treaties and established industry practices. Our code of conduct plays a central role in shaping a culture of integrity and responsibility, applying equally to all employees from top management to the production floor.

Recognizing the potential risks associated with ethical non-compliance, including reputational damage, legal consequences and internal misconduct, we have taken proactive measures to safeguards our values. These include the implementation of clear policies, comprehensive ethics training programs and regular internal audits to ensure consistent adherence to our standards.

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Our policy framework is reviewed and updated regularly to remain aligned with changes in national legislation, regulatory requirements and international treaty obligations, ensuring that our commitment to ethical conduct remains current and robust

(3.3) Grievance Mechanism

To promote culture of openness and accountability, we have established a confidential whistleblowing mechanism that allows employees and stakeholders to report any concerns regarding unethical behavior, legal violations or company policy breaches.

During the reporting period, no formal whistleblowing reports were recorded. However, IWP remained proactive in maintaining open channels for ethical reporting and concerns. Any informal concerns raised were promptly addressed.

There were also zero instance of retaliation against individuals who may have raised concerns or sought clarification regarding potential misconduct. This reflects our ongoing commitment to foster a safe and supportive workplace culture where employees feel empowered to speak up without fear of reprisal.

(3.4) Product Quality Assurance

Maintaining product standard is a core priority at IWP. During the reporting period, one customer reported related to product quality. The issue was promptly investigated and appropriately resolved in line with our quality management procedures.

The minimal number of quality-related report reflects the strength of our internal controls, inspection processes and commitment to continuous improvement. We treat all feedback as a valuable opportunity to further strengthen our systems and uphold customer satisfaction.

At IWP, our commitment to product quality is supported by the achievement and maintenance of internationally recognized quality assurance certification, as outlined in the table below. These certifications demonstrate our efforts to align with global industry standards in areas such as product performance, environmental safety and manufacturing practices.

Table 4: List of IWP's quality assurance certifications achievement

Quality Assurance Certification Achieved	Date of Achieved
JAS	05/03/2019
CARB	22/02/2019
US EPA	22/02/2019
BS1088 MARINE PLYWOOD	03/10/2022
UKAS	07/02/2025
CE	07/02/2025

As part of our commitment to continuous improvement, we regularly review and audit our processes to uphold full compliance and adapt to the evolving international standards. This approach positions us as a reliable, responsible and forward-thinking manufacturer within the timber industry.

(3.5) Risk Management

At IWP, we recognize that risk management is a critical component of sustainable and responsible business operations, particularly in the wood manufacturing sector where sustainability, environmental, social and governance challenge are increasingly complex. Our risk management process is not static, it evolves continuously to reflect shifts in regulations, industry standards, stakeholder expectations and global sustainability demands.

We maintain a proactive approach to identify, assess and mitigate a broad range of ESG-related risks. These include environmental risks such as deforestation, illegal logging and climate change; social risks including labor rights, worker safety and community relations; and governance risk such as regulatory compliance, business ethics, data security and supply chain accountability. These risks are managed across all levels of our organization, with regular engagement from our operational teams and strategic oversight by our Board of Directors.

In preparation for the EU Corporate Sustainability Due Diligence Directives (CS3D), we have initiated a transition and action plan to strengthen our risk-based due diligence processes. This includes mapping human rights and environmental risks across our value chain, enhancing traceability mechanisms and integrating responsible business conduct into our procurement and operational decision-making.

(3.6) Supply Chain Management & Traceability

At IWP, we are in the early stages of implementing due diligence in our supply chain. While we do not expect all of our suppliers, particularly micro-SMEs, to fully comply right away, we are taking important steps towards improvement. Our goal is to gradually build a more responsible supply chain, starting with actions that move us in the right direction.

In 2024, IWP procured 80.38% of our round log from FSC, PEFC and Sabah TLAS certified round log suppliers. These certifications ensures that the materials we source meet strict environmental, legal and sustainability standards. We shall continue to work closely with our round log suppliers to increase the share of certified materials in our operations, strengthening our impact on sustainability, traceability, forest and environmental conservation and ethical business practices.

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Furthermore, IWP has taken significant steps to embed EU Deforestation-free Regulation (EUDR) compliance into our corporate governance framework. Recognizing the importance of regulatory alignment and ethical sourcing, IWP has prioritized due diligence, transparency, traceability and accountability across its operations.

On 29 September 2024, IWP successfully exported our first shipment of EUDR-compliant plywood – also marking as Sabah’s first container of such plywood to Europe.

A structured Due Diligence System (DDS) was developed and implemented to meet EUDR requirements, including procedures for supplier risk assessments, geolocation tracking, document verification, and risk mitigation actions. The company’s actions serve as a foundation for long-term risk management and stakeholder trust.

By proactively aligning our governance practices with EUDR obligations, IWP not only ensures continued market access in the EU but also demonstrates broader commitments to sustainable forest, legal compliance and ethical operations to other international markets.

IWP has placed a strong emphasis on developing a robust chain of custody (CoC) and traceability framework. This system ensures that every step in the journey of round logs from harvesting forest and delivery process to final product is verifiable, traceable, legal and aligned with environmental best practices.

The CoC system at IWP tracks round log materials through each stage of the supply chain, including harvesting, transport, processing, manufacturing and export. This system is aligned with globally recognized standards such as Sabah TLAS, FSC and PEFC, which require strict documentation and segregation of certified materials.

We shall enhance the ability to manage risks, safeguards ecosystems and operate responsibly by putting resources into secure and transparent chain-of-custody systems, along with advanced information technology and digital gadgets for tracking the origin and movement of forest and timber products. These investments help the company ensure legal compliance, promote sustainable practices and support ethical forestry and timber processing operations.

(4) ENVIRONMENTAL

At IWP, our environmental initiatives are strategically guided by the principles of the Sustainable Developments Goals (SDGs), reflecting our commitment to long-term ecological sustainability and responsible industrial growth.

(4.1) Sustainable Sourcing

We are committed to source our raw materials responsibly. Since 2019, IWP has obtained the PEFC CoC and Sabah TLAS certifications, which demonstrate our commitment to ensure that round logs used in our manufacturing process is legally harvested and sourced from sustainable managed forest.

To uphold the integrity of our certified products, we implement strict controls to prevent any contamination of our PEFC-certified materials with other materials. We take pride in the fact that our product claims are based on the use of 100% PEFC certified timber, reinforcing our dedication to sustainability and traceability throughout the supply chain.

The PEFC CoC certification provides full traceability of timber throughout our supply chain from the forest to the final product ensuring that the material we use complying international standards for sustainability and legality. Meanwhile, the Sabah TLAS certification confirms our compliance with state regulations and reinforces our commitment to transparency, legal sourcing and responsible forest management practices within Malaysia.

We also take measures to ensure that the timber species we use are not listed under CITES, thereby avoiding the use of protected or endangered species in our products. Our commitment to certified sustainable sourcing not only supports responsible production but also contributes to the preservation of biodiversity and the sustainable management of forest ecosystems. This aligns closely with SDG 15: Life on Land, reinforcing our role in promoting forest conservation and sustainable land use.

To ensure the effectiveness and integrity of our sustainable sourcing practices, employees at all levels are provided with regular training on certifications requirements, chain of custody (CoC) procedures and responsible sourcing protocols. This continuous learning approach ensures that everyone understands their role in upholding environmental standards, while also cultivating a strong culture of accountability across the organization.

To further reinforce compliance and drive continual improvement, regular internal audits are carried out, supported by scheduled third party surveillance audits. These assessments allow us to monitor performance, identify potential gaps and implement corrective actions where

necessary, ensuring that our operations consistently meet both regulatory and certification standards.

(4.2) Material Innovation

Material innovation plays a vital role in reducing our environmental footprint and advancing sustainable manufacturing. In 2024, we introduced the use of GPF (Greener Phenol Formaldehyde) bio-phenol resin in our product, a new-generation resin that replace approximately 50% of conventional phenol with renewable, plant-based materials. This transition supports our move away from fossil-derived chemicals, contribute to global reduction of carbon emissions and promote the use of more sustainable consumable materials.

The adoption of GPF resin aligns with SDG 9: Industry, Innovation and Infrastructure, by showcasing our commitment to modernize our production processes with low-impact alternatives. It also reflects the principles of SDG 12: Responsible Consumption and Production, as we prioritize renewable inputs and reduce the environmental burden associated with traditional fossil-derived resin products.

In addition to material innovation, we maintain a strong focus on product safety and quality. Our plywood products meet the Japanese Agricultural Standards (JAS), a benchmark for mechanical strength and structural performance. Furthermore, our adherence to CARB and U.S. EPA formaldehyde emission standards ensures our products support healthier indoor air quality, contributing to safer living and working environments.

These advancements demonstrate our commitments not only to innovation and compliance but also to meaningful climate action under SDG 13. By choosing safer, greener materials and meeting stringent environment criteria, IWP continues to deliver products that are both high in quality and low in environmental impact.

(4.3) Research & Development

We believe that the future of the wood industry depends on the sustainable management of plantation forest resources. To support this vision, we actively engage in collaborative initiatives and research partnership that contribute to the long-term sustainability and productivity of the plantation forestry sector.

One of our key partnerships is with the Sabah Forestry Department, where we work together to strengthen the role of smallholders in forest plantation programs. By involving local communities and independent forest plantation companies, we help promote inclusive and responsible forestry development, contributing to rural livelihoods while encouraging the

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adoption of best practices in plantation forest management. This initiative not only supports economic resilience among smallholders but also helps increase the supply of legally and sustainable cultivated plantation timber.

In addition, IWP collaborates with Universiti Putra Malaysia (UPM) to drive research in development of plantation timber products manufactured by using Sabah forest-plantation timber species. We are engaged in research focused on determining the physical and mechanical properties, durability of such plantation timber products, exploring opportunities for value-added plantation timber product development. Through this research, we are contributing to the advancement of scientific knowledge and innovation in sustainable forestry, an essential step in addressing the growing global demand for wood products, thereby reducing undue pressure on harvesting of natural forests.

This collaboration also offers significant benefit to IWP staff who are involved in the R&D project, offering them valuable exposure to academic and scientific research activities, technical knowledge and skill development. Through continued research, knowledge sharing and stakeholder engagement, IWP remains committed to play an active role in shaping a more responsible and resilient sustainable forestry sector – one that balances environmental protection with economic opportunity.

(4.4) Emission

IWP has engaged Hypergreen Instruments Sdn. Bhd. to perform Stack Emission Monitoring (Determination of Concentration and Mass Flow of Particulate Matter in Flue Gas for Stationary Source Emission) for the facility's boiler and two generators in October 2024. Monitoring is scheduled on a biannual basis for the boiler and annually for the gensets.

The scope of the test includes the measurement of dust (particulate matter) and gaseous emissions, namely Carbon Monoxide (CO), Nitrogen Oxides (NO_x) and Sulphur Dioxide (SO₂).

According to the final monitoring report, all measured emissions were within the permissible limits established by DOE, thereby demonstrating compliance with Reg. 13 of the Environmental Quality (Clean Air) Regulations 2014.

Table 5: IWP's result of stack emission monitoring

Parameter	Unit	Average Reading	Standard Limit	Remark
Genset Chimney No. 1				
CO	mg/m ³	379.69	1000	Comply
NO _x	mg/m ³	15.41	50	Comply
SO ₂	mg/m ³	2.86	50	Comply

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Dust	mg/m ³ , 12% CO ²	20.81	50	Comply
Genset Chimney No. 3				
CO	mg/m ³	340.63	1000	Comply
NO _x	mg/m ³	23.45	50	Comply
SO ₂	mg/m ³	1.43	50	Comply
Dust	mg/m ³ , 12% CO ²	17.72	50	Comply
Boiler Chimney No. 2				
CO	mg/m ³	86.39	1000	Comply
Dust	mg/m ³ , 12% CO ²	114.98	150	Comply

**Note: Limit value for emissions of pollutants from combustion of liquid fuel and solid fuel are 50mg/m³ and 150mg/m³ respectively, whereas for CO, the limit is set at 1000mg/m³.*

As part of our commitment to reduce formaldehyde emission, our plywood products meet the Japanese Agricultural Standards (JAS) for low formaldehyde emissions, ensuring they comply with Japan's environmentally and quality requirements. We also ensure our plywood meets the formaldehyde standards set by the California Air Resources Board (CARB) and the US Environmental Protection Agency (EPA), offering low-emission products that are safer for the environment and public health.

Plywood certified by JAS, CARB & US EPA meets stringent international standards. The JAS certification confirms the product's quality, low formaldehyde emissions and structural integrity, while CARB and US EPA certifications ensure it complies with their formaldehyde emission limits. These certifications are part of our broader efforts to reduce emissions and support sustainability.

(4.5) Energy Efficiency

At IWP, day-to-day operations both in the office and on the production floor depend on electricity. Understanding its significance and potential environmental impact, we have taken steps to use it more efficiently. Simple actions such as turning off unused lights, air conditioning units and equipment, have been put into practices across our facilities. These efforts reflect our intention to manage energy usage sensibly and reduce unnecessary consumption where possible.

As part of our ongoing effort to improve energy sustainability, IWP adopting a renewable thermal energy system that make use of our biomass waste generated from production operation. Materials such as wood residue, lag bark, sawdust and offcuts are reused as fuel for our boiler system, which provides steam to support our kiln dry chamber, veneer dryer and hot press machines operations. We see this as a step toward building a more sustainable energy system, in line with the aims of SDG 7: Affordable and Clean Energy.

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Our zero-waste approach to biomass use also aligns with SDG 12: Responsible Consumption & Production. By transforming wood waste into energy, we maximize the utility of raw materials, reduce our reliance on external inputs and minimize our environmental footprints.

Electricity for our mill operations is primarily supplied by SESB. To ensure business continuity, especially during power outages, we maintain a standby generator, which is operated only when necessary and managed to limit environmental impact.

Table 6: Illustration of electricity generated from diesel & supply by SESB

YEAR	2024
	kWh
Estimated generation from diesel	390,504
Electricity supplied by SESB	6,476,964

In 2024, IWP recorded an electricity consumption of 289 kWh per cubic meter of plywood produced. This reflects our ongoing efforts to improve energy efficiency through targeted equipment upgrades, process optimizations and staff training. Additionally, we are actively promoting an electricity-saving campaign to raise awareness among employees. These efforts will continue and be shared in our future sustainability reports.

(4.6) Waste Management

Effective waste management remains a key component of IWP's environmental stewardship. As a wood products manufacturing company, we recognize the potential environmental risks associated with improper handling and disposal of scheduled and non-scheduled waste.

In 2024, we continued to strengthen our waste tracking, disposal and reduction measures in alignment with regulatory requirements and best practices. During the year, documented the proper disposal of several types of scheduled waste including:

- **SW305** spent engine oil
- **SW306** spent lubricating oil
- **SW303** glue waste,
- **SW429** chemical waste,
- **SW409** containers, bag or equip. cont. with chemical, pesticide, mineral oil or scheduled wastes
- **SW410** plastic rags or filter contaminated with scheduled waste
- **SW102** lead acid battery.

These waste types were disposed of through licensed facilities in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005, with verified disposals conducted in January 2024 and July 2024.

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In 2024, waste tracking was updated through the e-Scheduled Waste Information System (e-SWIS), with the following quantities recorded:

Scheduled Waste	Metric Tonnes
SW305	0.6093
SW306	0.3294
SW410	0.0866

As part of our efforts to reduce waste and promote circular practices, IWP received approval from DOE Sabah in 2024 to reuse 500 litres of SW305 and 160 litres of SW306 over a six-month period. This initiative is part of our broader strategy to minimize disposal volumes and explore safe reuse opportunities under regulated conditions.

Looking forward, IWP will continue to strengthen its waste management practices through improved documentation, employee training, safe handling procedures and on-going monitoring. These actions support our long-term sustainability goals and contribute to SDG 12: Responsible Consumption & Production.

(5) SOCIAL

At IWP, we believe that the strength of our business is rooted in the well-being of our people, the inclusiveness of our culture and the positive impact we create in the communities where we operate. Our social pillar within the ESG framework focuses on fostering a safe, equitable and supportive environment for our employees, suppliers and surrounding communities.

(5.1) Local Communities

In 2024, IWP demonstrated community support through the donation of sawn timber to Battalion 8 Regiment of Tawau for the purpose of defensive training. Additionally, sawn timber and plywood donated to the Persatuan Ibu Bapa & Guru (PIBG) of SMK Pasir Putih for the construction of an open stage in conjunction with the SMK Pasir Putih Silver Jubilee celebration. These efforts not only fulfilled specific community needs but also reinforced our relationship with local institutions.

Beyond donations, our most impactful contribution lies in creating stable local employment opportunities. IWP actively recruits workers from nearby communities, ensuring that local individuals have access to meaningful jobs, fair wages and career development opportunities. By doing so, we contribute directly to the local economy and help build a more resilient workforce.

Our commitment to local talent development is further support through strong partnership with Borneo Technology Skills Development Centre (BTSDC). This collaborations design to bridge the gap between vocational training and employment by equipping local youth with the skills required for careers in the wood product manufacturing industry.

Together, these initiatives reflect IWP's belief in empowering communities through employment, education, training and collaboration. By supporting local institutions and investing in human resources, we aim to cultivate stronger, skilled local workforce while fostering trust and long-term relationship with the communities around us.

(5.2) Human Rights & Labor Practices

We are committed to upholding fair labour practices and respecting human rights across all aspects of our operations. Our workforce policies strictly prohibit any form of child or forced labour, discrimination or harassment and we promote equal opportunity in hiring, development and promotion. We also support freedom of association and the right to collective bargaining, in line with international labor standards.

We continue to build an inclusive and diverse workplace, fostering a culture where every employee feels valued and respected regardless of gender, background or position. Our

recruitment and development programs are designed to attract and retain a diverse talent pool, while providing continuous learning opportunities through upskilling initiatives, mentoring and leadership development.

(5.3) Elimination of Child and Forced Labor

We maintain a strict zero-tolerance policy on child and forced labour, in full alignment with national laws and international human rights frameworks. All employees are employed voluntarily and their rights are upheld according to state, national and international human rights standards. There were no reported cases or grievances related to child labour, forced labour or any form of involuntary work during the year.

To reinforce this commitment, IWP has clearly displayed our labour policies on notice boards across all operational sites and regularly conducts employee briefings to ensure that all workers are fully informed of their rights and responsibilities. These initiatives are part of our broader effort to build a transparent, respectful and rights-based workplace culture.

(5.4) Gender Equality & Non-Discrimination

As of 2024, our workforce consisted of 208 male and 156 female employees. Non-discrimination remains as one of company's core value. We have had a formal Employment Policy in place since 2022 to prevent any form of discrimination based on race, religion, gender, disability or other personal attributes. The company is committed to offer equal opportunities and cultivating a culture of inclusion. No incidents or grievances related to gender discrimination were reported in 2024.

(5.5) Freedom of Association & Collective Bargaining

An important development in 2024 was the official formation of KSIWP, the in-house workers union on 12 November 2024, marking a positive step in enhancing employee representation and participation. IWP respects the freedom of association and the right to collective bargaining, in line with state and national labour laws and international treaty obligations. We maintain open channels of communication between management and employees to support the transparent and respectful resolution of workplace matters. The company recognizes the KSIWP as a legitimate platform for dialogue and remains committed to maintain constructive and cooperative relations.

(5.6) Strengthening Human Resources Practices

While we made strong progress in areas such as gender equality, fair wages and prevention of child and forced labour, we also recognize the importance of continuous improvement.

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During the year, IWP received three compliance notices from the Department of Labour. These notices serve as important reminders to review and enhance certain aspects of our human resource management systems.

Rather than viewing them as setbacks, we approached these notices as constructive feedback and a valuable opportunity to improve our internal processes. In response, we have initiated corrective actions, strengthened our internal monitoring and enhanced staff awareness of regulatory requirements through targeted training. These efforts are aligned with our long-term goal of building a workplace that not only meet legal standards but also support employee well-being, rights and career growth.

(5.7) Occupational Safety & Health

IWP has appointed a designated individual to oversee the implementation and management of the Occupational Safety and Health (OSH), supported by an external advisor who is a registered Green Book holder.

Additionally, IWP has established a Safety and Health Committee comprising representatives from various work sections, ensuring comprehensive coverage across all operational sections. This committee actively fulfils its responsibilities as outlined under Section 31 of the Occupational Safety and Health (Amendment) Act 2022.

From January to December 2024, the committee convened five times meetings, including quarterly meetings and emergency meetings held in response to workplace accidents. The agendas of these meetings focused on identifying safety issues encountered during the year and discussing appropriate mitigation measures to address them.



Approach taken for continuous improvement

- **OSH Performance Monitoring** is conducted bi-monthly by PIC with support from the Safety and Health Committee. Documentation of these monitoring activities are recorded and maintained accordingly. The monitoring scope includes workplace inspections, accident reporting, internal training sessions, and evaluation of inspection outcomes based on factors such as compliance with Standard Operating Procedures (SOPs), proper use of Personal Protective Equipment (PPE), workplace conditions and the availability and readiness of fire-fighting equipment.

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- **Documentation review** is carried out whenever new hazards are identified or existing hazards are reassessed to reflect current conditions. In 2024, key safety manuals—including SOPs, the Emergency Response Plan (ERP), Hazard Identification, Risk Assessment and Risk Control (HIRARC), the Chemical Register and others—were updated accordingly.
- **Safety Data Monitoring and Analysis** is actively undertaken by the PIC. All incidents, near misses, unsafe acts and unsafe conditions are recorded and tracked. These data are analysed to identify trends and are used to implement leading safety indicators.
- **Daily Toolbox Meetings** are conducted by team leaders of each work section to reinforce safety awareness and remind workers to adhere to current and effective SOPs.
- **Training and Awareness Programs** are implemented to enhance OSH awareness across all levels of the workforce, ensuring a consistent understanding of safety expectations and responsibilities.

(5.8) HIRARC

The Hazard Identification, Risk Assessment and Risk Control (HIRARC) process has been fully integrated into IWP's OSH management system in accordance with the guidelines issued by DOSH. This process is essential in proactively managing workplace hazards and ensuring continuous risk mitigation in compliance with Section 18B of Occupational Safety and Health (Amendment) Act 2022.

HIRARC assessments are conducted regularly and are reviewed periodically—especially when there are changes in work processes, the introduction of new equipment or chemicals, or in response to incidents and near misses. The assessment methodology includes a combination of workplace inspections, document reviews, employee interviews, job safety analyses and feedback from Safety and Health Committee members.

All findings and control measures are documented comprehensively within the HIRARC records, which are maintained as part of the company's OSH documentation system. These records serve as a reference for safety audits, regulatory inspections and internal reviews and are made accessible to all relevant personnel.

Furthermore, the Safety and Health Committee plays an active role in reviewing and validating HIRARC assessments during regular meetings, ensuring alignment with operational changes and continuous improvement of workplace safety standards.

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(5.9) OSH Training

Throughout 2024, OSH committee conducted 7 trainings as listed below:

- Building Evacuation & Fire Fighting Drill for Workers' Quarters (this training involves non-working workers' family members living in the quarters) – January 2024
- Safety Induction & SOP for Spindle-less Lathe Section – February 2024
- Building Evacuation & Fire Fighting Drill for Factory – April 2024
- Occupational Safety & Health Policy – July 2024
- Noise Hearing Protection – October 2024
- Accident Prevention in the Workplace – October 2024
- Chemical Handling Training for Laboratory – December 2024

Based on the formula below:

$$\text{Total Training Hours} = \text{Number of Employees Trained} \times \text{Duration of Training per Employee}$$

The total number of training hours recorded a significant increase of 84.24%, from 387 hours in 2023 to 713 hours in 2024.



(5.10) Accidents

In 2024, IWP recorded a total of ten (10) accident cases, four (4) involved first-aid level injuries, while six (6) resulted in minor injuries. All cases were reported to DOSH through the **JKKP8** form in compliance with the Occupational Safety and Health (NADOPOD) Regulations 2004.

No **JKKP6** notifications were submitted, as there were no accidents resulting in sick leave >4 days reported during the year. Similarly, no **JKKP7** notifications were required, as there were no cases of occupational poisoning or occupational disease.

Each reported incident was managed in accordance with the company's Emergency Response Plan (ERP) as shown below. This included conducting thorough incident investigations and organizing emergency committee meetings to analyse the root causes and contributing factors. The objective of these actions was to evaluate the effectiveness of existing control measures and implement preventive strategies to avoid recurrence of similar incidents.

Throughout 2024, various mitigation measures were implemented as per Risk Control in the HIRARC documentation. These included the installation of machine guarding, routine factory fogging, drainage system cleaning, safety training sessions, the placement of safety signage and warning tapes, provision of appropriate personal protective equipment (PPE), among other initiatives.

