



Plantation

RAISING THE BAR ON
**SUSTAINABLE
GROWTH**

SUSTAINABILITY REPORT 2019



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ABOUT OUR REPORT

This Sustainability Report provides details on our sustainability performance, initiatives and achievements for the past two years, and has been prepared based on key material sustainability issues broadly agreed upon through our annually reviewed Sustainability Blueprint, management meetings and stakeholder engagements. Here, we present our approach to sustainability, provide updates on our total quality management, report on our occupational safety and health, and discuss our social as well as environmental impact and the challenges we face.

With heightened scrutiny faced by the palm oil sector in recent times, Sime Darby Plantation (SDP) strives to leverage on sustainability to create value by not only identifying and managing supply chain sustainability risks but through strategic partnerships that meet the expectation of global markets that we operate in. We ensure operational excellence without compromising our commitments to contribute to a better society, minimise environmental harm and deliver sustainable development.

Our continuous efforts in responsible practices and approaches have earned us various awards and recognitions globally. We continue to report on our initiatives to flawlessly implement sustainability standards. Nonetheless, we recognise that certification alone is no longer enough and so we aspire to lead in new approaches. We also realise that for us to lead in the implementation and development of new standards and approaches, we cannot do it alone. Including our stakeholders and communities in delivering sustainable development is crucial to our sustainability journey.

The structure and broad-based contents of this Report have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. Our Carbon Inventory is reported on a year on year basis using the Roundtable on Sustainable Palm Oil (RSPO) PalmGHG calculator version 3 and the Greenhouse Gas (GHG) Protocol accounting standard.



In the spirit of continuous improvement, we welcome and value constructive feedback from you - please email us at:

communications@sime-darbyplantation.com



NAVIGATION ICONS

Material Matters

-  SOCIAL AND ENVIRONMENTAL PERFORMANCE
-  PEOPLE MANAGEMENT
-  OCCUPATIONAL SAFETY AND HEALTH PERFORMANCE
-  COVID-19
-  OPERATIONAL PERFORMANCE

Stakeholders Affected

-  SHAREHOLDERS
-  NGOS / CIVIL SOCIETY
-  INVESTORS
-  LOCAL COMMUNITIES
-  CUSTOMERS
-  GOVERNMENT AGENCIES
-  SUPPLIERS/ BUSINESS PARTNERS
-  REGULATORS
-  EMPLOYEES



VISION & VALUES



OUR VISION

To be the Leading Integrated Global Palm Oil Player



R&D

Over 190 technocrats, scientists and technicians working together to improve every aspect of our business

OUR VALUES

Integrity



Respect & Responsibility



Enterprising



Excellence



UPSTREAM

583,766 ha planted with oil palm

WHO WE ARE

**THE WORLD'S LARGEST
PRODUCER OF CERTIFIED
SUSTAINABLE PALM OIL (CSPO)
WITH A PRODUCTION OF 2.496
MILLION MT (AS AT 31 DEC 2019).**



RENEWABLES

Leveraging the potential of related products along the palm oil value chain to create a portfolio of sustainable businesses

Formerly under the multinational conglomerate Sime Darby Berhad (SDB), Sime Darby Plantation (SDP) was listed on Bursa Malaysia on 30 November 2017, following a strategic decision by SDB to unlock value for its shareholders by demerging its plantation and property sectors, thereby creating three independent pure play entities. Today, with a market capitalisation of RM34.1 billion (as of 30 April 2020) and a global operation across 16 countries with a workforce of more than 94,000 employees, SDP is among the largest companies listed on Bursa Malaysia and one of the most valuable plantation companies in the world.

SDP is involved in the full spectrum of the palm oil value chain. Under our Upstream operations, the Group has 776,812 hectares (ha) of landbank spread across Malaysia, Indonesia, Papua New Guinea (PNG) and the Solomon Islands (SI), of which 583,766 ha are currently being cultivated for oil palm. Under this sector, the Group is also involved in rubber, sugar cane plantation as well as cattle rearing.

In the Downstream sector, SDP's current operations represented by Sime Darby Oils in 16 countries worldwide, comprise the production as well as the sales and marketing of oils and fats, oleochemicals, biodiesel and other palm oil derivatives. SDP's business philosophy in the manufacturing of a comprehensive range of palm oil based products is to maintain the highest quality at all times. This ensures that the Group has an edge in our unique selling proposition and sets SDP apart from our competition.

Committed to operational excellence, innovation and sustainability, SDP has R&D and Innovation Centres located across the globe with over 190 technocrats, scientists and technicians assisting to improve every aspect of our value chain; from developing quality planting materials and environmental-friendly fertilisers to enhancing the systems and processes in cultivating, harvesting and milling, to manufacturing not only high quality but also traceable refined palm oil and palm kernel products.

In addition to our Upstream and Downstream operations, SDP is also involved in various other businesses that leverage on the potential of related products along the palm oil value chain.



SIME DARBY OILS

Operations across 16 countries comprising production as well as the sales and marketing of oils and fats products, oleochemicals, biodiesel, and other palm oil derivatives





**MOHAMAD HELMY
OTHMAN BASHA**
Group Managing Director

FROM OUR GROUP MANAGING DIRECTOR



WE ARE PROUD TO SHARE SIME DARBY PLANTATION'S (SDP) FIRST SUSTAINABILITY REPORT SINCE OUR DEMERGER FROM SIME DARBY BERHAD IN 2017. WE ASPIRE TO BE THE LEADING INTEGRATED GLOBAL PALM OIL PLAYER, UNLOCKING GREATER VALUE FOR OUR SHAREHOLDERS AND STAKEHOLDERS.

The current landscape of our industry is challenging, to say the least. Global economic volatility brought about by changing monetary, trade and political policies, and a trade war between the United States of America (USA) and China, combined with unpredictable weather patterns, have resulted in significant crude palm oil (CPO) price fluctuations. News on the discovery of the first COVID-19 case in late 2019 is also expected to affect global trade with a plausible domino effect on the palm oil industry. In addition, the urgent challenge of climate change and the continued increase in deforestation has led to a sharp focus on palm oil. The concern that palm oil production is associated with deforestation has, to some extent, also contributed to the decline of CPO prices.

As the world's largest producer of Certified Sustainable Palm Oil (CSPO), SDP is committed to playing a leading role in establishing a sustainable future for the palm oil sector. That means being at the forefront of responsible practice and drawing the line on deforestation for us and the sector. For palm oil, as for other agricultural crops, sustaining the success of our industry and meeting demand for oil means improving agricultural practice, upholding human rights in our supply chain, and innovating for increased yield.



Now more than ever, we face bigger challenges to ensure that it will be business as usual, but with a 'new normal'. With current concerns that palm oil is being associated with deforestation, we are cognisant that the negative perception has to some extent, contributed to the decline of CPO prices.



We have a long history of operating sustainably - we have worked hard over the years to ensure that SDP is 99% certified to the Roundtable on Sustainable Palm Oil (RSPO) standards. We were founding members of the RSPO and

are committed to industry best practices. Our strict No Deforestation, No Peat and No Exploitation (NDPE) commitments are outlined in our Responsible Agriculture Charter, which extends to all suppliers within our supply chain. Yet the standards to which we hold ourselves evolve - we are working to higher standards today than we did in the past. These standards and expectations will continue to evolve from here. We want to stay at the forefront of sustainable development of our industry and are working towards a deforestation-free supply chain for us and for the sector. The launch of Crosscheck enabled us to do this, and I am delighted with how far we have come thus far.

This industry has been critical to providing livelihoods and economic prosperity for our country and for the region for many years. We are proud to be contributing to that growth and our company has grown with it. However, we will undermine the long-term prospects of the industry if, as a sector, we do not operate in a different way to conserve the forests that remain, and on which future generations will depend on.

We are strong supporters of the efforts undertaken by the Malaysian and Indonesian governments to certify palm oil producers under their national standards; Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) respectively. We recognise the important role smallholders play within our supply chain, and in the industry, and the hard work that has gone into both enabling these smallholders to be certified, and their efforts to obtain certification. We believe this is a step in the right direction to ensure we move the entire palm oil industry within these two countries towards a journey of sustainable development.

This new chapter in SDP's ongoing journey places us on a stronger footing to be able to face current and future challenges while capitalising on opportunities. Our strong fundamentals, together with the team's determination to enhance our operational excellence, were demonstrated in the introduction of innovative solutions along our entire value chain, enabling us once again to deliver sustainable value to our stakeholders.

Ultimately, we believe in our investment in sustainable palm oil production - it is essential to helping our business thrive, and to creating value for shareholders, our employees, and the community.



FROM OUR CHIEF SUSTAINABILITY OFFICER

PALM OIL IS ONE OF THE WORLD'S MOST WIDELY USED COMMODITIES, AND GLOBAL DEMAND FOR IT IS PROJECTED TO GROW WITH THE WORLD'S RISING POPULATION. PEOPLE ARE CONCERNED THAT PALM OIL PRODUCTION IS DRIVING DEFORESTATION, AND AS THE LEADING PRODUCER OF SUSTAINABLE PALM OIL, WE SHARE THEIR CONCERN.

As a responsible corporate citizen, Sime Darby Plantation (SDP) consistently reiterates its pledge to operate in an economically, socially and environmentally sustainable manner. We believe in pursuing sustainability in a way that not only balances the interests of our diverse range of stakeholders but is able to create tangible and meaningful value for our organisation. We take pride in being the industry's agent of change by setting new standards and going above and beyond what is required of us.

The United Nations Sustainable Development Goals (SDGs), are a call to action for all stakeholders globally on sustainable development. Our sustainability practices contribute to the SDGs, and we approach our efforts to implement more responsible practice with the SDGs in mind.



In our quest to transition from 'good to great,' this year's Sustainability Report not only highlights our approach to the SDGs and how it is implemented in our business, but attempts to provide an honest approach on our progress and performance.



OUR JOURNEY THUS FAR - DRAWING THE LINE ON DEFORESTATION: CROSSCHECK AND OUR COMMITMENT TO TRACEABILITY

We believe that traceability is the next frontier in halting deforestation: traceability is both the hallmark of sustainable palm oil production, and one of the industry's biggest challenges. Increasingly, consumers want to know that the products they buy are not contributing to deforestation, buyers want to ensure their brands are not linked to deforestation, investors are seeking assurance that their financing is not associated with deforestation, and conservation groups want evidence that our industry is taking meaningful action.

Our stakeholders expect to be able to trace what they buy from us back to its source - because they want to be confident that their products are not contributing to deforestation. We launched Crosscheck in May 2019 to take an active role in today's challenge: we are saying no to deforestation. In our efforts towards transparency - a pioneering

initiative which allows our stakeholders to obtain information on the provenance of the palm oil we produce, from source to supply.

Crosscheck is our way to shed light where there is shadow and is supported by our updated supplier policy. This policy builds on our existing practice and maps a path forward for our suppliers to also meet the No Deforestation, No Peat, No Exploitation (NDPE) standards we maintain.

ENDING EXPLOITATION

We believe in upholding human rights in our supply chain, and the well-being of our workers is extremely important to us. To that end, we are collaborating with Nestlé on a programme to provide a helpline for our plantation workers employed in our Malaysian estates. The helpline is meant to provide an effective avenue for workers to report on working conditions, recruitment, safety and other issues that might affect them directly or indirectly via a technology enabled communication channel.

Our collaboration with Nestlé reflects SDP's commitment to 'provide remedial access to anyone who is harmed where the business caused or contributed to that harm,' as laid out in our Human Rights Charter. The enhanced helpline strengthens our existing established grievance procedures and whistle blowing channels which are available to all our employees, and to external parties.

With this helpline, we endeavour to not only provide an effective channel for our workers to raise issues, but also to ensure that these issues are handled via clear protocols, given consistent attention, followed-up, and resolved to the fullest extent possible. Instituting independent monitoring by a third party allows for greater accountability, and for us to take appropriate action to address workers' grievances.

Although we have these numerous progresses in our operations, it remains one of my deepest regrets that we still have fatalities and permanent disability accidents in our estates. Our efforts to reduce these cannot waiver and we recommit to making SDP a place of Zero harm.

WHAT THE FUTURE HOLDS FOR US

The inroads we have made in tackling the equally multifaceted and challenging issues of deforestation, traceability and exploitation are only the beginning. We hope to further solidify our initiatives, implement stakeholder feedback for greater progress and continue to lead the industry in its sustainability efforts for the benefit of all parties.



PROFESSOR SIMON LORD
Chief Sustainability Officer

OVERVIEW





SECTION 1

RAISING THE BAR ON SUSTAINABLE GROWTH



OUR SUSTAINABILITY AMBITION

Sime Darby Plantation (SDP) is committed to playing a leading role in establishing a sustainable future for the palm oil industry. We are committed to raising the bar for ourselves and for the sector. We aim to be at the forefront of responsible agricultural practices that draw the line on deforestation.

Palm oil is the world's most versatile and widely used edible oil. It has become ubiquitous, used in a great variety of food and Fast Moving Consumer Goods (FMCG) products in households all over the world. The palm oil trade has increased enormously in recent decades. 85% of global production takes place in Malaysia and Indonesia and the industry has played an essential role in the increased economic prosperity of the region and its communities.

At the same time, there is rising concern about the acceleration of deforestation. Deforestation contributes to the global challenge of climate change and the rapid loss of biodiversity and precious natural ecosystems. This is driving the increased intensity of questions about the sustainability of palm oil production.

SDP has been in business for more than 100 years. Our corporate footprint is large; today, we have a presence in 16 countries and manage over 590,000 hectares of planted areas. We know the issues affecting this industry well. We are proud of our long track record in continually improving practices, beginning with the Zero Burning pledge 30 years ago. In 2014, we signed up to no deforestation commitments and we are the world's largest producer of certified sustainable palm oil.



We will continue our research efforts on breakthrough innovation to increase yield, which is core to our growth and essential to creating a deforestation-free industry.

It is because of our commitment to sustainable production that we believe the industry must change in order to remain viable in the future. At SDP we believe we need to be part of the solution. We believe in going above and beyond what is required of us by regulation alone and we are consistently working towards raising our own standards and seeking solutions that will help raise the bar across the industry.

We are encouraged by the steps we have been able to take so far. SDP has in the last three years launched three charters, Responsible Agriculture Charter (RAC), Human Rights Charter (HRC) and Innovation & Productivity Charter (IPC) that reflect our ambition.

In 2019, we set out to drive traceability through our supply chain and in the industry through the launch of Crosscheck; an open access online tool that enables anyone to alert us to problems on the ground in the supply chain. We also updated our supplier policy in 2019 to engage more fully in cases of a breach in No Deforestation No Peat and No Exploitation (NDPE) standards in our supply chain.

We also saw the first fruits of our Research and Development project GenomeSelect™, which promises to increase yield so that over time, we will be able to sustain the growth of our business without using more land. We have continued to make strides on our operational excellence which have increased our productivity and enabled us to make more sustainable use of the resources we use for production.

We must acknowledge that raising the bar on sustainable growth is not an easy task. We have a complex supply chain, complicated by a large number of players, more than a dozen refineries that source from hundreds of mills, which are supplied from thousands of plantations and tens of thousands of smallholders.

We know there will be challenges, and we cannot do it alone. That is why we work with others - our customers as well as suppliers and NGO partners, governments and our own industry - to step up our efforts to create a deforestation-free supply chain for our business and for the industry.





RAISING THE BAR ON SUSTAINABLE GROWTH

OUR SUSTAINABILITY AMBITION

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS



SDP's Approach to the Sustainable Development Goals (SDG) 2030

The SDGs are global goals set by the United Nations as a call to action on sustainable development. At Sime Darby Plantation (SDP), our approach to sustainability embraces the SDGs. We are focused on the goals and targets that are most relevant to our business, where we can make the most impactful contributions. We have developed an articulation on how we approach and contribute to the SDGs in the illustration above. We have identified two goals as central pillar to our approach. This is further supported by primary goals and secondary goals that we contribute to indirectly.

We treat Goal 17, Partnerships for the Goals, as our foundational goal as we believe partnerships are the base from which we build up. We recognise that we cannot tackle the issues facing our industry alone, and in order to overcome more complex challenges, we collaborate with like-minded organisations. SDP is currently actively involved in multiple initiatives with stakeholders and other growers.

Responsible Consumption and Production (Goal 12), is the central pillar of our activity because responsible production is central to everything we do. It is who we are as a company and defines our aspiration to be a leader in best agriculture practices.



We believe that partnerships with like-minded organisations contribute to Goal 17, our foundation



Goal 12, Responsible Consumption and Production is central to agricultural best practices such as our Zero Burning Replanting technique

Around the central pillar, we have further goals which we call our 'Primary Goals' which are Goals 2, Zero Hunger; Goal 8, Decent Work and Economic Growth; Goal 9, Industry, Innovation and Infrastructure; Goal 13, Climate Action; and Goal 15, Life on Land.

The remaining Goals of 1, No Poverty; Goal 3, Good Health and Well-being; Goal 4, Quality Education; Goal 5, Gender Equality; Goal 6, Clean Water and Sanitation; Goal 7, Affordable and Clean Energy; Goal 10, Reduced Inequality; Goal 11, Sustainable Cities and Communities; Goal 14, Life Below Water; and Goal 16, Peace and Justice Strong Institutions, are considered as 'Secondary Goals' which

are indirectly related to our operations. These are in many cases covered by our compliance with the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) standards.

Put together, it articulates our alignment and contribution to the SDGs.





RAISING THE BAR ON SUSTAINABLE GROWTH

PARTNER PERSPECTIVES



John Buchanan,
Vice President, Sustainable Production,
Centre for Environmental Leadership in
Business



Conservation International (CI) works to spotlight and secure the critical benefits that nature provides to humanity. CI has a global reach, with offices in 29 countries and over 2,000 partners worldwide. CI's work is focused on topics related to ecosystems, biodiversity as well as general human well-being. SDP began its partnership with CI in 2019. More information available at: <https://www.conservation.org/>



Palm oil is a focus of Conservation International not only because halting deforestation is essential to achieving the SDGs, but also because the sector can make important contributions toward SDGs related to poverty (SDG 1), hunger (SDG 2), economic growth (SDG 8) and others. We recognise the importance of working across the SDGs: Sustainable management of forests and other natural resources rarely succeeds in the face of poverty and hunger.



In 2015, leaders from 193 countries developed an ambitious plan to guide us to a better future by 2030. This plan is reflected in 17 Sustainable Development Goals (SDGs), ranging from the elimination of poverty and hunger to the promotion of health, education and equality, to the protection of life on land and below the water. After just four years, important progress has been made toward many of the SDGs. However, progress toward others has been elusive. Action to combat climate change (SDG 13) remains insufficient to limit global warming to 1.5°C, and biodiversity loss (SDG 15) is accelerating. These two issues have focused attention on industries associated with deforestation including the palm oil sector.

Our aim in palm-producing regions is advancing sustainable development that benefits people and nature, and we work with key stakeholders including private-sector actors that we believe have the ability and the will to drive positive change.

In this spirit, in 2019 we entered into collaboration with Sime Darby Plantation (SDP).

The first phase in our collaboration has been an assessment of SDP's operations, supply chain and sustainability management systems to understand what is working well, where are opportunities for improvement, and jointly defining the next phase of the collaboration to drive positive change in the company's operations and the industry as a whole. Our assessment has yielded positive findings that include:

- ✔ A committed team working to implement good policies. Sime Darby Plantation's staff have been open and honest about their programs, strengths and challenges. A range of SDP policies, including the Responsible Agriculture Charter and the Human Rights Charter, collectively provide important sustainability guidance to SDP and its extensive network of suppliers.



The CI team visits SDP estates to gain insights on operations, best practices and SDP's sustainability efforts

✔ Commitment to creating a “net positive footprint.” The building blocks of SDP’s Responsible Agriculture Charter include “Enhance.” Going beyond risk minimisation is essential to driving positive transformation of the palm oil sector and making positive contributions toward multiple SDGs.

✔ Commitment to transparency. Just as SDP opened its doors to our assessment, Crosscheck – SDP’s new open source, online traceability platform – is a courageous commitment to transparency into SDP’s supply chain that we hope others in the sector will follow.

We learned a great deal in this first phase and were pleased to see the progress SDP is making.

However, reflecting on the challenges facing SDP and the entire palm oil sector, we hope SDP will do more to:

✔ Set a new standard for sustainability leadership. Business as usual will not achieve the Sustainable Development Goals. Companies up and down the palm oil supply chain have been too slow to change how they do business to achieve different outcomes. SDP now has an opportunity to strengthen internal structures and management systems to drive incentives and accountability for sustainability throughout the company. Transitioning beyond process compliance to reward sustainability outcomes and results is essential.

✔ Drive innovative new models for community-based palm oil. SDP has strong examples such as the Village Oil Palm model in Papua New Guinea and has developed similar concepts for other regions. Lessons from these approaches should be applied and tested in more locations to create shared responsibility for inclusive economic development with the communities surrounding SDP’s operations.

✔ Forge bold new partnerships and collaborations. The potential power of the palm oil sector to advance multiple SDGs will not be realised without a leader to galvanise meaningful and effective collaboration among governments, the private sector and civil society. SDP has the standing to initiate new partnerships to build common visions for sustainable development in palm-producing regions and align partners and investors to bring those visions to life.

Though the CI-SDP collaboration is young, we are optimistic about the potential for progress through this partnership. This optimism reflects our belief in the power of SDG 17: partnerships for the goals. We hope others will join us.



RAISING THE BAR ON SUSTAINABLE GROWTH

PARTNER PERSPECTIVES



Eric Wakker
Senior Advisor



Earthqualizer is a newly registered foundation in Indonesia. Earthqualizer supports the implementation of No Deforestation policies for oil palm and other commodities in Southeast Asia-Pacific, among others through supplier group monitoring and engagement and through social forestry. More information available at: <http://www.earthqualizer.org>

By embracing the United Nations' Sustainable Development Goals, Sime Darby Plantation (SDP) acknowledges the nature and scope of the colossal challenges ahead for mankind in these times of economic and global health uncertainty and most importantly, it explores how the company will contribute to these goals.



SDP will do so, by reducing the impact of its own operations and its supply base and by doing more good, for its neighbours. This is a worthy departure point for any Government-Linked Company (GLC) with public listing exposure operating in a rapidly developing region that relies on the global consumer market. We sincerely applaud SDP for this commitment.



Aidenvironment and its recent spin-off in Indonesia – Earthqualizer Foundation, have always been amazed by SDP's deliveries on certification. SDP was among the first large groups to be 100% Roundtable on Sustainable Palm Oil (RSPO) certified for its own plantation land bank. More recently, it received Malaysian Sustainable Palm Oil (MSPO) certifications ahead of target throughout Malaysia. Such outcomes were not merely delivered because SDP is a GLC. They are true credentials to the Group's sustainability commitment and deliverables, within its own considerable land bank. Records of public grievances handling are testimony of this achievement: there is something special that SDP is getting right, that other companies don't.

Our observation, however does not diminish the fact that the SDP Board has had to take disappointing decisions to divest from significant projects in Liberia and West Kalimantan, where commercial goals clashed with societal expectations on conservation and social justice. We remain concerned that SDP has set a precedent for other companies to divest from their problems without fixing obligations on the part of the seller to demonstrate that in the long term this divestment does not result in deforestation and more social conflict. We have at times seen buyers deliver better outcomes than previous owners. Against this light, we expect SDP to continue reporting on Liberia and West Kalimantan in years to come.

SDP is a relative newcomer in the field of third-party supplier compliance monitoring, especially through association of supplier groups' land clearing activity. Since 2018, Aidenvironment Asia (now: Earthqualizer Foundation) assisted SDP with its Supplier Group Monitoring Program (SGMP). This has helped SDP identify its exposure to third-party supplier deforestation risk. The risk identified was significant, as SDP includes some of the Top 10 worst deforesters in the region both Indonesia



A training session with a community in Desa Gema, Ketapang, Indonesia on Social Forestry adjacent to plantations operated by several RSPO member companies in March 2019.
Credit: Earthqualizer Foundation, 2019.

as well as in Malaysia. We appreciate the swift action taken by SDP, either to engage with, or disengage with problematic suppliers. The actions taken, however, has been biased towards Indonesia whilst action taken against errant Malaysian suppliers has been less resolute. We expect the coming Sustainability Report to elaborate on this perceived bias and the consequences on the ground.

We welcome SDP's achievements on transparency – such as through the Crosscheck Platform, which offers easy access to the Group's supplier compliance grievance list. The Platform remains limited in scope, in that at present it focuses on product traceability. In the future, the Crosscheck Platform could be simultaneously streaming with Earthqualizer's mapping database. This is not only to map out supplier group associations with No Deforestation No Peat No Exploitation (NDPE) policy non-compliance. More importantly, it is a critical stepping stone to credible no deforestation claims.

Like our colleagues from Conservation International, PONGO Alliance and others, we appreciate SDP's commitment to "Enhance". This is where SDP goes beyond risk minimisation. This is the space where SDP will report its contributions to a net positive footprint. We know that SDP has been exploring such work for many years through a wide-ranging variety of conservation projects, but this work remains poorly reported within this sustainability report.

In fact, there is much more to be contributed by a Government Linked Company with public-listing exposure operating in a rapidly developing region that relies on the global consumer market. As per the Sustainable Oil Palm Manifesto of 6 January 2014, SDP's suppliers were required to comply with the NDPE

policy. SDP's management is aware that suppliers that continued non-compliant land development (planting) from the date of the signing of the manifesto would unduly benefit relative to other suppliers. SDP further accepted the principle of Recovery that non-compliant suppliers have to offset non-compliant plantings to retain a level-playing-field between these suppliers. Unfortunately, this Sustainability Report does not affirm the Group's commitment to Recovery and respective deliverables on enforcement

One particular opportunity that we had proposed to SDP's team in 2019 is for the Minamas division and its third-party supply base to assist the current Indonesian Government goal to dramatically increase the total area of forest allocated to Social Forestry, up to 12.7 million hectares in total. This is not to mention the opportunities for companies to enable Indonesia's land reform policy (TORA) and customary forest rights (*hutan adat*). Enlightened plantation companies are particularly well-positioned to support communities to apply for and to sustainably exercise land rights allocations as they are often immediately adjacent to oil palm concessions owned by SDP and its suppliers. Companies with NDPE policy commitments – i.e. SDP have a strong vested interest in making Social Forestry a reality if they are sincerely committed to cut the link between deforestation and oil palm. Moreover, SDP can learn from the Indonesian policy and transfer lessons-learned to Malaysia, which is in dire need of opportunities for private sector actors to meaningfully contribute to the Malaysian government commitment to retain 50% of its natural forest cover.

Hence, we hope to read about the Group's support for Social Forestry in SDP's 2021 Sustainability Report.



RAISING THE BAR ON SUSTAINABLE GROWTH

PARTNER PERSPECTIVES



Francis West
Business Engagement Director



SHIFT is the leading centre of expertise on the United Nations Guiding Principles on Business and Human Rights. SHIFT is a non-profit, mission-driven organisation that looks into areas of reporting, advocacy, amongst others and has partnered with dozens of Fortune 500 and top-tier organisations, investor groups, and various financial institutions. SDP has worked with SHIFT since 2016 to strengthen the implementation of its human rights commitments. More information available at: <https://www.shiftproject.org/>

THE TRANSFORMATIVE POTENTIAL OF RESPECTING HUMAN RIGHTS

Sime Darby Plantation's (SDP) single greatest opportunity to contribute to human development lies in advancing respect for the human rights of workers and communities connected its operations and value chain.

Human rights are essentially the 'people part' of sustainable development. What this means in practice is that companies need to identify and take action on the most severe risks to people emanating from their business activities and relationships. For a palm oil producer with a significant footprint in Malaysia, it is clear that forced labour will be foremost amongst these issues.

Across the world, millions of people are working against their will in a variety of industries, exploited for their labour, and treated as no human being should ever be. Some are recruited by individual labour brokers with promises of decent work and fair pay and then taken to job sites, often far away from their homes and families, where they are physically prevented from leaving and threatened if they refuse to work. Some may be required to hand over their passports or other documents essential to their freedom of movement, leaving them at the mercy of their employers.

The burden of debt is often used as a weapon in these situations, forcing individuals to continue working under inhumane conditions for months and even years until recruitment fees or the costs of transportation covered by employers or recruiters are paid off using these workers' wages. Clearly, slavery is not a thing of the past.



Moving forward, the focus of SDP's work should be on deepening the company's efforts to prevent these violations from happening and remedying them when they do. SDP will need to be vigilant about any evidence of a lack of understanding among foreign workers about the terms of their employment and discrepancies that arise between information provided to them at the point of recruitment and the reality of their job once on site.





SDP participates in Shift's Business Learning Programme through activities such as Human Rights Due Diligence in SDP operations



Graphic reproduced courtesy of Shift Project

Addressing forced labour risks can have a transformative effect on a range of other human rights enjoyed by workers, including the rights to just and favourable conditions of work, to health and to non-discrimination. Respect for these rights in turn can support the advancement of a range of SDGs, as illustrated in our graphic below.

To SDP's credit, the company has committed in its Human Rights Charter to eradicating any forced or bonded labour among workers in, and communities surrounding, its operations. Undertaking in-depth assessments at the plantation level to understand workers' conditions and concerns is a notable step towards addressing these risks.

A comprehensive response will inevitably need to include the rollout of new procedures on recruitment fees, aligned with the new International Labour Organisation (ILO) definitions, as well as robust protocols on passport retention. We are sure these will be front of mind for SDP.

To further enhance its approach, SDP should feel comfortable publishing more granular detail on forced labour risks, the actions the company is taking and the way that it will monitor the impact of rolling out new procedures. More than this, SDP can take a leadership position by marshalling industry peers to jointly address what is a common challenge in the palm value chain. In applying the UN Guiding Principles on Business and Human Rights and focusing attention on addressing forced labour risks, SDP will be doing far more than simply "doing no harm".

Instead, SDP will be contributing to transformative positive outcomes for some of the most vulnerable workers in today's global supply chains.

This article is based on "The Human Rights Opportunity: 15 real-life cases of how business is contributing to the Sustainable Development Goals by putting people first"





RAISING THE BAR ON SUSTAINABLE GROWTH

PARTNER PERSPECTIVES



Professor Sayed Azam-Ali
Chief Executive Officer



Crops for the Future (CFF) is involved in innovative research involving underutilised crops agricultural diversification. CFF is aimed at developing solutions to help transform agriculture for good. SDP has engaged CFF through its Research & Development and Sustainability teams. More information available at <http://www.cffresearch.org/>



If winter isn't coming, change is - whether we like it or not. For the oil palm sector, change means more volatile climates, markets and consumers.



Oil palm is accused of causing climate change, deforestation, loss of peatlands and carbon-heavy supply chains. Whilst conventional agriculture is doing exactly that, oil palm is seen as uniquely culpable. The public is unconvinced or unaware that it would need several times the land area to produce the same from soybean as from oil palm.

Assurances from the oil palm industry that it didn't start the fires responsible for the toxic haze engulfing much of the region are challenged by consumers.

Major oil palm companies have responded to global concerns by implementing transparency measures across the whole supply chain. Certification and cross compliance metrics support traceability and assurance mechanisms. However, it is difficult for a consumer to distinguish between the sources of palm oil and the products that they consume. Given the choice, it seems better to avoid products containing palm oil. All producers are considered to be equally guilty, whether large or small, in Malaysia or Indonesia, certified or not.

So how can responsible oil palm players convince consumers and investors that they are different from the rest?

Evidence of traceability is not enough. Marketing campaigns, positive media coverage and education might help but they will not, by themselves, change mindsets. Tun Dr Mahathir Mohamad is right to say that "When it comes to palm oil, what's needed is dialogue and engagement to achieve joint solutions'. But these solutions must be visible to the consumer - literally.

As well as profitability, land use options need to address community and sustainability needs and be supported by metrics that are transparent, independent and credible. For such metrics we need look no further than the 2030 Agenda for Sustainable Development. The agenda signed by 193 states of the United Nations commits each to achieving 17 Sustainable Development Goals (SDGs) by 2030. Whilst most countries are committed to the Sustainable Development Agenda, few companies can show how they are contributing to specific SDGs. We have 11 years to achieve all the SDGs. To have any chance of achieving this challenge we need to work together on SDG17 (Partnerships for the Goals).



Oil palm estates land use solutions that can contribute to sustainable development and community needs

For its contribution to the SDGs, the oil palm sector should look at its total land area and especially the 25% or so of unused space within its plantations. In Malaysia, this amounts to perhaps 1.5 million hectares. Oil palm companies see little commercial incentive to use this space. However, with a credible evidence-base and new thinking, it offers opportunities for diversification with new crops. Its wise use should also be a moral imperative if we are serious about not expanding agriculture onto new lands. If, as well as profits, we include sustainable development and community needs, diversification becomes an opportunity.

For this, we should view space within plantations as an asset and not an inconvenience. Its use could provide a 'Sustainable Development Premium' through diversification practices that contribute to specific SDGs. The oil palm sector could quantify the contribution of diversification to the SDGs by adopting the same traceability criteria as it now uses for its oil palm value chain.

In terms of achieving the SDGs, Malaysia ranks 55th of 156 countries.² Its progress is below 60% in some SDGs. In addition to SDG12 (Responsible Consumption and Production) those

most relevant for oil palm include SDG15 (Life on Land), SDG10 (Reduced Inequalities), SDG2 (Zero Hunger and Improved Nutrition) and SDG9 (Industry Innovation and Infrastructure). Imagine if the Malaysian oil palm sector set itself a Sustainable Development Premium by contributing to these SDGs?

The millions marching for action on climate change are not going to go away. They demand solutions that do not cost the Earth and employers who look beyond profits. Where they lead, investors and consumers follow. Huge tracts of oil palm monocultures are a visible target regardless of the transparency and traceability of their supply chains.

The strapline of the 2030 Sustainable Development Agenda is 'People, Planet and Prosperity.' If the oil palm sector is serious about the SDGs, it needs land use solutions that also contribute to sustainable development and community needs. Diversification might be the joint solution that we all want, and the oil palm sector needs if it is to convince a sceptical public, reassure investors and provide options for a hotter planet.

² SDG Index and Dashboards Report 2018



RAISING THE BAR ON SUSTAINABLE GROWTH

FROM OUR SUSTAINABILITY ADVISOR



As Sime Darby Plantation's (SDP) Sustainability Advisor, Sir Jonathon provides advice to the Sustainability Committee on material sustainability trends, issues and opportunities within the sustainability sphere for SDP. He was also the former Co-Chair of the High Carbon Stock (HCS) Study which SDP was a part of, alongside other major palm oil growers. Sir Jonathon is often described as an eminent writer, broadcaster and commentator on sustainable development and provides his expertise on palm oil related and sustainability matters on his personal blog:

<http://www.jonathonporritt.com/>

I'm not saying that to give the oil palm industry a clean bill of health. Over the last decade, I've been deeply critical of the things the industry gets wrong – and of those companies that continue to condone both deforestation and human rights abuses in their supply chains. But I am saying it to alert any readers of this Report, particularly in Europe and the USA, that most people in the West have a ludicrously distorted view of the products, the companies and the impacts of palm oil (good and bad) in this critically important industry.

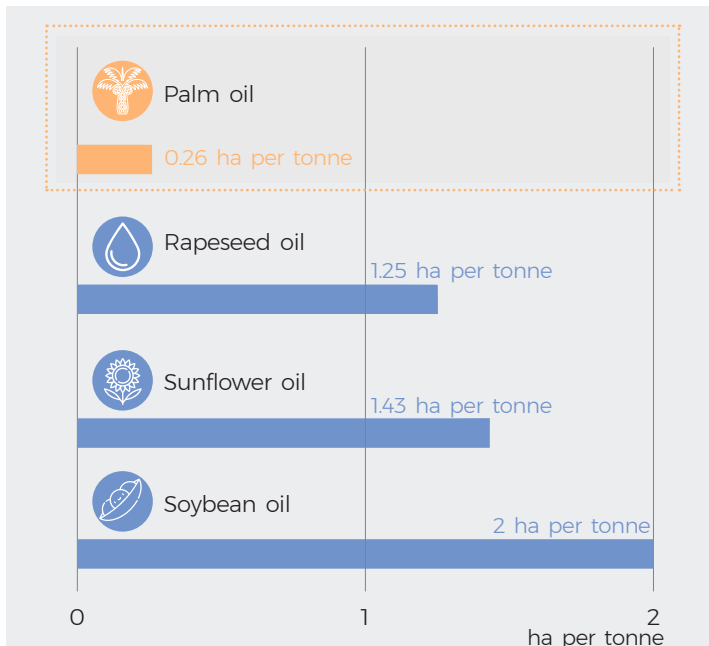
I've acted as the Independent Advisor to the Board of SDP (and before that to the Sime Darby Group) for the last eight years. I was present at the signing of the Sustainable Palm Oil Manifesto in July 2014, and have witnessed close up the extraordinary journey that SDP and other leading companies in the industry have taken during that time. Palm oil is not like those other oils I mentioned above, in that roughly 40% of total global production comes from smallholders – not from the big plantation companies – and this is where so many of the economic benefits come from.

The big companies then buy from those smallholders, via independent mills. SDP gets about a third of the crude palm oil it uses from so-called 'Third Parties' of this kind. This makes for one of the most complex supply chains anywhere in the world.

PALM OIL MATTERS

As a strategic industry, it matters a great deal to the citizens of Malaysia and Indonesia. And it matters a very great deal to the world. If we weren't able to use palm oil in countless food, personal care and industrial products, we'd have to use alternative oils, including soybean oil, sunflower oil, rapeseed oil, coconut oil and so on. And the environmental consequences would be disastrous – primarily because palm oil is so much more productive in terms of the volume one gets per hectare planted. Up to ten times as much per hectare as other oil seed crops.

PRODUCTIVITY OF PALM OIL IN COMPARISON TO OTHER OIL CROPS



Source: Adapted from the International Union for Conservation of Nature



To guarantee NDPE (No Deforestation, No planting on Peat, No Exploitation), which is what customers and consumers in the West quite properly demand, requires a massive effort to ensure best practice across the entire supply chain. If you're not surprised by discovering just how much effort it takes to deliver on that 'promise', as mapped out through every section of this Report, then you're not concentrating. No other commodity-based agricultural sector faces anything like the same kind of challenge.



A big part of providing assurance for Western customers and consumers comes via the Roundtable on Sustainable Palm Oil (RSPO). The RSPO certifies that any grower’s palm oil has met a whole raft of sustainability standards (on conservation, good farming practices, deforestation, supply chain management, human rights etc.), and securing this certification costs money. This additional investment can be offset by the premium that certified products can command in the market. 99% of SDP’s oil is certified.

Theoretically, this makes it possible for the industry’s principal customers in the West (primarily big food and FMCG companies) only to buy the good stuff – the oil that is certified as sustainable – and avoid the bad stuff – the oil that isn’t. According to the RSPO, around 20% of the global supply of palm oil is now certified as sustainable. But many of those Western brands (which were so quick to sign up to the idea of ‘deforestation-free supply chains’ back in 2010) have spent most of the last decade finding excuses for not paying the premiums that sustainable palm oil products require. The hypocrisy has been staggering.

My only advice as you grapple with complex issues of this kind (all of which are addressed with care and integrity in this Report) is to keep an open mind. Too many people and organisations, on all sides, have a vested interest in only telling that part of the story that suits them best. That’s become hugely problematic in terms of perpetuating foolish polarisation – and it’s now incredibly urgent that all involved in this industry learn how to work much more effectively together.

SIR JONATHON PORRITT
Sustainability Advisor





SECTION 2

OUR FOCUS AREAS

The following section of this Report provides details on our continued efforts in each of the four issues most relevant to raising the bar of sustainable growth: deforestation, climate change, human rights and exploitation, and innovation and productivity.



DRAWING THE LINE ON DEFORESTATION

DRIVING SUPPLY CHAIN TRACEABILITY

The rapid rate of deforestation is an urgent challenge for the world that demands a meaningful response. Many people are concerned that palm oil production is driving deforestation. As the leading producer of sustainable palm oil, we share their concern and are working towards No Deforestation for our industry.

Satellite data shows that globally, tropical forests are being destroyed at a rate of about 8 million hectares a year, with about 81,000 hectares of rainforest - an area the size of Singapore - burned around the world each day¹. Deforestation represents up to 20% of all CO₂ emissions, more than the entire transport sector, and agricultural commodities account for 70% of global deforestation.

In the countries where oil palm production is concentrated, the industry has brought prosperity and economic growth over the past decades. However, looking into the future, we at Sime Darby Plantation (SDP) believe that in order to remain viable, the industry must change.

Yet driving deforestation out of the sector is a complex challenge. It involves thousands of producers, and hundreds of thousands of smallholders. Supply chains are vast and complex, company structures are often opaque and visibility of problems is low. This makes it very difficult to pinpoint issues on the ground and prioritise the areas of greatest risk.

That is why traceability is the next frontier in halting deforestation. Tracking supply back to its source is a crucial first step, making it possible to identify where problems exist and allowing us to take action.

¹ Conservation International

As a vertically integrated palm oil company, most of the palm products processed by our refineries originate from SDP's own mills. As of 2019, 63% of our palm based raw materials were sourced from our own operations, which are certified to the Roundtable on Sustainable Palm Oil (RSPO). We are proud that this allows us to provide our customers with high quality, responsibly produced palm oil. The remaining 37% of our palm based raw materials are sourced from third party producers and traders.

The chart below shows supply breakdown data for Q1 to Q3 2019



Our commitment to halting deforestation means that we are now also increasingly focused on improving the traceability of the oils in our supply that are sourced beyond our own production.

To do so, we have created two tools to enhance traceability:

- In 2016 we launched our Open Palm Traceability Dashboard to enhance transparency and provide our customers with better sight of our supply chain and record the actions we are taking to ensure that it remains sustainable.
- In 2019, we released Crosscheck: an open access tool that maps our supply chain to mill level. This allows our investors, NGO partners, customers, and any other stakeholders concerned about the preservation of the forests to access information about our supply chain.

We set out on this journey fully aware of how hard it is. We also recognise that we do not have all the answers, but we are determined to work with others to raise the bar for ourselves and for the industry in order to draw the line on deforestation.



Achieving global goals through





OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION

CROSSCHECK

Crosscheck is an open access digital tool that represents a major step forward in our journey to creating a deforestation-free supply chain.



Screenshot of the Crosscheck online platform that provides an overview of our supply chain and the landscape in which we operate in

As at December 2019, the tool covered all our 14 facilities (11 Refineries and 3 Palm Kernel Crushing Plants) and the 909 mills that supply to them.

Crosscheck represents progress in making open access traceability possible throughout our supply chain in a number of specific ways:

- ✔ It traces our supply to the level of specific mills.
- ✔ It links mills to the owners of those mills in order to improve traceability and accountability. Some of those mills are SDP mills and many are not. For those which are not, we identify the group owners of each mill. That provides new information about the extended network of relationships that runs through our supply chain and beyond.
- ✔ It enables users to overlay the location of any mill against maps of the surrounding landscape that highlight risk areas – forest, peat or other protected areas, and also displays the habitats of large animals; such as orang-utans, elephants and tigers.
- ✔ It links to satellite data so anyone can check this information against satellite imagery that provides more information about what is happening on the ground.

Crosscheck invites anyone to alert us to any problems that they may identify. With this new initiative, we intend to enhance the transparency of our own operations. In 2016, our sustainability teams set out to gather the data that went into the publication, working with civil society partners including Aidenvironment.

The publication of Crosscheck was a first for the sector with SDP, as a leading producer in the sector putting this enhanced level of information into the public domain. It has been developed to enable additional layers of information to be included on the platform over time. With Crosscheck, we are strengthening our commitment and accelerating our progress toward a deforestation-free supply chain. We believe it is the right thing to do for our company, and for the palm oil industry, in order to preserve forests globally.



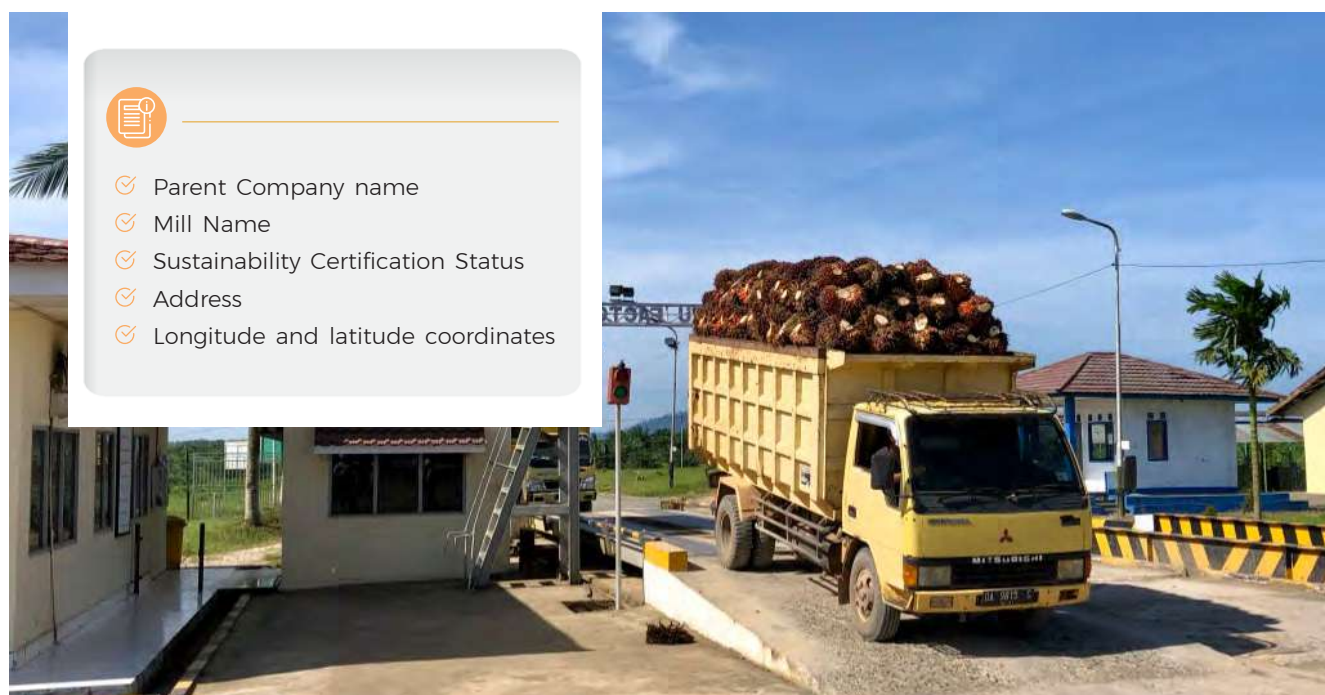
We invite you to use Crosscheck by accessing: www.sime-darby-plantation.com

TRACEABILITY TO MILL

Traceability to the mill level means having the ability to assign the raw materials that we process and the subsequent products that we sell. It makes clear the geographical location of each mill, as well as the group ownership structure of those mills.

We currently monitor the traceability of our supply for Crude Palm Oil (CPO), Palm Kernel (PK), Crude Palm Kernel Oil (CPKO) and Refined Palm Product to the mill level. For the period under review as of September 2019, we source from 909 mills associated with 444 parent companies.

A mill is considered traceable if the following information is complete:



- Parent Company name
- Mill Name
- Sustainability Certification Status
- Address
- Longitude and latitude coordinates

Truck transporting Fresh Fruit Bunch (FFB) to our mills

This information allows us to understand environmental risks in the surrounding landscape by identifying location and also associated risk through its link to other business partners that we may not source from directly.

As of September 2019, 95% of all the raw materials processed by our refineries and palm kernel crushers globally are traceable to mill. This is measured by volume of raw materials supplied to our refineries and palm kernel crushers that have mill information available.

Our third-party suppliers provide us with a mill list that allows us to trace where our suppliers obtain their raw materials from. This allows us to monitor more effectively how our sustainability requirements are being met by third-party suppliers, and to maintain product quality.

Crosscheck allows us to aggregate and visualize this information and publish it enabling transparency for anyone concerned about the industry.



OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION

TRACEABILITY TO PLANTATION

Traceability to the plantation allows SDP to identify where our supply of Fresh Fruit Bunches (FFB) originates before it enters our mills. A plantation is considered traceable if the following information is complete:

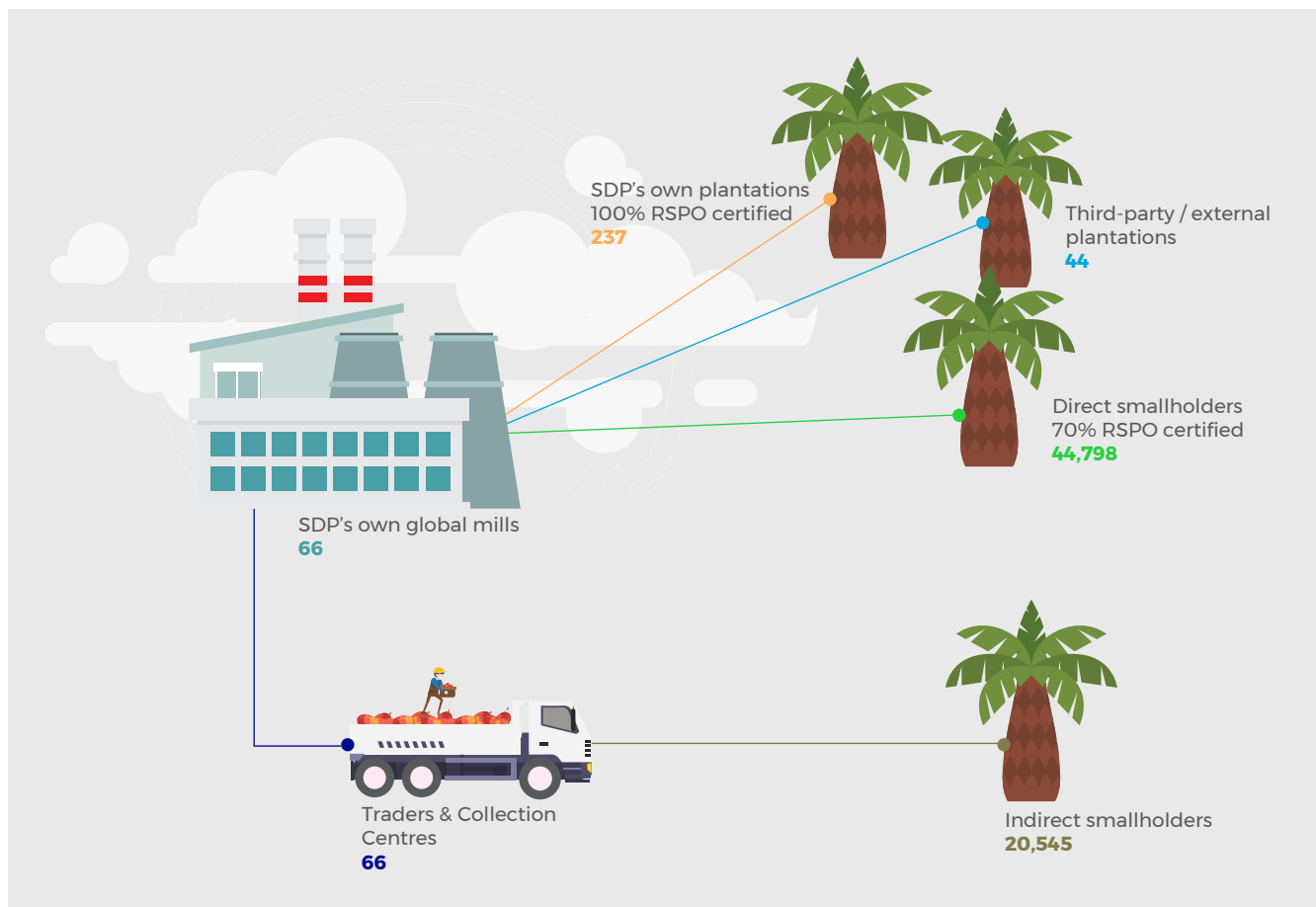


- ✔ Plantation Name
- ✔ Sustainability certification status
- ✔ Longitude and latitude coordinate

Achieving traceability to the plantation is the next major step toward full supply chain traceability. It allows us to check plantation coordinates against our mapping of the landscape to identify whether the plantation is in a high-risk area. In addition to facilitating monitoring using satellite imagery, this helps guide and prioritise our action in the supply chain.

As of December 2019, 83% of our FFB supply comes from our own plantations, and 17% is externally sourced crop. Of this external supply, 69% is supplied directly from plantations made up of estates, smallholders and small growers. 31% is supplied through traders and collection centres, only in Malaysia.

94% of our directly supplied FFB are traceable to plantations.



Supply chain of SDP owned mills globally: Figure shows number of plantations, traders, collection centres and smallholders supplying to our own mills as of 2019.

RADAR ALERTS FOR DETECTING DEFORESTATION (RADD)

In 2019, we were also glad to come together with an industry coalition of ten major palm oil producers and buyers to support and fund the development of a new publicly available, radar-based monitoring system known as Radar Alerts for Detecting Deforestation (RADD). It will complement the work we have been doing in the development of Crosscheck which maps our own supply chain and risk areas on the ground, by providing best-in-class monitoring capability from the sky.

RADD is a partnership between Bunge, Cargill, Golden Agri-Resources (GAR), Mondelēz International, Musim Mas, Nestlé, Pepsico, Unilever, Wilmar and Sime Darby Plantation (SDP) which will make it easier for companies and other stakeholders to spot deforestation in near-real-time and with greater accuracy. With this information, on-the-ground responses can be mobilised more easily, and we can work together to improve the overall sustainability of industry supply chains.

The RADD system is currently being developed for Indonesia and Malaysia. Preliminary results indicate that the system can detect tropical deforestation several weeks earlier than optical-based systems. Developed by Wageningen University and Satelligence, and facilitated by the World Resources Institute (WRI), the RADD system will augment existing publicly available monitoring tools that rely on optical-based satellite imagery, which can be delayed when clouds obstruct the view of forests. By using radar waves, the new system can penetrate cloud cover and gather forest change information without being affected by clouds or sunlight.

RADD is the first radar-based monitoring system of this scale that will make deforestation alerts publicly available. Once the system is completed, the alerts will be available on Global Forest Watch and Global Forest Watch Pro, and the methodology behind the alerts will be published.

The system will use freely available radar data from the European Space Agency's Sentinel-1A and B satellites, which orbit the earth every 6 to 12 days. These satellites provide high spatial detail that will also improve detection of smaller-scale forest clearance.

Over the course of RADD's development in the next two years, partner companies will receive alerts about detected deforestation events and will be able to provide crucial feedback to improve the system. The open nature of the system will enable companies, governments, civil society organisations and concerned stakeholders to monitor forests using the same information source and standards.

Joining others in the RADD venture is another step forward in our effort to drive deforestation out of our supply chain and out of the palm oil production.

WORKING WITH SUPPLIERS TO DRAW THE LINE ON DEFORESTATION

In our own operations we are committed to No Deforestation, No Peat, No Exploitation (NDPE) standards and we expect the same of our suppliers. Our ambition is to draw the line on deforestation and the practices that contribute to it across the industry, so, in 2019 we updated our approach to working with suppliers through our new Draw the Line policy and an expansion of our team. The policy is available at <http://www.simedarbyplantation.com/content/working-suppliers-draw-line-deforestation-policy-statement>.

The policy sets out what suppliers are expected to do in the event of a confirmed violation of NDPE standards:

- Stop work immediately on the affected land.
- Develop a plan for remediating the damaged forest, including conducting High Carbon Stock Approach (HCSA)/High Carbon Value (HCV) assessments, as necessary.
- Develop a programme to improve their ongoing operational practices to meet NDPE standards.

If the supplier concerned is unwilling to make these commitments, it is our policy then to remove them from our supply chain. Once a supplier is no longer in our supply chain, purchases will not resume until our conditions above are met.

The first requirement for reinstatement is that they immediately cease work on the affected land, preventing any further clearing for new plantings, and agreeing to the relevant HCV and HCS assessments to be conducted by external bodies. Following that, the steps to reinstatement in our supply chain that we are putting in place are as follows:

- Public acknowledgement of the clearing and the necessity for remediation.
- Development within 2 months of time-bound plans for the recovery of High Carbon Stock (HCS) and High Conservation Value (HCV) forests and/or peatland cleared, plus agreement not to use the area cleared for commercial production.
- Development within 2 months of NDPE policies and time-bound implementation plans for operational improvement to meet those standards, covering their group-wide operations.
- Independent annual audits of continued compliance.



OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION

Raising the bar across an extensive network of suppliers is a complex challenge with no easy answers. Some industry issues remain particularly difficult to tackle. For example, the nature of the spot market makes it hard to trace sources, vet companies and control the entry of problematic companies into our supply chain.

That is why we launched Crosscheck – as a mechanism to enable others to alert us to potential problems on the ground. That is also why we will continue to work in collaboration with our partners and stakeholders to develop new mechanisms and processes that will support our ambition for deforestation-free supply right across the industry.

At SDP, it is our view that it is not helpful to cut off suppliers without providing a path to reengagement. Constructive engagement has proved to be critical to

systematically resolving issues and building the capacity of suppliers to improve their practices. Also, simply suspending suppliers may have the unintended consequence of driving poor practice elsewhere into the system, making it less visible and harder to act on. Ultimately, our goal is to expand the sphere of NDPE-compliant palm oil producers.

SUPPLIER RISK ASSESSMENT

In addition to updating our supplier policy, we have also developed procedures to assess risk levels for supply from all our own and third-party mills. For our own mills, we monitor risk levels through Roundtable on Sustainable Palm Oil (RSPO) audit reports. These reports provide independent third-party verification on our implementation of NDPE policies as well as other sustainability requirements as laid out in the RSPO's Principles and Criteria (P&C).



In our efforts to ensure the sustainable and responsible production of palm oil throughout the supply chain, we want to expand the sphere of NDPE compliant producers

To raise standards in third-party mills, we partnered with Aidenvironment to help us identify potential issues within our supply chain. Aidenvironment have developed a proprietary database of the oil palm mills and concessions controlled by a significant number of palm oil companies.

This database includes information on company group structures (i.e. subsidiaries, affiliated mills and shareholding) and concession areas. These concession maps can be overlaid with maps of natural forests and monitored through satellite images to detect occurrence of deforestation, peat clearing or burning. We receive monthly reports from Aidenvironment on potential occurrences of deforestation and peat clearing affiliated with our supply chain.



Our third-party suppliers provide us with a mill list that allows us to monitor sustainability and maintain product quality in our refineries

We use the database to identify:

- ✔ The mills and concessions that supply us directly.
- ✔ The mills and concessions that do not supply us directly but are affiliated due to the business relationships that we have with the company groups.

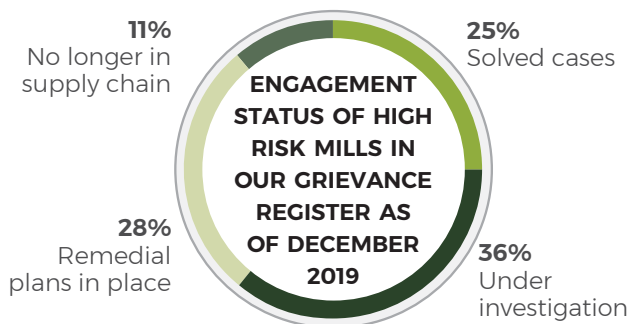
We then compare these concession maps against baseline maps and periodic satellite imagery of natural forest cover and peatland areas to detect non-compliant land conversion. These cases of non-compliant land conversion, together with information gathered through making this information publicly available via Crosscheck, are used to prioritise our supplier engagement programme.

We report publicly on issues found within our supply chain in our Supplier Grievance Register, which can be found on <https://www.simedarbyplantation.com>

VERIFICATION AND ENGAGEMENT

Our supplier engagement programme seeks to verify the cases of potential non-compliant land conversion that have been detected by satellite monitoring and investigate reported cases of social issues. Individual issues of non-compliance and each engagement with suppliers is recorded in our publicly available Supplier Grievance Register.

We have put in place an expanded team in order to implement our policy and manage supplier engagement. As of December 2019, we had identified 61 high risk mills in our supply chain on our Grievance Register. Of these, 7 are no longer in our supply chain. We are currently in engagement with 22 mills, and 17 mills have begun to put in place the remedial plans our policy requires. We have investigated and resolved a further 15 cases.



We will report transparently on our progress, including the improvements we achieve and the challenges we meet on this journey because we believe that transparency and traceability are central to driving change throughout our supply chain and raising standards across the industry.

OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION



SUPPORTING SMALLHOLDER SUSTAINABILITY

Smallholders farm less than 50 hectares of land, and small growers farm more than 50 hectares, but less than 500 hectares¹. Despite having small landholdings, smallholders account for almost 40% of the palm oil industry's production. Typically, smallholders grow subsistence or food crops alongside oil palm for their own and their family's consumption.

For us to contribute to the SDG to end poverty and hunger, and spur economic growth, it is vital for us to assure the viability of small farms in our supply chain. We understand that smallholders face numerous challenges in production. Too often, they simply lack the resources to produce palm oil sustainably. As of 2017, less than 1% of independent smallholders' farms in Indonesia were certified as sustainable by the Roundtable on Sustainable Palm Oil (RSPO) and Indonesia Sustainable Palm Oil (ISPO)². In Malaysia, only 643 smallholders are certified to RSPO standards³.

With inadequate information and knowledge to effectively grow palms and sell oil and relatively low yield from their crop, they may resort to deforesting to increase their production of palm fruit.

In sourcing from smallholders, we are guided by our Responsible Sourcing Guidelines for the purchase of external Fresh Fruit Bunches (FFB). The due diligence process covers sustainability areas including no deforestation of primary forests and high conservation value (HCV) areas, human rights protection, and the implementation of social and environmental best practices. This includes



Fresh Fruit Bunches (FFB) from our own plantations unloaded into our mills are RSPO certified

on-the-ground verification of operations to ensure planting procedures are aligned to our own no deforestation and no new planting on peat policies.

However, where there are breaches in No Deforestation No Peat No Exploitation (NDPE) standards, it is not our policy to suspend smallholders. Working with smallholders needs a different approach and dedicated programmes to help build their capacity. We work actively in partnership with governments to lift smallholders to a certifiable standard of sustainability, so they can make their living in a way that does not damage the forest.

We have a total of 65,343 smallholders in our supply chain across Papua New Guinea, Thailand, Indonesia and Malaysia. We take a localised approach to best meet the needs of each of the geographies in which we operate.

¹ Defined by RSPO

² <https://www.wri.org/blog/2018/03/smallholder-farmers-are-key-making-palm-oil-industry-sustainable#fn:1>

³ Number of Independent Smallholders under Group Certification, RSPO as of June 2018



We are committed to a deforestation-free palm oil industry. We are working at all levels of production: our refineries, mills, and plantations to ensure that palm oil is responsibly produced. This is a journey, and we aim to work in partnership with our suppliers, governments, and industry bodies to expand the base of responsible palm oil production to include third parties in and beyond our supply chain, and smallholders. We want to raise the bar for ourselves and the industry.

SMALLHOLDERS SUPPLYING TO SDP MILLS IN 2019

Malaysia	Indonesia	Papua New Guinea & Solomon Islands	OVERALL
Total number of smallholders 20,578	Total number of smallholders 27,441	Total number of smallholders 17,324	65,343
Number of direct smallholders 33	Number of direct smallholders 27,441	Number of direct smallholders 17,324	44,798
Number of indirect smallholders (via traders) 20,545	Number of indirect smallholders (via traders) -	Number of indirect smallholders (via traders) -	20,545
Number of RSPO certified smallholders -	Number of RSPO certified smallholders 13,811	Number of RSPO certified smallholders 17,324	31,135
Percentage of RSPO certified smallholders 0%	Percentage of RSPO certified smallholders 50%	Percentage of RSPO certified smallholders 100%	70%





OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION



In Papua New Guinea (PNG), smallholders make **up 22%** of our annual Fresh Fruit Bunches (FFB) supply



PAPUA NEW GUINEA

To understand how we can bring additional smallholders into our supply chain, we carried out assessments for those smallholders interested in developing land and are guiding their implementation of the Roundtable on Sustainable Palm Oil (RSPO) New Planting Procedure. We actively share best practices to help farmers obtain the skills and knowledge they need to manage their oil palm blocks. We use visual aids and provide simplified learning tools to increase smallholders' knowledge of topics including FFB quality, planting cover crops, using fertilisers, and costing and pricing their products. We conduct these activities during field days, block demos, and through our financial literacy training sessions.

Our community programmes also focus on proper land use planning, management committee responsibilities and community needs assessments. Training programmes are designed to equip smallholders to plan their finances effectively, and we provide interest-free credit to help towards quality farm inputs like tools and fertilisers.

All our smallholders in PNG have been RSPO certified since 2012 and they receive a significant sustainability premium of PGK12.16 per metric tonne of FFB in 2019 (paid out in 2020). As we are able to sell their oil as segregated, we calculate premiums for smallholders based on both the published RSPO premiums, and our own premiums received on the sale of Certified Sustainable Palm Oil (CSPO) converted to FFB equivalents. The premium is paid to each smallholder on the basis of their production with no administrative or other deductions. We cover all smallholder certification costs and these are not charged back to the growers.



INDONESIA

Our supply chain in Indonesia comprises of 10 Kredit Koperasi Primer Anggota (KKPA) smallholders and 9 Plasma Scheme smallholders. The KKPA land holdings are managed by Sime Darby Plantation (SDP). Managed smallholders under the KKPA schemes are allocated share certificates for oil palm cultivation in their concessions in exchange for income from the profits generated and work opportunities for local communities.

Plasma smallholders are those who took part in the Plasma Transmigration Program (Perkebunan Inti Rakyat, also known as PIR-Trans), set up by the Indonesian government in 1987. Plasma schemes are managed by the community farmers who sell their Fresh Fruit Bunches (FFB) to SDP.

We received our first Roundtable on Sustainable Palm Oil (RSPO) smallholder certification for KKPA smallholders in Indonesia in 2014. The total operational area under the smallholder certification was 16,639 hectares with a total production capacity of 347,749 metric tonnes of FFB. As a result of this first smallholder certification three mills achieved segregated status under the RSPO Supply Chain Certification System (SCCS).

Since then, we have certified 50% of our smallholders in Indonesia (5 KKPA and 2 Plasma) with a total of 22,506 hectares of smallholder area and total production capacity of 404,108 metric tonnes of fresh fruit bunch.

Our original certification target was 2020. We have experienced some delay in delivering on that, largely due to the process of obtaining land cultivation rights or Hak Guna Usaha (HGU). We expect to complete the application process for the rights by 2022. In the meanwhile, we continue to engage with the farmer cooperatives, and help to improve their sustainability practices in line with RSPO certification requirements.



We aim now to have **100%** of our associated smallholders in Indonesia Roundtable on Sustainable Palm Oil (RSPO) Certified by 2022.

OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION



MALAYSIA

In Malaysia, smallholders provide around 12% of our supply, and certification presents challenges which we are working to address. We welcome the Malaysian government's mandatory certification requirement for the sustainable production of palm oil through the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme. The scheme is targeted to oil palm plantations, independent and organised smallholdings, and palm oil processing facilities.

Malaysian smallholders face numerous challenges that impede certification. They are harvesting palms that produce less fruit and oil and live on small incomes, leaving them open to exploitation and unable to pay for the improvements needed to carry out the certification process. Often, they do not even have the land deeds that are a basic requirement of the certification process or lack the license to trade Fresh Fruit Bunches (FFB).

To assist Malaysian smallholders with certification, we initiated a small-scale pilot with just 300 smallholders in the Northern Region. We brought together partners to help tackle the barriers that smallholders face when trying to get certified, most notably, finance for replanting and assistance with registering land titles.

We brought together a strong set of partners to support the effort:

- Integration, Research and Expansion Division (IRED), Malaysia Palm Oil Board (MPOB)
- Licensing and Enforcement Division, Technology Advisory and Transfer Services (TUNAS)
- Ministry of Energy, Science, Technology, Environment and Climate Change Department of Environment and Agrobank; a Malaysian agriculture financial institution

Sime Darby Plantation (SDP) teams went out to the smallholder collection points to provide practical support. For example, we assisted them with the registration process required to begin on the path to achieving certification. This involved a process to verify land titles, licensing documents, and obtaining confirmation of location coordinates as well as estate boundaries or shape files to establish a formal record of the smallholder's operations.

Following this intervention, our Sungai Dingin Oil Mill is now 84% traceable to plantation and sources from 349 registered smallholders. Our pilot project and partnerships have helped us identify models that we will now use to replicate and expand our efforts across more of our smallholder supply base in Malaysia.



Sungai Dingin Oil Mill is now **84%** traceable to plantation and sources from **349** registered smallholders



Our Thailand operation is the first refinery in Thailand that is able to supply fully segregated palm oil with **67.95%** traceable to plantation.



THAILAND

Approximately 95% of overall palm oil production in Thailand comes from smallholders. Currently, there are about 285,000 farmers across Thailand with an average plantation land of approximately 2.5 hectares. Most palm oil mills in Thailand are independently owned and lack the resources necessary to implement sustainability and certification programmes. As we work further down the supply chain, it becomes increasingly more difficult to reach and work with smallholders. Due to the large contribution of smallholders in Thailand, we are mindful that strong collaboration with other stakeholders in the supply chain is integral in moving everyone along the sustainability journey.

Our refinery in Thailand, Morakot Industries, has established a smallholder programme in collaboration with local mill partners, to help smallholders achieve certification, and to secure a steady and reliable supply of Certified Sustainable Palm Oil (CSPO) into its supply chain.

In 2019, we committed to expand our current supply of CSPO Mass Balance to Identity Preserved (IP)/Segregated (SG). This means we ensure sustainable palm oil from a single identifiable certified source and from different certified sources is kept separately from ordinary palm oil throughout the supply chain.

The smallholder certification programme was established in 2018 and identified 6,000 smallholders with the production capacity of over 300,000 MT of Fresh Fruit Bunches (FFB) per year. These smallholders are divided into 10 groups based on their location - that is, whether they are located within 50 km radius of an identified mill. We then ran a series of engagement sessions to raise smallholder awareness about certification processes, and to better understand the needs and challenges faced by the smallholders in Thailand.

We encourage smallholders to complete certification processes by paying out premiums as an incentive for the production of certified sustainable palm oil. As of 2019, we now have a supply of fully segregated CSPO from 592 smallholders. During this period, we also signed a Memorandum of Understanding with Narathiwat Cooperative and Panom Cooperative, two out of 10 smallholder collectives. Panom Cooperative has successfully received its RSPO certification and currently supplies to S.P.O. Agro-Industries Co. Ltd. Mill.

Our aim is to enable 700 smallholders in our Thai supply base to supply certified Identity Preserved palm oil by the end of 2020.

Phase	Details
Phase One: 2018	Roadshows and awareness programmes to promote RSPO certification. Assessment of challenges faced and assistance needed by smallholders Identification of technical partners for collaboration.
Phase Two: 2019 - 2020	Upgrading supply of RSPO CSPO from Mass Balance to Identity Preserved or Segregated by working with mill partners Increasing supply volume of Identity Preserved or Segregated by increasing the number of certified smallholders
Phase Three: 2021 onwards	Continued implementation of programme Assessment of opportunities to scale this programme across Thailand



OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION



Our agricultural best practices are implemented in line with our sustainability and environmental management efforts

MANAGING LAND AND BIODIVERSITY ECOSYSTEMS

Sustainable growth and expansion continue to present challenges for the palm oil industry. Clearing for palm oil plantations over the last decade has led to the destruction of rainforests and degradation of peatland. The associated loss of biodiversity has taken place at a rate ten to millions of times faster than that seen in the last ten million years. 75% of terrestrial environment has been “severely altered” to date by human actions, with the figure for marine environments not far behind (66%)⁴.

Some of the greatest impact is seen in the largest palm oil producing countries - Indonesia and Malaysia - because of their high density of tropical forest. New expansion is also threatening ecosystems in other parts of Asia, Central and South America, and Central and West Africa. At Sime Darby Plantation (SDP), we are working toward making deforestation an unviable way to participate in the industry.

In July 2014, SDP became a signatory to the Sustainable Palm Oil Manifesto (SPOM), an initiative together with other palm oil producers and traders. The Manifesto represents a collective commitment to end deforestation, create traceable and transparent supply chains, and protect peat areas, while ensuring economic and social benefits for the local people and communities where oil palm is grown.

Our upstream plantation operations are spread across the world in some of the most diverse ecosystems. Our plantations in Malaysia maintain more than 50% forest cover in wildlife reserves, provide adequate buffer zones, and the maintain wildlife reserves adjacent to planted areas.

Our environmental management practices in our operations are focused on reducing biodiversity loss. Our agriculture best practices have been implemented over decades which focus on:

- ✔ No clearing on primary/natural forests and High Conservation Value (HCV) areas
- ✔ Zero-burning for oil palm re-plantings and new development
- ✔ Protect and conserve endangered, rare and threatened (ERT) tree species
- ✔ No new planting on peatlands
- ✔ No hunting within our operations

⁴ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Report, May 2019.

In 2014, we made a commitment to cease all new development of land other than to replant existing plantations. This commitment includes no new planting on peat lands. We have since shifted our focus to increasing the yield of our palms on existing plantation land to reduce the need to use any more land for the production of palm oil. Moving forward, any new development will be done in accordance to the High Carbon Stock (HCS) methodology.

IMPLEMENTING THE HIGH CARBON STOCK APPROACH

Since signing the Sustainable Palm Oil Manifesto (SPOM), SDP helped steer the HCS Convergence Working Group. This group led the creation of a High Carbon Stock Approach (HCSA) in 2016. The HCSA estimates the amount of carbon and biodiversity within a particular area of land, to identify areas that need protection.

The HCSA also defines what constitutes forest landscape, and helps us classify our land in order to avoid deforestation. We use it as a tool to evaluate our operations by estimating the amount of carbon and biodiversity stored within an area of land.

In accordance with the HCSA:

- We do not develop on land identified as High Carbon Stock (HCS). The HCSA requires that such areas must be protected because they are considered high density forests that are intact, or young regenerating forests that, if left alone, will regenerate themselves. We abide by that definition in all our operations.
- We will abide by the principles of High Conservation Value (HCV) and protect the rights of local communities.
- Our commercial operations and new developments will be limited to scrub and grass land which are low carbon stock areas and have no demonstrable conservation values.

Following the development of the HCSA in 2016, a HCV-HCSA Assessment Manual has been developed by the HCSA network to merge the importance of HCSA and HCV area assessments. These assessments are conducted for every new planting area but have subsequently been used only on low carbon landscapes as we enforce the HCSA. HCV areas have biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level. All natural habitats possess inherent conservation values, including the presence of rare or endemic species, provision of ecosystem services, sacred sites, or resources harvested by local residents.

In addition to HCV-HCSA assessments, conservation areas within plantation operations such as riparian zones, steep slopes and forest boundary reserves are also required to be maintained at site. We have followed the requirements by Roundtable on Sustainable Palm Oil (RSPO) and the HCV Resource Network for all HCV assessments of our land concessions. Through periodic assessments of our plantations we have identified HCV areas and CSA areas of approximately 39,482.94 ha as HCV and 8,323 ha as CSA as of December 2019.

MANAGING PEATLAND

Cultivation of oil palm on peat comes with certain challenges, like high carbon emissions, peat soil subsidence, consequent flooding, and productivity loss. The drainage required for palm oil cultivation causes carbon emissions, and makes the soil susceptible to fires and floods. Over 5% of global CO₂ emissions are caused by peatland degradation resulting from drainage. Drained peatlands are hotspots for fires, and can lead to haze disasters and alarming greenhouse gas emissions.

Collectively, Indonesia and Malaysia have more than 24 million hectares of peatland. As of 2015, industrial plantations covered 4.3 million hectares (27%) of peatlands in Peninsular Malaysia, Sumatra, and Borneo. Approximately 73%⁵ of these peatlands have been planted with oil palm plantations.

At SDP, we committed to “No New Planting on Peat” since 2014 following SPOM. Our operations ensure that existing plantations on peat conduct drainability assessments at least five years prior to replanting in accordance with Indicator 7.7.5 (C), RSPO P&C 2018. Results that are obtained are used to plan for future replanting and phasing out of oil palm cultivation. When oil palm is phased out on that particular plot of land, it is replaced with crops suitable for a higher water table, or rehabilitated with natural vegetation.

For our existing 32,797.28 ha oil palm planted on peat, we employ RSPO best management practices to ensure that the water table is maintained at 45 to 65 centimetres below soil surface, to reduce the decomposition rates of dried peat. In addition, we maintain existing vegetation in and adjacent to our oil palm plantations. We also engage with local communities to educate them on sustainable management of peat areas in an effort to prevent slash and burn activities.

⁵ The rest (26%) is pulpwood plantations



OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION

Currently, we are guided by the RSPO Drainability Assessment Procedure. We began piloting the drainability assessment in our current peatland plantings in 2017. The assessment procedure that was officially issued in June 2019 will be tested and further refined for a duration of 12 months.



Sime Darby Plantation's (SDP) operations with planted peat areas (in hectares) as at December 2019

OUR CONSERVATION EFFORTS

Protecting biodiverse ecosystems

Our upstream plantation operations are spread across the world in some of the most diverse ecosystems. The tropical rainforests, seas and freshwater ecosystems in the countries we operate support a rich and diverse array of flora and fauna ranging from the Bornean orang-utan, Pygmy Elephant, Sumatran Rhino, and many more. Climate change and destruction of habitat threaten these species every year.

In Malaysia, Sime Darby Plantation (SDP) works with our philanthropic arm, Yayasan Sime Darby (Sime Darby Foundation), to help with the protection and preservation of the environment, and conservation of biodiversity, while preserving landscape and seascape. The foundation supports world-class scientific research by developing highly capable local scientists, researchers and custodians. The foundation also supports initiatives and programs that encourage and empower communities to live sustainably by adopting green practices.

Priority is given to vulnerable and/or endangered species and the preservation of forest reserves and marine parks. To date, through the foundation, SDP has supported over 20 projects and invested RM153 million in the conservation and protection of biodiversity ecosystems.

“
RM15.7 million
spent over a decade
since 2007 to save
the Sumatran Rhino
”

Forest restoration

SDP is committed to ensure the restoration of degraded forests as well as the reforestation of areas set aside for conservation in our concession areas. Where possible, we have planted Endangered, Rare and Threatened (ERT) trees to create wildlife corridors linking patches of degraded land. Together with our partners, we have collectively planted 1,448,822 trees in an effort to restore the habitats of endangered species. More information on our reforestation efforts can also be seen on our website.

1,448,822 Trees
planted as at
December 2019

Our tree planting efforts include the following:

Reforestation and rehabilitation of orang-utan habitat in Northern Ulu Segama, Sabah, Malaysia	>	295,159 trees	
Sime Darby Plant-A-Tree Programme in Sime Darby Plantation estates, Malaysia	>	329,225 trees	
Sime Darby Plant-A-Tree Programme in Jentar estate, Malaysia	>	136,036 trees	
Project RiLeaf with Nestlé Malaysia	>	588,981 trees	
Peat Swamp Forest Protection and Rehabilitation Project in Raja Musa Forest Reserve, Bukit Talang estate, Malaysia	>	18,500 trees	
Riparian and coastal reforestation, Papua New Guinea	>	69,911 trees	
Ramu Tree Nursery, Papua New Guinea	>	96 trees	
Mangrove restoration Numundo coastline, West New Britain, Papua New Guinea	>	10,914 trees	

Reforestation and rehabilitation of orang-utan habitat

Poor logging practices and drought-induced forest fires dating back to the 1980s badly degraded Northern Ulu Segama Forest Reserve's (presently known as the Bukit Piton Forest Reserve) landscapes. Its degradation, leaving the land with little or no tree coverage, resulted in the dwindling of wildlife habitat, especially the orang-utan.

The estimated orang-utan population of North Ulu Segama (NUS) was between 170⁷ and 300⁸ orang-utans in 2007/8. This population moved to other areas and were left isolated due to land clearing for oil palm plantations bordering forest reserves and The Segama River, a physical barrier that separated these orang-utans from the larger population in the Ulu Segama Forest Reserve.

In 2008, with Sime Darby Foundation, we pledged RM25 Million over a 10-year period to support the reforestation and rehabilitation of 5,400 ha of the Bukit Piton Forest Reserve. To date, the project has successfully rehabilitated 5,400ha of degraded forest, with 295,159 seedlings of indigenous dipterocarps, non-dipterocarps and pioneer trees (95 species) planted.

The project achieved another milestone in 2012 when it was declared as Class 1 Protection Forest Reserve or Totally

Protected Area status, from its original status as Class 2 Commercial Forest Reserve. The project was officially handed over to the Sabah Forestry Department in December 2018, following the conclusion of final maintenance work. More information on the project is available in the Sime Darby Foundation Annual Report 2019.

In addition, SDP assisted in the formation of the Palm Oil NGO (PONGO) Alliance in 2015 and officially launched the Alliance in June 2017. The platform brings together nine major palm oil producers and nature conservation organisations, with the primary aim of supporting the proper management of orang-utans and other wildlife within plantations.

PONGO is working to establish how palm oil plantations can be viable habitats for orang-utans. We believe that safe spaces – outside of protected areas – can be established for orang-utans even within palm oil estates. PONGO aims to create these spaces by identifying, maintaining and restoring natural vegetation.

They are seeking collaborative solutions that can allow free-ranging orang-utans to live and breed safely and successfully in plantation landscapes which incorporate habitat areas and corridors of original and restored forests.

⁷ 2007 estimate, HUTAN, unpublished report

⁸ 2008 estimate, WWF-Malaysia, unpublished report



OUR FOCUS AREAS

DRAWING THE LINE ON DEFORESTATION

To date, we have prioritised the planting and tending of food plants on lands outside Forest Reserves to ensure sufficient and sustainable sources of food for orang-utans. Our team works with local communities and civil society organisations to identify suitable locations to plant strangling figs, which are not only a good food source but also help stabilise riverbanks. The strangling figs are planted on designated mature palms, so they are easily accessible to orang-utans when they traverse the plantations.

PONGO has also secured major funding for the restoration of the Kinabatangan Landscape in partnership with Unilever and the French Alliance for Sustainable Palm Oil. Restoration efforts along the corridors of the Kinabatangan river are crucial to bridging pockets of land that have been degraded due to unsustainable agricultural expansion in Sabah. We believe that this landscape can only be rehabilitated and thrive through such collective action as PONGO.



Some **80,000** ha across palm oil concessions have the potential to be established as safe haven patches for orang-utans



Our Jentar estate in Pahang, Malaysia is part of our Plant-A-Tree Programme



Jentar is home to the largest collection of Endangered, Rare and Threatened (ERT) tree species in a single oil palm plantation area in Malaysia

Managing Human-Elephant conflict in our operations

In 2011, the Sime Darby Foundation supported the establishment of the Management and Ecology of Malaysian Elephants (MEME) project to protect Asian elephants with a total commitment of RM5.26 million. The Project was set up as an internationally recognised research initiative based in Malaysia, with the objective of tracking elephant movements and producing scientific information about elephant behavior, ecology, and relationships with people.

The MEME Project has since continued to build academic capacity and public awareness to mitigate social, economic and conservation impact of Human-Elephant Conflict in Malaysia. In its implementation, we provided the opportunity for one of our employees, Nur Aida Ab Ghani to conduct a Master of Science by Research (MRes) at the University of Nottingham Malaysia Campus (UNMC) to study Human-Elephant mitigation efforts and incorporate scientific findings into our own operations. The outcome of the study aims to support and promote the co-existence of people in oil palm estates and elephants by changing the way estates are managed through the development of Human-Elephant Conflict policies and procedures in oil palm plantations.

Aida's research and the initial literature review to date has synthesised 102 papers on mitigation strategies used in the industry. The review obtained data on the number of oil palm trees damaged by elephants, age of affected oil palm trees, frequency of Human-Elephant Conflict occurrence at daily, monthly or annual scale, and location of damage with covariates of mitigation measures such as electrical fencing and crop-guarding. Additionally, a rapid survey was conducted with all our estates to assess information of elephant sightings and mitigation used.

Initial findings suggest that plantations tend to use physical barriers to prevent elephants entering plantation areas when they experience Human-Elephant Conflict. The research found that 97 percent of damage caused to trees was found in palm oil trees aged 5 years and below, indicating that plantations can viably co-exist with elephants in estates with more mature trees aged 6 years and above.

Through the study, recommendations for specific tools and platforms to systematically record and manage Human-Elephant Conflict in the estates have been developed for replication in other oil palm estates. Developing standardised calculations and reports can assist the localised application of techniques depending on the age profile of the trees and plantations. Moving forward, more research will be conducted on-ground to collect scientific evidence that will help us understand how to manage elephants in our estates better. More information on the research is available on our website.



Research conducted on site as part of Sime Darby Plantation's (SDP) Management and Ecology of Malaysian Elephants (MEME) project

Conserving the Queen Alexandra's Birdwing Butterfly

We recognise that our plantations are habitats to diverse species that are endemic to the locations we operate in. Our plantations are also migratory corridors for wildlife that roam the forests and efforts are in place to connect some of these important wildlife corridors. For example, our operations in Papua New Guinea (PNG) is home to the Queen Alexandra's Birdwing Butterfly (QABB) (*Ornithoptera alexandrae*). The QABB is the world's largest butterfly, with a wingspan of 19 to 30 centimetres. It is endemic to northern PNG, east of the Owen Stanley Mountains, and has an extremely small home range. The QABB is commonly found in PNG's lowland rainforests, up to 900 metres above sea level NS mainly feeds on *Aristolochia Dielsiana*, a toxic pipevine species that plays a central role in its reproduction.

Through ongoing assessments, we have identified various species that are on the International Union for Conservation of Nature's (IUCN) red lists in our PNG operations. We shall continue efforts to monitor and manage the species currently present in our plantations to ensure ecosystems continue to be protected.

With support from Sime Darby Foundation, a special lab has been constructed to facilitate captive breeding of QABB. It is planned to enhance the residual population of this rare species by releasing adult bred specimens into areas of remaining forests where the food plant is known to occur.



BUILDING CLIMATE CHANGE RESILIENCE

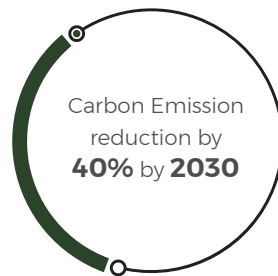
Recent global studies show consistently rising greenhouse gas emissions and the rapid advance of climate change. Despite some indications of progress on Sustainable Development Goal (SDG) Goal 13 –there needs to be ambitious and accelerated action to mitigate the effects of climate change.

According to the SDG 13 2019 progress report by the Economic and Social Council of the United Nations, in 2017, greenhouse gas concentrations reached globally averaged mole fractions of CO₂ at 405.5 parts per million (ppm), up from 400.1 ppm in 2015, and at 146% of pre-industrial levels. Moving towards 2030 emission objectives compatible with the 2°C and 1.5°C pathways requires a peak to be achieved as soon as possible, followed by rapid reductions.

We are making efforts to minimise our environmental impact through the restoration of degraded land, protection of habitats, and emissions reduction, as well as through our efforts to drive deforestation out of the supply chain. These measures are also integral contributors to the Sustainable Development Goals.

To limit warming to 1.5C, global net CO₂ emissions must drop by 45% between 2010 to 2030, and reach net zero around 2050⁹

While Sime Darby Plantation (SDP) has faced challenges in meeting our targets to reduce emissions, we have made significant investments to accelerate our ability to achieve our reduction targets through infrastructure to support climate change adaptation and mitigation efforts.



Achieving global goals through



CARBON PERFORMANCE

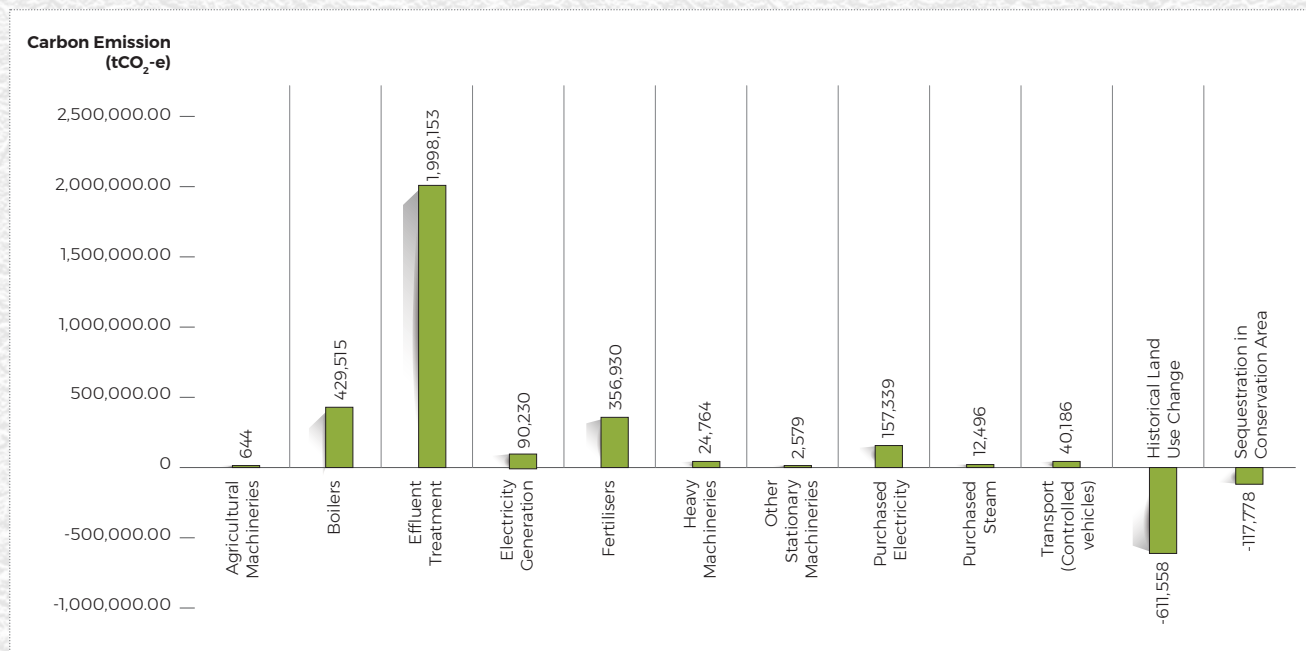
We started our baseline carbon inventory in 2009 with a focus on measuring our operational emissions. Since then, we continue to ensure our carbon inventory is reflective of our palm oil and rubber operations. In 2018, we introduced the use of the Roundtable on Sustainable Palm Oil (RSPO) PalmGHG calculator version 3 to measure emissions from land use change (LUC) due to replanting and new planting activities. We have also been collecting and calculating operational emissions data in accordance with the Greenhouse Gas (GHG) Protocol accounting standard since 2012.

In 2019, the top three emission sources were purchased electricity, effluent treatment plants and boilers. We recorded an emissions intensity of 1.12tCO₂-e/mt CPO in 2019, which represents a 19% decrease from 2018, contributed by reductions from emissions effluent treatment and fertiliser consumption. Effluent treatment made up 64% of total operational emissions whilst fertilisers 11%.

ANNUAL GHG EMISSIONS INTENSITY TREND (INCLUDES DATA FROM LIBERIA AND NBPOL FROM 2015 ONWARDS)

Year	2009 (Baseline)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Emissions Intensity (tCO ₂ -e/MT)	1.06	1.04	1.03	1.01	0.94	1.00	1.02	1.18	1.28	1.38	1.12

EMISSIONS SOURCES FOR YEAR 2019



Full metrics of our carbon emission and absolute numbers can be seen on page 89.

In 2012, we had set relative targets for reducing emissions; 40% reduction in carbon emissions intensity (tonnes of CO₂-e per metric tonne of Crude Palm Oil (CPO) produced) by 2020 against a 2009 baseline for our Upstream operations. This was in line with our intention to be part of global efforts to decarbonise the economy and mitigate negative effects of climate change.

⁹ UNDP SDG13 Progress report





OUR FOCUS AREAS

BUILDING CLIMATE CHANGE RESILIENCE

Notwithstanding our aspirations and following further investigations into the state of our operations, we decided that a revision of our entire carbon reduction strategy was necessary. With input from relevant stakeholders and our sustainability advisor, we decided to extend the target date to 2030; a more realistic and achievable goal. This decision was mainly due to challenges in the business environment which resulted in limited resources such as capital to pursue our plans.

Nonetheless, through our revised targets, we are determined to achieve what we set out to through current improvement efforts. We are looking into possible joint ventures with reputable partners, carbon credits and green indices for support.

ENERGY MANAGEMENT

Using renewable energy

Over 80% of the energy we have consumed over the last five years is from renewable sources. Our operations are actively exploring energy efficient alternatives such as transitioning from diesel to natural gas for energy production in boilers. However, this remains highly dependent on the accessibility and availability of alternative solutions in the geographies we operate in.

The decrease of renewable energy usage since 2015 is attributed largely to lower Fresh Fruit Bunch (FFB) processing. Nonetheless, most of the energy used by our boilers still comes from renewable source such as biomass (from palm kernel shell and fibre) which contributed 84% of SDP's overall energy needs in 2019. This initiative has avoided approximately 1.8 million tCO₂-e of emissions had diesel been used instead. We will continue to explore alternatives in our efforts to minimise our environmental impact.

Biogas as renewable energy

Biogas plants capture methane, emitted from anaerobic wastewater treatment ponds, that would otherwise be released into the atmosphere. Methane is a high-impact GHG; it can be much more potent than carbon dioxide. Methane is created when palm oil mill effluent (POME) is stored in retention ponds.

At our biogas facilities, POME from Crude Palm Oil (CPO) production undergoes retention before being discharged into streams. The biogas produced during the degradation of POME is then used to generate power that is fed into the grid, or flared, ensuring that methane is not released into the atmosphere.

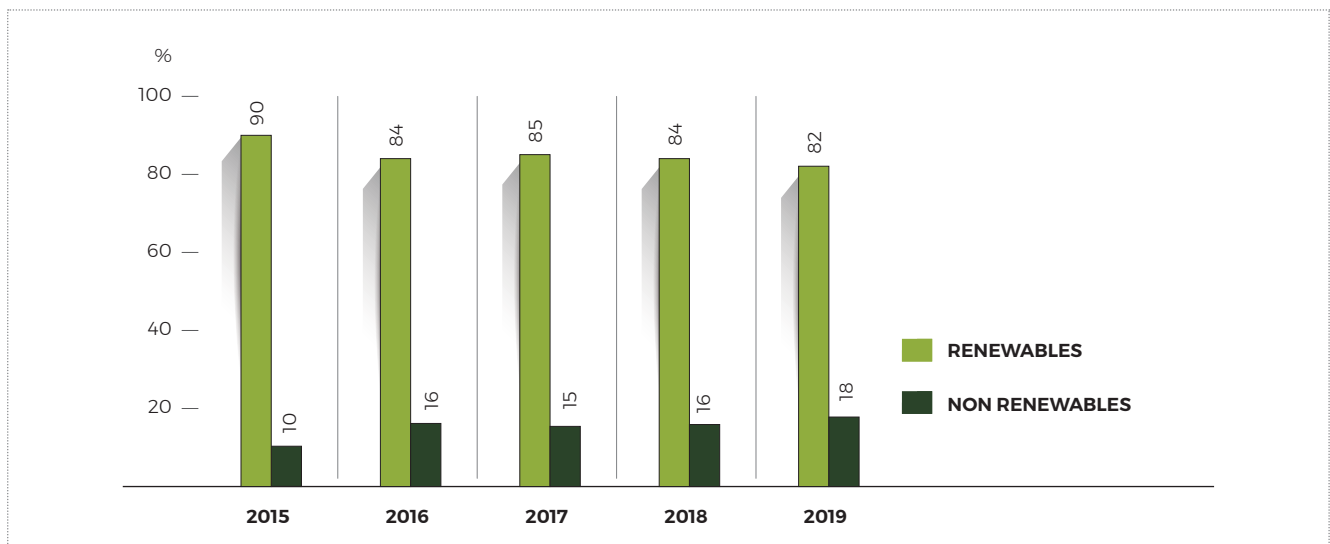
Several biogas plants have been developed at our palm oil mills for either feed-in-tariff, bio-compressed natural gas or captive power. In Malaysia, SDP has completed five plants, with an additional two plants in Indonesia, and two more in Papua New Guinea.



As of December 2019, we achieved an emissions intensity reduction of **13.7%** delivered by our methane capture plants.



ENERGY BREAKDOWN BY SOURCE - RENEWABLE ENERGY VERSUS NON-RENEWABLE ENERGY USAGE



The clean biogas produced is converted into electricity by a generator and fed into the grid for the feed-in-tariff programme. Two of our biogas plants in Malaysia, Flemington and Hadapan Oil Mills were developed through a joint venture with the sub-company of the largest electricity utility in Malaysia, TNB Energy Services Sdn Bhd for feed-in-tariff purposes.

To date, 13% of our mills are equipped with methane capture. We are working to expand this significantly, with plans underway to construct four biogas plants in Malaysia within the next two years. One new plant will produce energy

to power engines in our mills, while the other three new biogas plants will feed the energy generated into the national grid. SDP also has a plan in place to develop several more biogas plants at strategic locations in our operations worldwide over the next five years.

Investment in the construction of biogas plant is key in our carbon reduction strategy. We have estimated that the establishment of biogas plants at 50% of our current mills in Indonesia and Malaysia will enable us to reduce our total operational emissions by 40% by 2030.

Country	Plant	Established since	Est. Carbon reduction (tCO ₂ -e)
 Malaysia	Flemington	2017	43,848.78
	Hadapan	2017	42,436.52
	Merotai	2017	64,219.82
	West	2018	36,643.62
 Indonesia	Pematang	2018	42,818.25
	Rantau	2018	41,869.63
 Papua New Guinea	Mosa	2012	91,225.39
	Kumbango	2012	82,236.91

Note: Information is as at December 2019. At the time of publication of this Report, Tennamaram plant (in Selangor, Malaysia) is undergoing upgrading work

Whilst the installation of biogas plants at our palm oil mills contributes significantly to our carbon reduction target, we also compost empty fruit bunches (EFB), palm oil mill effluent (POME) as well as boiler ash, and use the end product to fertilise the fields as part of our efforts to reduce mineral fertiliser usage while at the same time achieve zero waste.

In addition, we are exploring other power generation technologies that could generate power and steam for palm oil mills. We have dedicated some of our land to install solar PV technology, as part of our effort to offset our carbon emissions. Despite all our efforts, this continues to be a challenge for SDP and the industry.

MANAGING EMISSIONS AND POLLUTION

We recognise that our mill operations are challenged with significant emissions such as dust and smoke emitted from chimney, and dust from mill operations such as the crushing plants, unlike our refineries that operate on natural gas.

In Malaysia alone, we have invested approximately RM70 Million to improve compliance with more stringent air emission standards by installing additional pollution control systems such as Electrostatic Precipitator & Vorcep at all our 33 mills. We have always been in compliance with local environmental regulations. With the new limits required under the Clean Air Regulations 2014, we are upgrading our pollution control system to meet

Total Particulate Matter (PM) of 150mg/m₃ by December 2021 (from 400mg/m₃ to limit value).

Individual operating units report their air emission performance through our online Continuous Emission Monitoring System (CEMS). Our performance on emission compliance can be seen in page 94.

FIRE & HAZE MANAGEMENT

We are committed to tackling cyclical forest fires and potential hot spots in the regions that we operate in. Since 2015, SDP has been proactively monitoring and managing fire and haze issues through its Hotspot Alert Dashboard. In support of our Zero Burning policy, the dashboard provides near real-time fire hotspot monitoring with data retrieved from the Fire Information for Resource Management System (FIRMS) of the United States National Aeronautics and Space Administration (NASA) and ASEAN Specialised Meteorological Centre (ASMC) websites. These platforms are linked to SDP's own geospatial program, that is based on Google Earth maps.

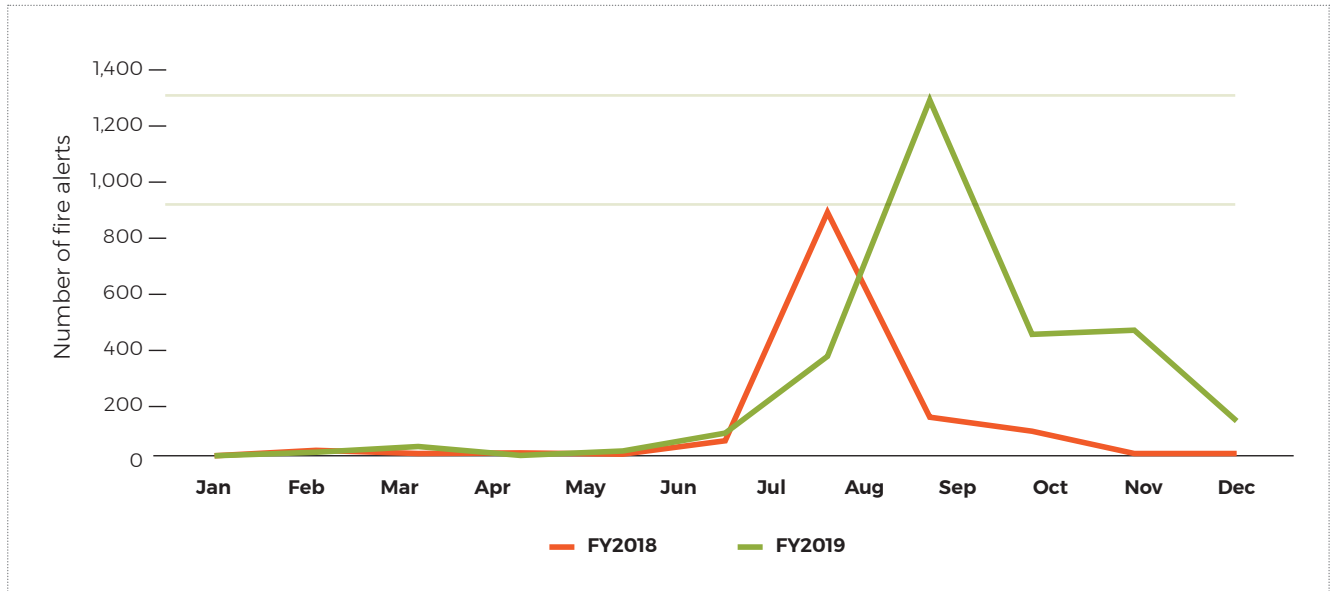
In 2015 we made the commitment to respond to fires in a radius of 5 km beyond our boundaries. Following this, the dashboard is also able to track and report hotspots occurring not only within our concession areas but also within a 5km radius outside our concession boundaries.



OUR FOCUS AREAS

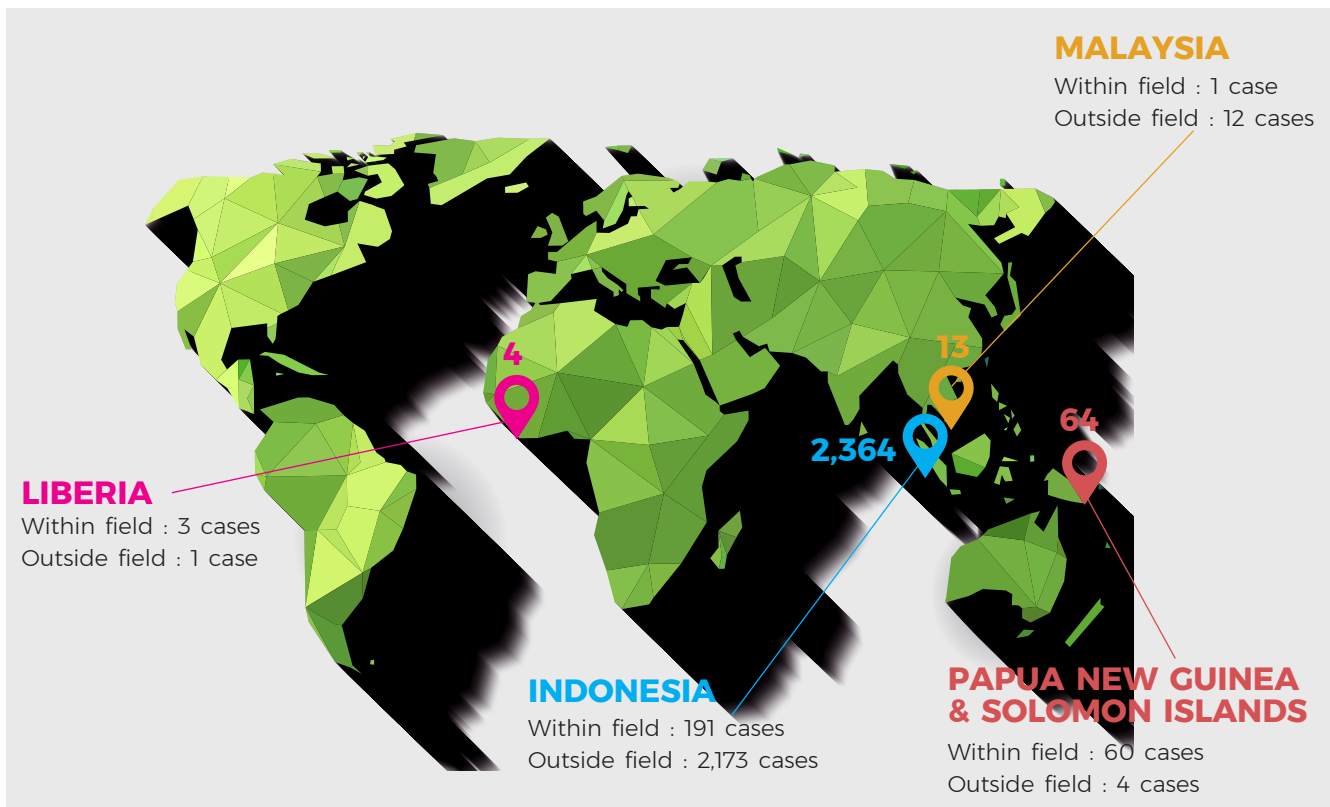
BUILDING CLIMATE CHANGE RESILIENCE

NUMBER OF HOTSPOTS DETECTED (POTENTIAL FIRES) IN 2018 AND 2019



2,445 potential fires were detected from 3 satellites from January to the end of December 2019. Upon on-ground verification, 255 fire alerts were found to be within our field operations (estate boundary). The remaining 90% fire alerts were verified to be within 5 km radius of our estate boundaries.

NUMBER OF CONFIRMED FIRES BY COUNTRY IN 2019



Note: Outside field refers to our commitment area of a 5 km radius beyond estate boundaries

There were 16 cases of open burning by local communities resulting in peat fires within estate boundaries. 13 cases were caused by other factors attributed to human activities such as fire used in land preparation, fire from cigarettes, and coal mining. In Indonesia, slash-and-burn activities to clear land continue to remain the cheapest and most popular option for many communities. Coupled with the return of El Niño this year and overall hotter temperatures, Sumatera province experienced four times more peat fires compared to other provinces in the region.

Our Hotspot Dashboard can also be accessed via the corporate website: <http://www.simedarbyplantation.com/sustainability/hotspot-dashboard>

255 cases Fire Within Estate Boundary



COMMUNITY-BASED FIRE PREVENTION

Community clearing by fire is legal in Indonesia; partly because of this, community activities outside our estate boundaries are a significant contributor to fires and the resulting haze. For this reason, we established the Desa Mandiri Cegah Api (DMCA) or Community-based Fire Prevention Programme in 2011. It is part of our efforts to manage and support the management of fires within the vicinity of our estates. The programme has resulted in a notable decline in the number of fire occurrences.

Communities participating in this programme are encouraged to change their approach and methods for land clearing without using the “slash and burn” technique. It focuses on educating communities and creating awareness of sustainable farming practices. Together with the local universities in Indonesia, the community and our operations try to identify socioeconomic factors behind land clearing and explore practical alternative solutions.

In this initiative, researchers, through collaboration with local Indonesian universities studied villagers’ practices and farming habits related to land clearing and haze mitigation. Following this, recommendations on practical alternative solutions were derived. During this period, women’s groups were also set up to improve livelihoods through handicrafts such as weaving of baskets using palm fronds - thereby improving community livelihoods.

Throughout the programme, we have seen behavioural and cultural changes amongst community members. In general, the community understands the impact of burning on the environment, the impacts to health and government regulations for air pollution. There has also been significant reduction in slash and burn techniques previously being practiced - the programme has seen increased local income generating capacity, and has deepened relationships between SDP, surrounding communities, and civil society groups.





OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

About 86% of the world's palm oil is currently grown in Indonesia or Malaysia, where 4.5 million people earn their living from the industry. The livelihoods of as many as 25 million people in Indonesia alone depend indirectly on palm oil production. As palm oil production expands, the Ministry of Environment and Forestry in Indonesia estimates the number of people relying on palm oil is likely to expand by 3% over the next 10 years.

We are committed to eradicating exploitation and supporting decent work and economic growth by providing fair and decent work as a fundamental right.

**No recruitment fees,
No retention of passport,
No debt-bondage**

**Provide fair
and
decent work**

**Ensure access to
clean water,
healthcare and
decent housing**

Achieving global goals through

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

UPHOLDING HUMAN RIGHTS

Due to our large global footprint, we encounter systemic human rights challenges that are common across the world, as well as those that are unique to the countries we operate in. At the same time, our reach and scale provide us with opportunities to work collectively on driving change in the industry. The well-being of our workers is extremely important to us and we believe in upholding human rights in our supply chain.

In 2015, we used the UN Guiding Principles on Business and Human Rights to undertake a Human Rights Due Diligence exercise to identify issues in our operations. Through a human rights heat map, we prioritised our efforts in areas where human rights risks exist and have the most severe impact.

Following this, we established the Human Rights Task Force (Task Force) to strengthen the management and governance of our actions to uphold human rights. The objectives of the Task Force were to review and consolidate human rights related policies, identify material human rights issues within our operations, and facilitate co-operation between relevant parties and stakeholders in encouraging compliance through an inclusive approach. The Task Force then launched Sime Darby Plantation's (SDP) Human Rights Charter in 2016 - reaffirming our commitment to upholding human rights within our operations.



Illustration outlining the issues which concerns us and the scope of persons covered in our Human Rights Charter



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

We began reporting our progress on eradicating exploitation in 2016 through the United Kingdom (UK) Modern Slavery Act Statement and to date have issued four statements. Visit our website www.simedarbyplantation.com to view all our statements.

During the past year, we continued our Human Rights Due Diligence Programme and have completed the assessment of almost 60% of our own operations. Our Human Rights Due Diligence programme in Malaysia identified the recruitment of migrant workers, retention of personal documents (passports) and human rights issues related to workers of third-party contractors as immediate priorities. We have advocated for change in recruiting practice – pushing for policy change, and improved practice from labour recruiters, in partnership with labour organisations.

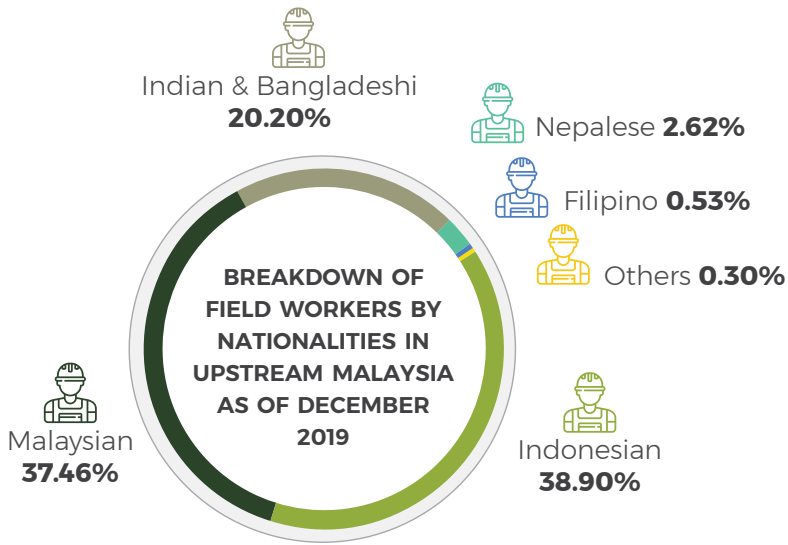
In Indonesia, working conditions, casual labour, union capacity and representation of women are seen as priority issues. In addition to enacting localised improvement plans, we have supported the formation of the Decent Rural Living initiative (DRLI). The DRLI has brought together like-minded growers to tackle systemic human rights issues and aims to foster collaboration to understand the root causes of these issues, and find solutions.

HUMAN RIGHTS HEAT MAP - MATERIAL ISSUES



Our human rights heat map, helps us prioritise risks based on their severity and likelihood. This assessment supports our dialogue with estate managers in prioritising and addressing issues in our plantations.

RESPONSIBLE RECRUITMENT



Candidates in Indonesia being interviewed by the Workforce Management Unit team

Malaysia is home to approximately 3.85 million migrant workers. These workers are mainly recruited in manufacturing, construction, services and plantations sectors. Migrant workers are vulnerable in any industry, and face issues including restricted freedom of movement and high debts incurred through migration.




SDP employs approximately 24,646 migrant workers across our operations in Malaysia – primarily from Indonesia, India, Bangladesh and Nepal. To ensure that we have oversight and management of the recruitment process, we practice direct hiring. Our dedicated Workforce Management Teams visit workers’ countries of origin to promote recruitment efforts, conduct interviews and select workers.



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

In Malaysia, we keep close watch for indicators of forced labour. We monitor this through on-going engagements with our agents as well as our established grievance mechanisms that help us respond to risks in our supply chain. We continue to be challenged with cross border policy gaps and the deep-rooted socio-economic drivers of migration. However, we believe that on-going monitoring must be conducted for us to use our leverage to influence discussions in this area.

 <p>We do not charge recruitment fees</p> <p>01</p>	 <p>We ensure transparent working terms</p> <p>02</p>	 <p>We do not retain personal documents</p> <p>03</p>
<ul style="list-style-type: none"> • Recruitment is conducted directly by our own teams in countries of origin • We cover for all statutory costs including return transport to country of origin • We work with agents and their sub-agents to monitor risks of debt bondage 	<ul style="list-style-type: none"> • Briefing materials translated into respective native languages during recruitment ensures workers understand and accept terms & conditions of work voluntarily • All written contracts are translated into native languages and explained to workers 	<ul style="list-style-type: none"> • Workers are reminded to always be in possession of their own personal documents • None of our operations retain passports unless explicitly requested to by workers, in which written consent in their native language is given • Workers' right to freedom of movement shall never be compromised at our operations

We have conducted dialogues and engagement sessions with our business partners in India and Indonesia to incorporate human rights considerations in their contractual agreements to encourage ethical recruitment processes and greater accountability of their assigned sub-agents. We will continue to monitor the performance of our business partners including their obligation to remove unreasonable costs imposed by sub-agents. Our business partners have also participated in national level trainings on responsible recruitment for labour providers. To date, we have conducted engagements with 12 agents for recruitment of workers from India and Indonesia primarily.

In 2017, we conducted a feasibility study to identify on-ground procedures for the return of passports to our migrant workers. The study found no direct relation between withholding passports and abscondment – contrary to the beliefs of employers holding workers' passports to avoid abscondment. Following the study, we successfully returned the passports to the workers and provided them with the opportunity to decide how and where they want their passports to be kept. Numerous engagement sessions in 125 estates and 33 mills in Malaysia were conducted for workers to fully understand the

procedures and their options. Moving forward, we will continue to monitor the process and extend the requirement to our third-party suppliers.

In 2019, we continued our due diligence work on our Sime Darby Oils Refineries in Malaysia. A total of 158 foreign workers primarily from Bangladesh, India and Nepal are hired through third-party contractors in our refineries. We learned that we have little management and oversight of workers who are not in our payroll system. The process of recruiting and hiring migrant workers by our third-party contractors was assessed for indicators of forced labour – resulting in our immediate engagement with contractors and workers, in an effort to develop tighter controls in our management system.

Although current procedures are in place to ensure we respect labour rights of workers hired directly by us, we acknowledge that we also have the responsibility to protect the rights of workers not hired by us but are working in our premises. We have identified through the assessment that some risk areas are not dealt with by one refinery in particular. These can be mitigated through a policy and monitoring procedure, most of these require

a standardised approach to ensure proper due diligence of contractors, tender document template and service contract clauses to include labour rights requirement.

Moving forward, our Labour Supply Management Programme at our refineries will involve the development of specific policies and implementation of governance, monitoring and evaluation of procedures in the operations. We will also implement our grievance channel "Suara Kami" to our contractors and raise awareness through trainings and communication.

DECENT WORK

Palm oil production is a labour-intensive industry and is highly dependent on physical labour. With an average labour to land ratio of one person to 10 hectares of oil palm area, recruiting can be challenging, and a concerted effort must be made to provide working conditions that meet decent standards of living. At Sime Darby Plantation (SDP), we strive to provide living and working conditions that support the development of our communities. We ensure that our plantation workers receive benefits including free housing, free healthcare, schooling for their children, a monthly rice allowance, and subsidies towards electricity, water, and cooking gas.

We have found that benefits and subsidies have enabled workers to save and invest in a better quality of life as they are able to afford motorcycles, university fees, and televisions.

All our workers in our estates and mills are provided with permanent housing and have access to basic necessities like electricity and clean water. In Malaysia, housing for workers is governed by the Workers' Minimum Standards of Housing and Amenities Act that stipulates standards for housing and child-care centres for employees and their dependents. We meet these standards across our Malaysian operations.

“

258
healthcare
centres

95
childcare
centres

”



Free healthcare provided to our workers in Tennamaram estate, Selangor, Malaysia



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK



Worker harvesting fruit from oil palm tree

In our operations in Indonesia and Papua New Guinea, our houses meet or exceed the main criteria in ILO Guidance on Workers Housing Recommendations No.115. Our operations provide a community-living environment that is safe, conducive and connected. Houses are typically single-story terrace houses equipped with facilities for water, sanitation and electricity. Workers with families are provided with a house, while single workers typically share a house. Our housing facilities undergo upgrading and maintenance when needed, and we are developing new housing facilities to accommodate our expanding workforce.

FAIR WAGES

In accordance with our commitment to provide fair and decent work, we ensure all our workers are paid minimum statutory wages in accordance with national legislation of the countries we operate in. In addition, workers are

provided with other in-kind benefits such as food supplies and electricity subsidies which brings our workers' total package to above the minimum wage. This allows for discretionary spending when necessary.

Work on the plantations typically involves harvesting, loose fruit collection and general upkeep including spraying and weeding. Workers are either paid daily or by piece rate. Piece rate workers are productivity-based and are set volume targets. Harvesting groups are further incentivised through premiums paid on additional fresh fruit bunches that are collected or harvested.

Remuneration of productivity-based work or piece rate work is often challenging for seasonal crops such as palm oil. Variable productivity and prices, variance in weight of the fruit, the maturity of the plantation, and other factors can affect income in a given season.

To maintain a decent standard of living, we guarantee workers a minimum wage even during low-fruit seasons. Workers can be assigned other tasks that are not based on volume, or use of "top-up" systems to ensure they earn minimum wages. In a high-fruit season, workers receive productivity bonuses when they exceed their volume targets.

Despite our commitments to national minimum wage in all our countries of operations and provision of equivalent living wage, our due diligence programmes suggest that current performance targets can lead to excessive overtime and working hours. This structure incentivises workers to work longer hours and to work regularly on Sundays and public holidays in order to earn additional bonuses and improve their income. While this may benefit the workers'

pay and the company's bottom line, it creates a system where international labour standards for working hours, rest and holidays are challenged.

As a result of these challenges and guided by the Roundtable on Sustainable Palm Oil (RSPO) P&C 2018, our commitment to improve the remuneration of our field workers has been renewed. We have participated in numerous dialogue platforms, and also in a study on the issue of decent living wage, to determine components of a living wage in the context of the oil palm industry. Our calculations of prevailing living wages using the Anker Method¹⁰ have shown that average actual wages together with food, water, housing, education, health care, transportation and other essential needs provided to our workers is sufficient for a decent standard of living for themselves and their families.



¹⁰ Methodology developed by Richard and Martha Anker to measure a decent but basic standard of living in different countries and how much workers need to earn to afford this.

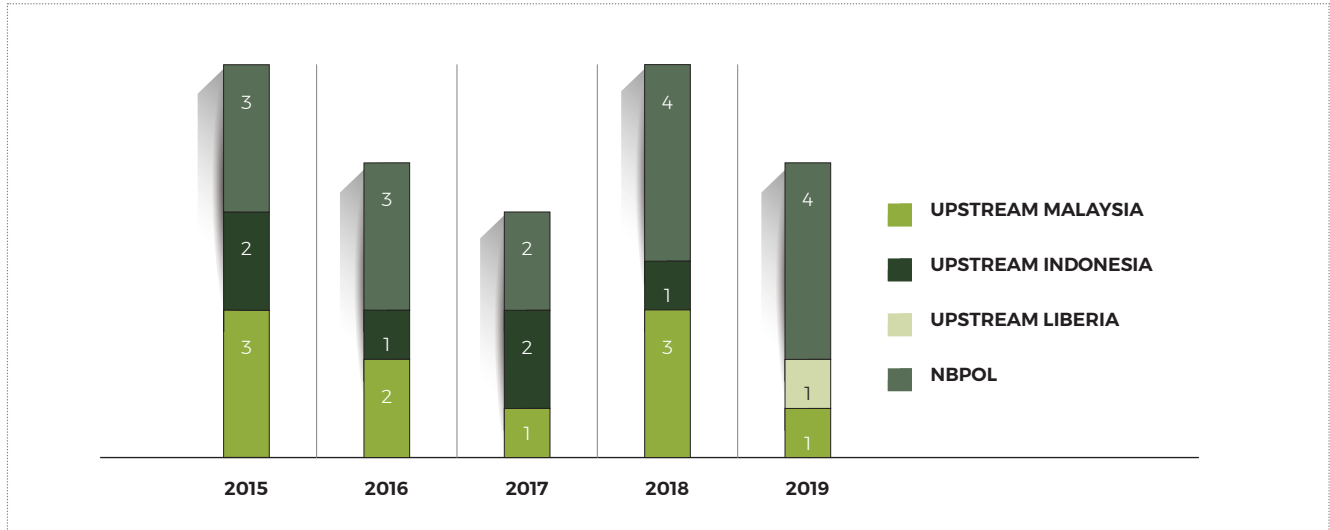


OUR FOCUS AREAS

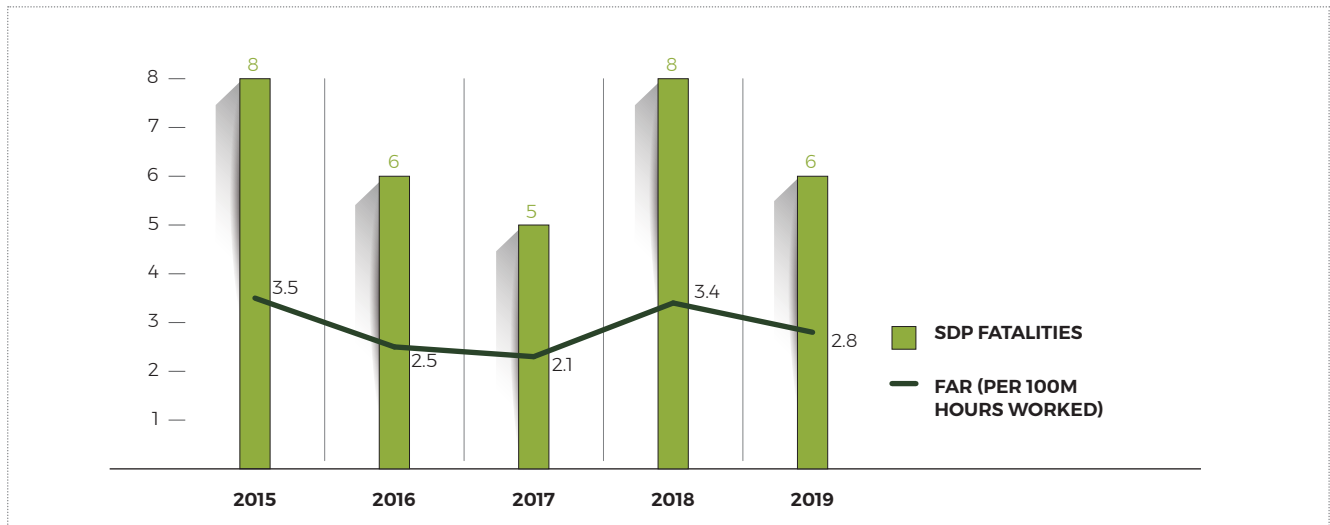
OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

A SAFE AND HEALTHY WORKPLACE

OCCUPATIONAL FATALITIES



OCCUPATIONAL FATALITIES & FATALITIES RATE

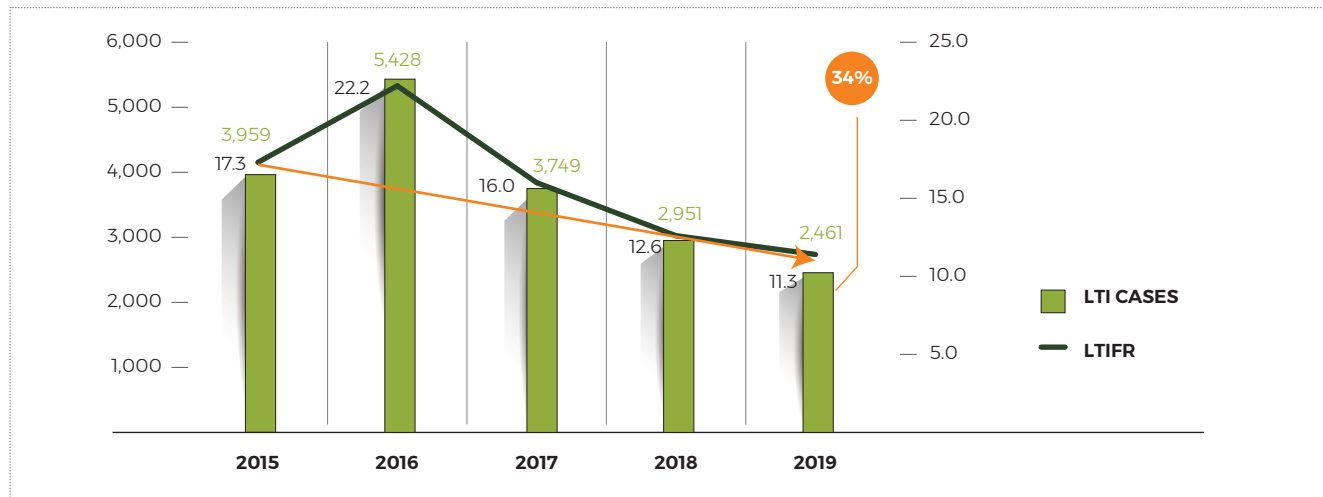


We regret to report 6 occupational fatalities in 2019 and a Fatality Rate (FAR) of 2.8 (2.8 fatalities for every 100 million hours worked). The causes of these fatalities were work related, involving transport/travel using a tractor (4), machinery (1) and harvesting (1).

The accidents occurred within Papua New Guinea (PNG) (4), Malaysia (1) and Liberia (1). In addition to the fatalities, we also regret to report nine (9) accidents resulting in occupational permanent disability injuries. These accidents were recorded in PNG (4), Malaysia (3), Indonesia (1), and Sime Darby Oils (1) and they were due to machinery (4), harvesting (3) and working near a tractor (2).

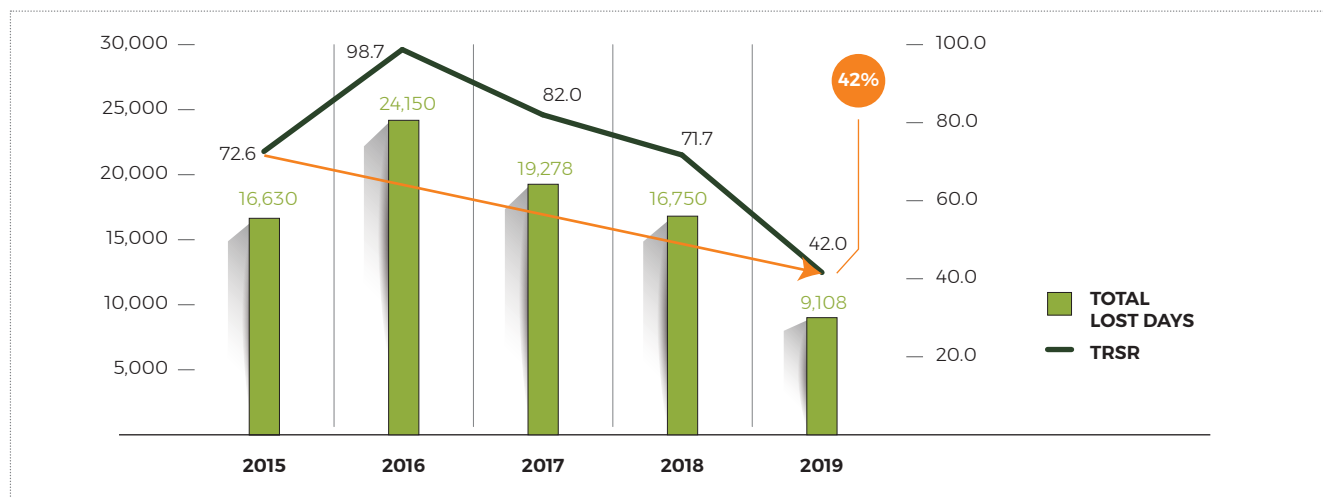
The Group remains determined to continue efforts such as safety programmes to keep our workers safe, and we are working towards Zero Harm in our operations..

LOST TIME INJURY & LOST TIME INJURY FREQUENCY RATE

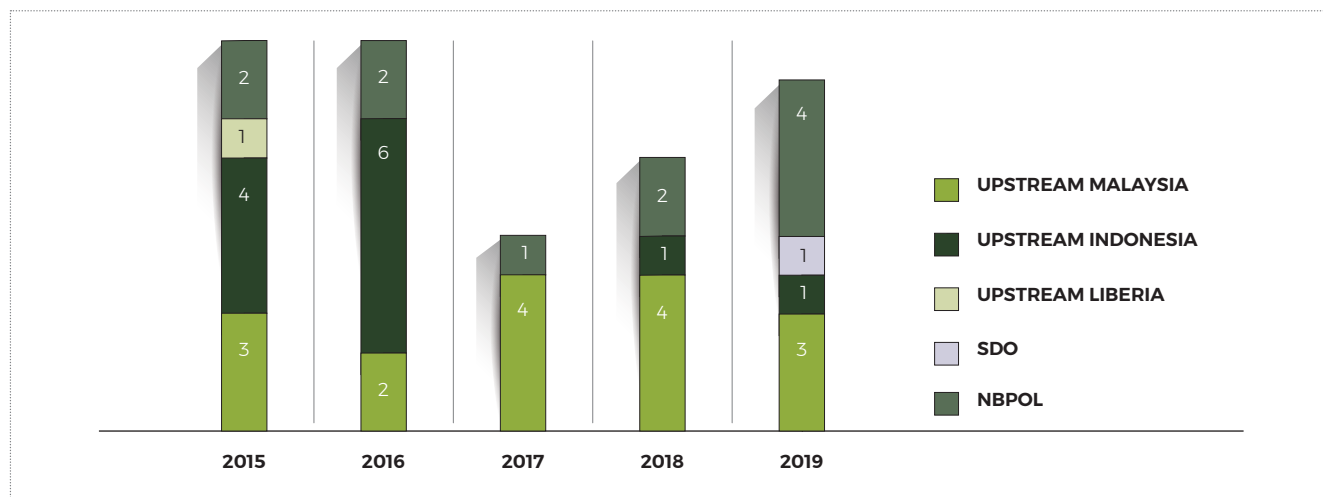


During the review period, the Group recorded a Loss Time Injury Frequency Rate (LTIFR) of 11.3, (11.3 injuries per million hours worked). This marks a 10% decrease compared to the previous year. Overall, there has been a 34% reduction in accident rates since 2015.

TOTAL LOST DAYS & TOTAL RECORDABLE SEVERITY RATE



OCCUPATIONAL PERMANENT DISABILITIES





OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

We recorded a total of 9,108 lost days in 2019, with Total Recordable Severity Rate (TRSR) of 42.0 (42.0 lost days for every million hours worked). This marks a 41% reduction compared to the previous year. Overall, there has been a 42% reduction in Severity Rates since 2015. Severity Rates help us measure our safety performance.

The Group is determined to continue its mitigation efforts such as safety programmes to keep our workers safe and healthy in the workplace. The high number of fatalities and permanent injuries has been a sober reminder that we cannot relax our efforts to drive towards Zero Harm. These serious accidents are particularly worrying given that our efforts have consistently reduced the overall number of accidents year on year. Our lost time injury frequency rate shows that total accidents have been reduced by 34% since 2015.

We recognise our responsibility to strengthen the safety performance of our operations. Our continued efforts are in support of our contribution to the global goals of good health and wellbeing. The key to our improved delivery over this period has been through ensuring that our people have the necessary technical and educational support in occupational safety and health.



We ensure that our workers wear Personal Protective Equipment (PPE) and are aware of all safety and health requirements when at work



Safety Interventions

Due to the high rate of fatalities caused by tractor related accidents, we implemented an on-site training for tractor drivers. This in-house training programme focuses on driving skills and safety precautions and procedures. Participants must complete a rigorous week-long training before they are certified competent to handle tractors.



2,818 trained drivers in 2019

28 training sessions conducted between 2017 to 2019

In 2019, we introduced the Tractor Driver On-Job Training (TD-OJT) Programme for new drivers and untrained tractor drivers which were conducted internally by individual operating units. The programme comprises comprehensive training modules and standard assessments method to ensure that all our tractor drivers have the necessary competencies and skills to operate the machines safely.



In our efforts to create safe and healthy working conditions, we place great importance on the ability and capacity of our people to respond to workplace incidents. This includes ensuring all our workers have basic first aid knowledge. All our workers must understand that safety is everyone's responsibility, which includes being able to assist the people around them.

In 2018, we conducted First Aid Awareness (FAA), Essential First Aid CPR and AED (EFA) and Basic Occupational First Aid, CPR and AED (BOFA) training internally for our employees in Malaysia. Key components of the programmes are:

- The usage and importance of Automated External Defibrillators at the workplace
- Performing basic bandaging and splinting
- Handling various emergencies both at and outside of the workplace

859 people internally trained in FAA, EFA and BOFA in FY2017 to FY2019

In recognition of our Occupational Safety and Health initiatives, Sime Darby Plantation (SDP) received multiple accolades at the Malaysian Society of Occupational Safety & Health (MSOSH) Awards 2018.



In 2017, we also introduced the Harvesting Competency Training Programme (HCTP) in our Upstream Malaysia operations which provides guidelines for estate management to train new foreign workers to become safe and skilled harvesters. Our on-the-job training is required for all our workers who conduct harvesting work. Harvesting is a highly skilled job that requires not only physical endurance but the competency to cut fruits and fronds correctly.



Workers being briefed on the importance of maintaining the highest safety standards during harvesting activities



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

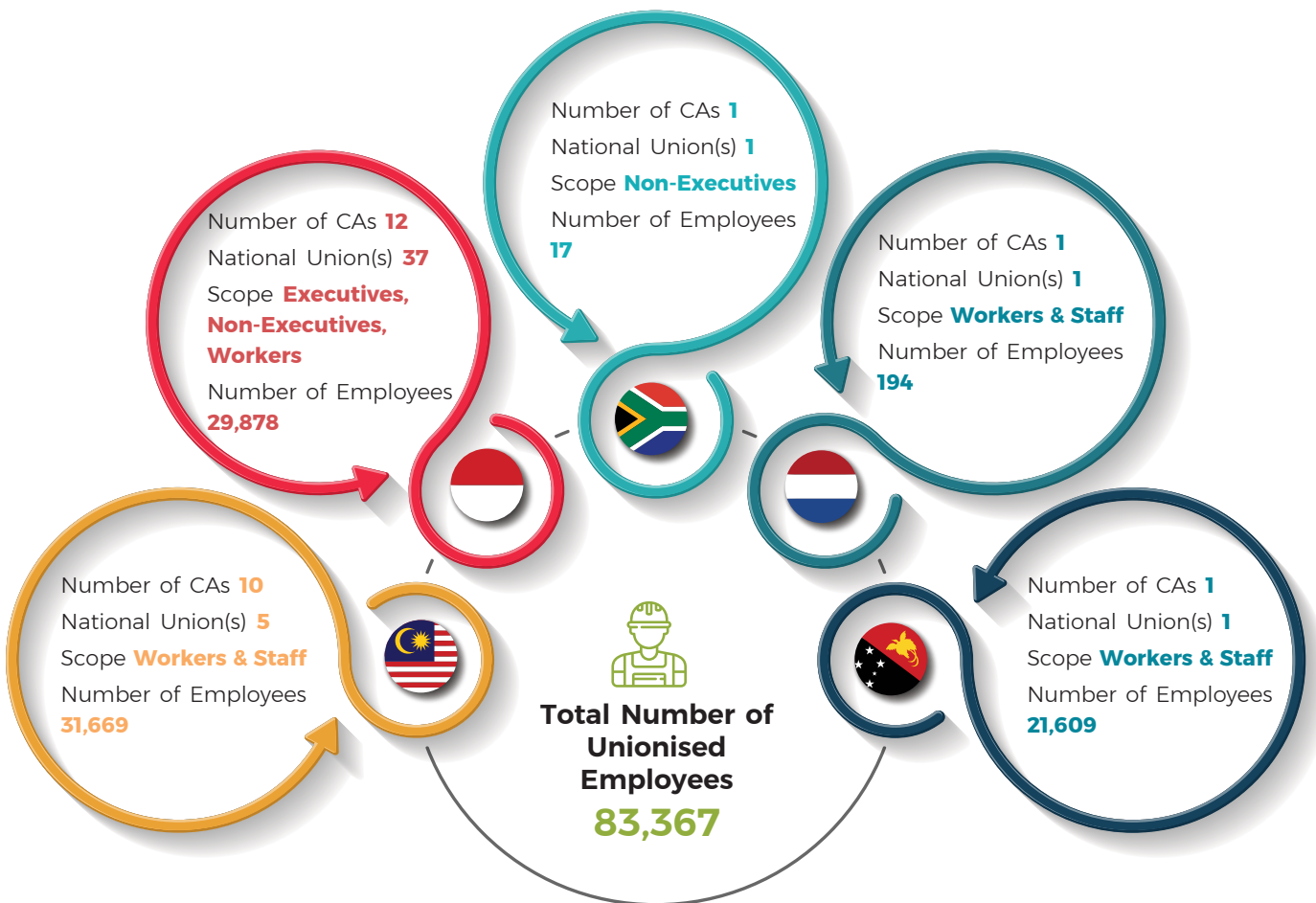
FREEDOM OF ASSOCIATION

We respect the rights of our employees to join and form organisations of their own choice and to bargain collectively. Depending on the locations we operate in, we ensure workers are aware of and understand their freedom to choose to be part of unions. We also encourage them to voice their concerns and ensure collective agreements reflect their concerns.

Worker union platforms are set up to address worker grievances that will be presented in the collective bargaining agreement dialogues. However, our assessments have shown that there is low level of awareness of the collective agreement and the ability to use this as a formal grievance mechanism. Union representatives are involved in the resolution of issues or concerns with workers – though mostly outside the scope of the formal grievance mechanisms.

In localities where formal unions do not exist, we encourage the formation of joint consultative councils and other similar platforms for workers to raise their concerns and safeguard their rights. Our goal is to ensure our workers, including those who are not union members (approximately 30% of the workforce) have proper channels to air their grievances.

In Indonesia, we will continue to strengthen our engagement with the various unions. This includes improving the capacity of union representatives to enhance dialogues amongst workers and companies. Due to our presence across multiple jurisdictions in Indonesia, we will look at exploring jurisdictional approaches to multi company collective bargaining agreements that will result in improving the livelihood of oil palm workers in the country. Capacity building of our unions will be a key focus in our Decent Rural Living Initiative in Indonesia.



* CAs refer to Collective Agreements

ENHANCING WORKERS' VOICE

Our operations employ more than 94,000 workers, and we have put in place multiple avenues for workers to raise their concerns. Access to grievance platforms are an important principle under the Respect, Protect and Remedy framework of the United Guiding Principles on Business and Human Rights. While we encourage an open culture in which workers and managers or supervisors can resolve grievances directly at the operational level, we also provide whistle blowing channels as platforms to report violations against procedures.

Our Human Rights Due Diligence exercise made clear that our migrant workforce face language barriers that can inhibit grievance reporting. To address this, we have established a worker's helpline that is designed to be accessible. In collaboration with Nestle, the helpline is run by ELEVATE, the company behind the renowned 'Amada Kother' garment industry helpline in Bangladesh, and an electronics and manufacturing industry helpline in Malaysia. *Suara Kami* for the palm oil industry had to be adapted to meet the demographic needs of our workers, as well as the geographical spread and remote locations of the work sites.

The *Suara Kami* or Workers Voice helpline is a pioneer in the palm oil industry in providing a 24/7 helpline in multiple languages that workers can access via call, text and Facebook Messenger. All the calls and texts to the helpline are toll-free and workers are not charged.

FEATURES OF THE HELPLINE:

Credible	<ul style="list-style-type: none"> The helpline is managed by a third-party and by operators who speak various languages
Accessible	<ul style="list-style-type: none"> There are multiple channels for workers to access support - call, text, Facebook messenger Available in multiple languages and for 24 hours/day Toll free
Reliable	<ul style="list-style-type: none"> Has a grievance protocol that defines roles and responsibilities, time frame to respond and classification of cases
Equitable	<ul style="list-style-type: none"> Provides step-by-step feedback to callers and allows callers to dispute outcomes
Transparent	<ul style="list-style-type: none"> Grievance reports are shared and updated periodically
Rights Compatible	<ul style="list-style-type: none"> Assesses complaints on the possible human rights impact
Continuous learning	<ul style="list-style-type: none"> Platform allows for SDP to analyse common issues and address systemic risks
Based on engagement	<ul style="list-style-type: none"> Focus group sessions at operations are set up to allow workers to provide continuous feedback on the helpline in the spirit of improvement Awareness sessions are provided to management and workers at operations which emphasise dialogue as effective means to address grievances

The helpline was piloted in one of our six regions - Central East region in February 2019. Learnings from the pilot will help support the implementation of a full roll-out for all our operations in Malaysia. A series of 16 on-ground trainings ensured that workers were aware of the helpline, understood how to use the helpline, and trusted the redressal process. Aligned with the roll out, our managers and regional human resource teams were also trained in handling grievances related to forced labour. Moving forward, the helpline will be made available to all Sime Darby Plantation (SDP) operations in Malaysia - including upstream and downstream operations. There are also ongoing discussions for the helpline to be made available to other companies along the palm oil supply chain. The aim is to launch the first industry wide worker voice platform in Malaysia in 2020.



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK



Workers training on the helpline during our pilot programme and an example of the information poster

The pilot roll out conducted for the Central East Region covered 7 strategic operating units with a total workforce of around 5,909.

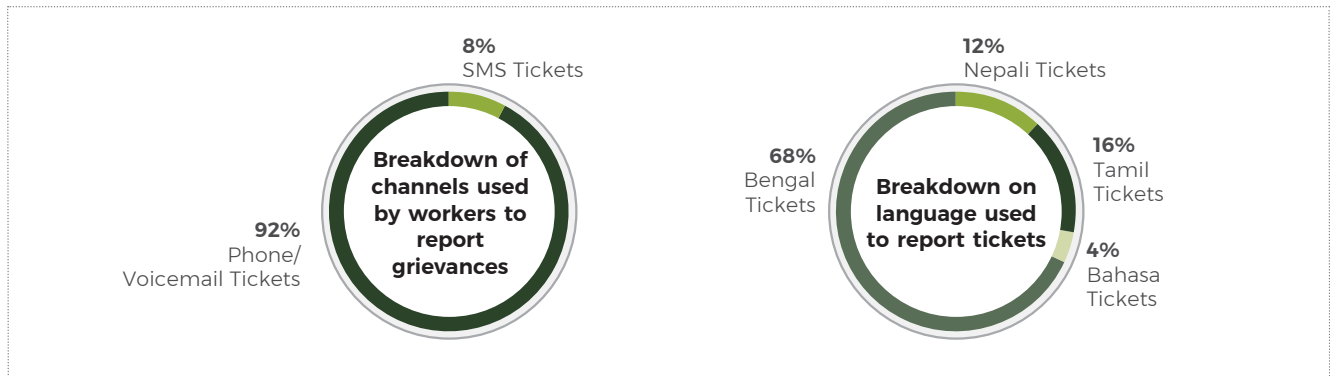
Below is our initial analysis of the calls received through the system system. It shows that most calls were from workers who do not speak Bahasa Melayu; This may be due to language challenges in our existing grievance channels which have now been overcome by Workers' Voice.

Summary of the Pilot at Central East Region (February 2019 to October 2019)

Total Grievances raised through the channel: **25**

Operating Units with grievances raised: **8** (2 Tennamaram, 2 Jentar, 1 East, 1 West, 1 Sepang and 1 Sg Mai)

SUMMARY OF THE PILOT AT CENTRAL EAST REGION (FEBRUARY 2019 TO OCTOBER 2019)



The majority of the grievances that were received throughout this pilot were around workers' understanding of wages being paid. On top of localised efforts to better explain to the workers their wages, payslips issued across our Malaysian operations have been made clearer, which simplifies the breakdown and explanation of wages being paid.

PARTNERSHIPS FOR IMPROVED LABOUR RIGHTS

Partnerships form the foundation of our sustainability efforts – they help us develop a shared vision of solutions to complex challenges, and help us to develop an informed perspective on the issues our industry faces. We know that the challenges are complex, and that we cannot go it alone. These partnerships and collaborations are integral to changing the landscape for the industry, and set the agenda for the adoption of sustainable oil palm production as the norm.

In 2018, the Decent Rural Living Initiative (DRLI) Initiative was formed as a unique pre-competitive collaboration with five large palm oil producers – Cargill Incorporated, Golden Agri-Resources Ltd., Musim Mas Holdings Pte. Ltd., Wilmar International Limited and Sime Darby Plantation (SDP), convened by international sustainability non-profit, Forum for the Future. The aim of this initiative is to tackle labour rights challenges in Indonesia's palm oil industry, by developing much-needed improvements in working conditions.

Our collective vision is to identify and scale grower-driven solutions that create a palm oil industry that provides employment in a safe, fair and decent manner in rural Indonesia.

Following a phased approach with key stakeholders working together in Indonesia, the initiative began with data gathering, formulating action plans and piloting action on-ground. This phase will focus on key areas that have been identified as systemic in improving the capacity of unions and strengthening collective agreements, empowering women in plantations as key decision makers and adopting an inclusive approach to casual labourers.

The initiative is now entering its implementation phase, involving further design and delivery of pilot projects, using the DRLI programme as a means to identify and secure support to scale solutions in collaboration with partners in the supply chain. This is expected to receive support of other companies, experts and NGOs who will be invited to assist in empowering and enhancing the lives of communities.

A Secretariat has been set up to provide coordination and administrative support, to manage the distribution of funds to the projects and ensure financial and project outcome reporting is consistently managed. The members have committed to scale the pilot projects in 2020, with the purpose of adopting landscape approaches to influence systemic changes.



Harvesting teams coming home from a day's work

OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

ENGAGING AND EMPOWERING COMMUNITIES

Local community engagement and partnership is fundamental to the success of our plantations. We actively engage with local community leaders and members prior to any land development by obtaining the Free, Prior and Informed Consent (FPIC) of communities. This ensures project-affected communities are well informed and have the right to customary, user and traditional land. We are guided at all times by effective conflict resolution frameworks through social impact assessments and periodic stakeholder consultations that are independently assessed before and during our operations. We are also acutely aware that the introduction of the High Carbon Stock (HCS) approach introduces a new dimension to this ongoing FPIC process as we explain to communities why we cannot develop on their land and the importance of forest and habitat conservation.

We believe that in assisting and working with local communities, we can catalyse growth for the community and for our business. We operate in communities that are largely reliant on external investment and support. We treat this as an opportunity to promote sustainable development within and beyond our borders.

Where we are present, we are committed to support land cultivation that proactively promotes benefit sharing and enhances local food security. This is done through an inclusive approach, where engagement sessions are key in understanding the needs of the communities. All our operations conduct periodic formal and informal engagements with all their stakeholders, especially in locations where communities are most affected by our projects.

In these locations we support and sometimes take on the role of building or rebuilding infrastructure and facilities such as roads, community halls and health centres as well as facilities that help improve, or make available access to, basic needs such as clean water, sanitation and education. Through our operations we also aim to support livelihoods of local communities through job opportunities, economic growth and alternative livelihood trainings.

Together with Sime Darby Foundation we have supported Corporate Social Responsibility programmes amounting to more than RM127 Million to date. These programmes include initiatives that promote environmental stewardship, community health and well-being, access to universal education, and employee volunteering programmes.



Our operations in Indonesia provided relief aid during the Palu Earthquake in 2018

RM282 million worth of scholarships have been granted through our global operations

25,517 students have benefitted from back to school assistance amounting to more than **RM2.5** million

In 2018, our Indonesia operations, through our Minamas Cares programme, awarded six students scholarships amounting to RM73,000 for them to pursue their tertiary studies related to the industry at Universitas Jenderal Achmad Yani, Bandung. During this period, we also awarded our workers children with scholarships - providing them with the opportunity to further their education in higher learning institutions.

Supporting community needs is a critical part of our operations in Indonesia. The following is a snapshot of our contribution for the year under review:

	Number of beneficiaries	Amount spent (IDR)
SDG2 - Zero Hunger (Food aid, meal programmes, food assistance during emergencies, nutrition programmes etc.)	Over 4,000 people	650,093,400
SDG 3 - Good Health and Wellbeing (access to healthcare, affordable medicines, reduce the number of deaths and illnesses etc.)	Over 48,000 people	48,000,000
SDG4 - Quality Education (funding of schools, education programmes, vocational training, support of local nearby schools, scholarships)	6 scholarships and support for a university CSR programme aimed at providing assistance to high-achiever children whose parents are working in oil palm plantations.	283,000,000
SDG6 - Clean water & Sanitation (hand pumps, water quality projects, building of water wells, rainwater harvesting projects)	Close to 3,000 people	200,962,142
SDG8 - Decent work and economic growth (funding of apprenticeship programmes, funding of alternative livelihood programmes, rural handicraft programmes, infrastructure built, financial literacy programmes)	Renovations for two mosques, construction of five shops, five 'Damkar Motors' for firefighting, river maintenance, building improvements for one harbour dock and one public office	6,669,373,089
Total CSR expenditure in Indonesia in 2019		8,052,390,773 (RM2.12 million)



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

We are committed to ongoing engagement with affected communities to understand and resolve concerns raised throughout the duration of our operations. The following provide an update on some of the social issues that have been raised in our Liberian and Indonesian operations.

Update: Managing Community Rights in Indonesia

Sime Darby Plantation (SDP) acquired PT Mistral Austral Sejahtera (PT MAS) in 2005, managing 10,959 ha of plantation land in a concession area in the Sanggau district of West Kalimantan province in Indonesia. Within this concession, 30% of the total land (3,320 ha) is run by 2,054 plasma farmers covering 3,320 ha of land.

In 2007, the project affected communities from nine villages in MAS 2 Estate made 14 legacy claims in relation to land rights, distribution of smallholder plots and community infrastructure. In November 2012, the community through Sarikat Petani Kelapa Sawit, a union for farmers, submitted a complaint to RSPO on the 14 unresolved claims. Following this, we committed to quarterly reporting to the Roundtable on Sustainable Palm Oil (RSPO) of the progress resolution. We also committed to working directly with the communities through regular on-site bimonthly meetings which has resulted in an effective standardised grievance resolution mechanism. Our regular engagements have also promoted various initiatives to assist the community in enhancing their skills and livelihoods.

Over the years, we have made significant progress in resolving this complex range of issues. We successfully resolved 12 out of the 14 claims, with 70% of the affected communities. The remaining claims were in regards to the ownership of the nucleus plantation after the expiry of land tenures and allocation of Plasma plots within the Plasma original village/customary area. Unfortunately, we have been unable to resolve the matter as it was beyond the terms and conditions of our Right to Cultivate Licence [*Hak Guna Usaha* (HGU)] which was provided in our agreement with the Indonesia Government.

Despite our efforts to resolve the remaining claims, we were unable to make the operation profitable through its lifespan until 2019 and took the decision to divest our interest in PT Mas to PT Inti Nusa Sejahtera (PT INS). This decision was driven mainly by the poor financial performance of the asset. More details of the corporate divestment can be read in our Annual Report 2019. We believe the new owner of PT MAS, which is a locally-owned Indonesian company, will be able to continue to assist the communities to further their interests. The sale which includes a list of Conditions Precedent (CP) will pave the way towards a future that will be more beneficial for the local economy and surrounding local communities.

Update: Balancing socio-economic development in Liberia

In the 1980s, the then Sime Darby originally acquired an interest in rubber plantations in Liberia. However, we only commenced operations in 2009 due to the civil war. Prior to commencing operations, we conducted standard Free Prior Informed Consent (FPIC) protocols in accordance to RSPO requirements to develop 220,000 ha under our concession. Some 17 Project Affected Communities (PAC) filed ownership of land complaints to the RSPO. However, in 2012, the complaints were withdrawn following our engagement with The Forest Trust on clearer consent guidelines and Standard Operating Procedures (SOPs).

- ✔ Planted 10,300 ha of land. *(as of December 2019)
- ✔ Operates one mill with the current capacity of 35MT/ha located in Grand Cape Mount.
- ✔ The average age profile of the trees is 6-8 years old, with the oldest being 8 years old and latest planting activity took place in March 2019.
- ✔ Currently, the estates are producing an average yield of 2 MT/ha of oil and FFB volume of 10MT/ha

To further strengthen our work with local NGOs and the community, we launched our Sustainable Partnership Initiative in 2013 together with local communities, Government of Liberia, The United Mission in Liberia (UNMIL), and the World Bank. We also strengthened our Liberian Social Team during this period to ensure effective engagement and active participation with the communities. In the same year, we signed a Memorandum of Understanding (MoU) with the Zodia Clan marking a first agreement for additional 6,900 ha outlining terms, conditions and guiding principles of a partnership with Sime Darby.

In 2015, another Memorandum of Agreement (MoA) was developed between Sime Darby Plantation (SDP) and Senjeh Community followed by payment of crop compensation to 199 farmers. During this time, various other activities were conducted in consultation with the Bomi Civil Society Organisation (CSO) secretariat.

Despite our efforts in improving community engagement and inclusion, we continued to face several challenges during our operation in Liberia, such as theft (crop, gasoline, fertilisers), presence of illegal mills, illegal squatters/ex-combatant and land encumbrances, to name a few. Since we began our journey into Liberia in 2009, we only managed to plant on just over 10,300 ha of land due to various operating challenges. This was in spite of a 63-year concession that we were given to develop 220,000 hectares of land. Our planting in Liberia remained stagnant with 10,300 ha of land since we started development in 2009.

On 16 January 2020, we announced the completion of the sale of our 100% equity interest in Sime Darby Plantation Liberia Inc. (SDPL) to Mano Palm Oil (MPOI). We have finalised the terms and conditions of this divestment exercise via a Sale & Purchase Agreement (SPA), and the transaction is expected to be completed in the first quarter of 2020. More information on the divestment can be found on our corporate website at: www.simedarbyplantation.com.

The following key considerations formed part of our exit plan:

- Selection of a 'Responsible Buyer' – the new owner must commit towards an 'Outgrowers Programme' and developing both the upstream and downstream segments of the business.
- An established company in Liberia, who would be able to continue developing the foundation that has been left behind by SDP.

For smooth transfer of ownership, there will be a 12-month transition period post-handover for us to continue providing technical expertise to the new owner. We are committed to ensure that we exit our business responsibly so that the local communities can continue to benefit from the foundation that we have built over the years, under the new owner. More information on the divestment is available in our website and Annual Report 2019.

REDUCING GENDER INEQUALITY

While the palm oil industry seems male-dominated, women make significant contributions to the functioning of our palm oil plantations. Women still face discrimination in the workforce – and we are taking steps to correct deep-seated cultural and societal biases at the root of this discrimination.

Our operations are comprised of approximately 20% women working in our fields and factories. Predominantly, they work as sprayers and seedling nursery workers, or contribute to general upkeep on the plantations. Women are often systematically denied the same work rights as men.

All our plantation operations recognise the many challenges facing workers. These often concern workers with family responsibilities. In accordance to local laws, both maternal and paternal leave are observed. This includes awarding benefits, health protection and employment protection as stipulated at minimum levels, according to statutory requirements such as labour laws and collective agreements.

Respect for women's and maternal rights are important considerations to improve working conditions for women in the field. As a requirement, women who are pregnant or with newborns are reassigned work to avoid chemical spray or usage. They are provided with adequate space and breaks to enable effective breastfeeding for up to 24 months.

In addition, our operations provide appropriate facilities and services to support family well-being such as the provision of child care centres and access to health care at the operations. Our operations also support mother and child health programmes together with local health bodies. This includes collaboration on immunisation, baby wellness, maternal check-ups, reproductive health awareness and birth registration. Visiting Medical Officers conduct monthly visits depending on locations.

Gender Committees

Gender Committees have been established at all our operations involving estates and mills where women are provided a platform to develop and participate in enhancing their safety and health, education, and skills. The Gender Committee discusses issues faced by women in the workplace; including violence and sexual harassment, women's health, financial planning and retirement, and organises community gatherings and events. The Gender Committee is also a grievance platform where workers are provided with the opportunity to raise concerns specifically affecting women.



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

In 2018, we conducted a series of workshops focusing on issues surrounding gender-based violence within plantation communities. The workshops were based on the lived realities of survivors of gender-based violence, (whether the survivor is an employee or otherwise), matched to the experience or knowledge of the community. Uncertainty in the referral and reporting process was acknowledged and flagged, while highlighting the support required and access to the rights of the survivor at every step of the referral process.

Operating on the survivor-based perspective, the workshops placed a strong emphasis on a transparent and 'safe space' discourse method, where professional and ethical handling of disclosures of gender based violence by the participants was fundamental. Together with Women's Aid Organisation (WAO) and with the support of Sime Darby Foundation (YSD), the forum facilitated discussion amongst gender committee members and other stakeholders to develop the next steps to approaching gender issues in the estates.

Key achievements

1. Clarity in understanding and awareness of gender-based violence issues. This could be seen in the participants' concrete recommendations on future steps to mainstream training via the Gender Committees.
2. Initial discourse and increased capacity to recognise and respond effectively to gender-based violence has been initiated.
3. The existing referral pathways to assist survivors within the SDP community had been introduced.
4. The foundation has been laid for a management response and accountability framework at plantation level which is survivor-friendly and is progressive in terms of women and children's human rights standards.

Established in December 2011 in West New Britain, Papua New Guinea, the Women Empowering Women (WEW) is a registered member of the Business Coalition for Women (BCFW). We are an active member of the Against Violence Working Group of the BCFW, which provides insights and recommendations to the BCFW relating to its programmes and activities within PNG. Two of the most successful initiatives developed by the Working Group have been the Gender Smart Safety Toolkit and the Gender Smart Audit, where we are the first company from the agriculture industry to get involved. The Gender Smart Safety workshop hosted in June 2016 included the development of audit reporting templates, measures and KPIs that will be used for each of the companies, as well as Draft Minimum Standards for women's safety in the workplace.



13 workshops conducted in 6 regions

534 participants - gender committee members, auxiliary police, medical and hospital assistance, assistant managers and sustainability & quality management representatives



By providing tools and a platform to work together, such initiatives will continue to empower women in and around our operations to address the issues they face in the workplace and in the community



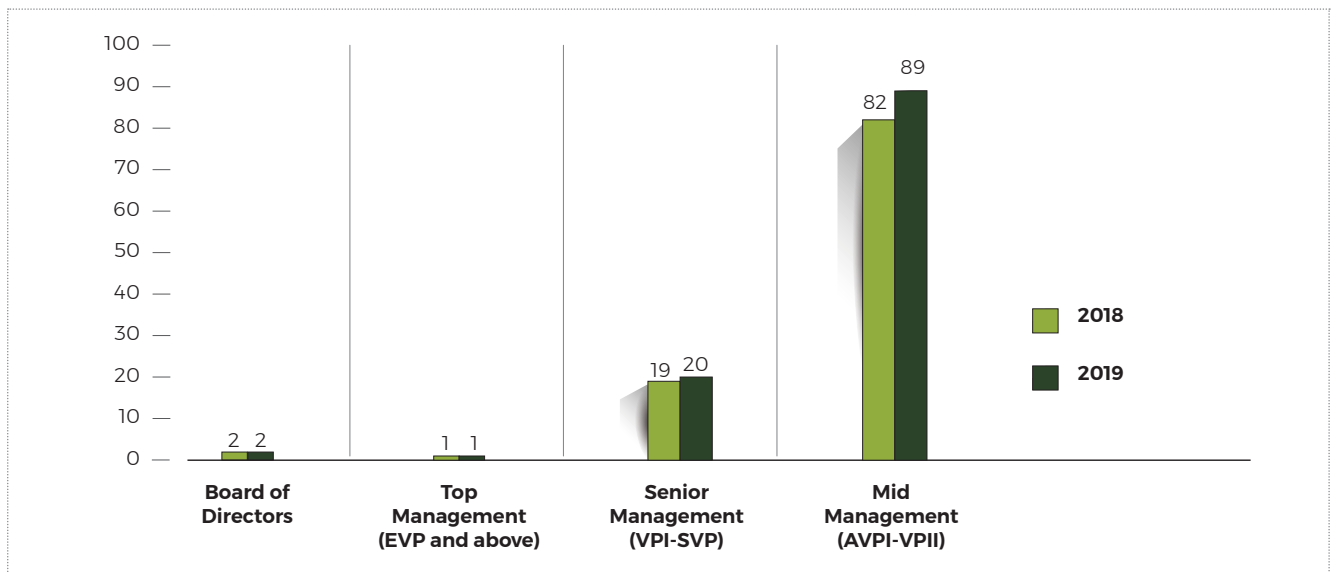
Female Manager Programme

According to the Food and Agriculture Organisation, women comprise approximately 43% of the agriculture labour force globally, but a much lower proportion are in managerial roles in the industry.

At Sime Darby Plantation (SDP), approximately 20% of female employees are in managerial positions (Middle Management to Top Management), and a smaller amount are seen managing in our field. In a typically male dominated industry, women in the industry have been known to have little or no support to work in the field.

We understand that for us to progress, it is essential to ensure the opportunity for growth for our female workforce.

FEMALE REPRESENTATION IN MANAGEMENT



In March 2019, we launched a Female Manager Development Programme with the objective of closing the gap between men and women in managerial roles, and to provide equal opportunities for women to lead and manage estates and mills. We implemented a Blended Learning Approach - a combination between formal classroom learning, technical on-the-job trainings, and mentoring or coaching support from female senior management.

To date, there are three executives enrolled in this pilot programme, and we hope that their achievements will pave the way for greater participation and support for the programme.



Participants of our Female Manager Development Programme



- Create an enabling environment for women to progress into leadership positions in estates and mills
- Increase technical and leadership competencies
- Remove barriers through mentoring support from senior leadership
- Increase equal opportunities and access to education and training



OUR FOCUS AREAS

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

COMBATING CHILD LABOUR

Over 1.5 million children, between 10 and 17 years old, work in the agricultural sector globally¹. Plantations are generally located in remote areas and near villages where much of the local labour force is made up of children. In these locations, there is often little access to education, and families seeking to increase their livelihoods employ children on their plots of land. In 2010, we launched our Child Protection Policy (CPP), and we continue our efforts to eliminate hazardous work for children and implement the prohibition of child labour in our operations.

For us to deliver the elimination of the worst forms of child labour by 2025², Sime Darby Plantation (SDP) took part in a study to understand the Impact of Palm Oil on Children in 2016 by UNICEF. The study assessed how palm oil plantation operations impact children and explored how respect for children's rights can be further improved. A key outcome of the study was acknowledging that whilst palm oil had the opportunity to provide facilities and infrastructure required for children to develop such as childcare and schools, in reality there remain gaps in the levels of awareness of adequate nutrition, breastfeeding options and the importance of education. More details can be read in the report on our website.



Our schools in Indonesia provide quality education for children living in our estates

¹ ILO

² SDG Target 8.7

The following best practices were identified through the study:



Maternity protection and breastfeeding

Expectant mothers are reassigned from work that maybe hazardous such as chemical spraying or chemical usage. Maternal and paternal leave are awarded for all workers.

Breastfeeding is encouraged in our operations so women are given specific break times and designated areas with facilities.



Childcare

Childcare centres with adequate learning and development facilities are provided and managed by child minders in all our estates. The centres are monitored by the relevant government welfare departments.



Nutrition and healthcare

In some of our remote locations, independent or cooperative grocery stores are set up to ensure workers living in our sites have access to fresh and nutritious food. Stores typically stock up on a basic food basket (protein, carbohydrate, vitamins & minerals, fats, water). The study suggests adequate consumption.

Workers also have access to free healthcare facilities in our sites. We provide qualified Doctors or Medical assistants in all our facilities. In most of our clinics, referrals to the nearest hospitals are facilitated with an ambulance service on standby. Visiting Medical Officers (VMO) often conduct programmes and visits especially for women and children.



Housing, water, sanitation and hygiene

Adequate water, sanitation and hygiene services are provided in all our operations for all our workers and their families. Awareness programmes such as personal hygiene and oral hygiene are often conducted with local civil society organisations, NGO's and government departments. Such programmes are conducted in schools and childcare centres.

Housing provided to workers not only meets international housing standards but housing designs take into account family structures – conducive to parent and child space and privacy



Access to education

All our estates provide schools and early childcare facilities. School busses are provided free for all children. In Indonesia, school teachers are employed by the estates. In Malaysia, alternative schooling for children who are non-citizens is provided to ensure universal access to education. This includes support for uniform, books and transport.



Child protection

Various programmes and collaboration are provided at operating unit levels, together with relevant government departments. Estate operations support birth registration and vaccinations for newborns by ensuring that transport to local hospitals are provided. We also observe zero tolerance of child maltreatment. Our gender committee members and medical officers have been trained to report any suspicion or occurrence of child maltreatment.



Child labour and young workers

We have implemented a policy to only hire workers above the age of 18 years old. Child labour is strictly prohibited in all our locations. Socialisation of this prohibition is conducted periodically through sign boards, posters and reminders during morning muster sessions. Access to schools is integral in our efforts to combat child labour and where available, we support vocational programmes for early school leavers. Awareness programmes are often conducted for parents to understand the importance of education and to keep children out of the fields.



INNOVATION FOR SUSTAINABILITY

Projections from the World Resources Institute's (WRI) Creating A Sustainable Food Future Report on food growth assume that agriculture overall is going to have to increase productivity by on average 56% to meet global demand - a significant portion of that will be increased demand for oils and fats for household use. To do that within current agricultural practices needs a further 593 million hectares of land to be planted. That in itself will lead to a global increase in emissions of about 11 gigatons of CO₂ equivalent.

Driving a viable and sustainable palm oil industry is not possible through additional land expansion. Innovating on yield is core to Sime Darby Plantation's (SDP) growth and to driving sustainable palm oil production. Increasing yield is how our industry will produce more oil without using more forest land.

At SDP we have been working on breakthrough innovation to increase yield. Yield is core to our growth and essential to creating a deforestation-free industry.

Deliver yield improvements of up to **15%**

GenomeSelect™ seed production supply to meet annual **replanting** requirements **for all** of Malaysian operations by **2023**

Reduce water usage to a target of **1.0m³ per tonne** of Fresh Fruit Bunches (FFB) produced by **2023**

Achieving global goals through

RAISING THE BAR ON YIELD

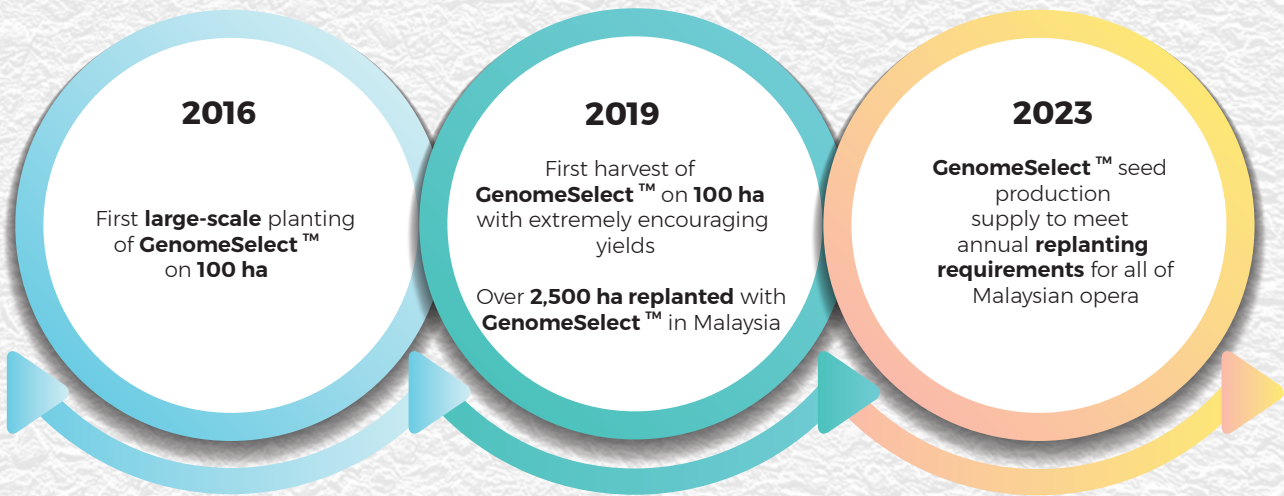
Oil palm is a very efficient crop, capable of producing ten times more oil per hectare than other leading oilseed crops. Through our GenomeSelect™ program comprised of genetic analysis and selection, we have been able to select oil palm traits that can further improve the yields per hectare of oil palm. This will help us to continue meeting the world’s demands for oils and fats without increasing our land use. Unlike Genetically Modified Organism (GMO) crops, these oil palms seeds are naturally pollinated seeds that have been selected based on results from a genetic test, rather than through genetic modification.

The GenomeSelect™ Oil Palm planting initiative is a major milestone that allows us to produce more oil with existing land, in line with our sustainability commitment to halt green and brown field expansions.

GenomeSelect™ is able to deliver oil yield improvements of up to 15% above our previous best seeds. Under optimal growth conditions, the potential yield from the GenomeSelect™ palms can go above 11 MT oil/ha, resulting in average yields above 6.1 MT oil/ha across all environments in our Malaysian plantations, compared to Calix 600 yields of 5.3 MT oil/ha.

We have begun planting GenomeSelect™ commercially in defined fields of our operations in Malaysia. The plantings are equipped with geotagging technology to help us monitor the environment interaction – data for us to further optimise our breeding materials to withstand climate challenges over the next 30 years. In 2017, the project received recognition from the Edison Award under the Energy and Sustainability category.

KEY MILESTONES AND TARGETS FOR GENOMESELECT™



Over the past few years, our Research and Development (R&D) team in Biotechnology and Breeding has sequenced over 200 oil palms which were carefully selected to represent the diversity of SDP’s collection. These genetic codes were analysed to identify the traits of high yielding palms. The team was then able to produce a formula to provide a genetic test, selecting the naturally high yielding variants from our current premium seeds and enabling development of better seed-production palms without any genetic modifications. In addition to the success with GenomeSelect™, the team has also developed other high yielding planting material like the Superfamily Dami seeds.



Our high yielding planting materials, GenomeSelect™



OUR FOCUS AREAS

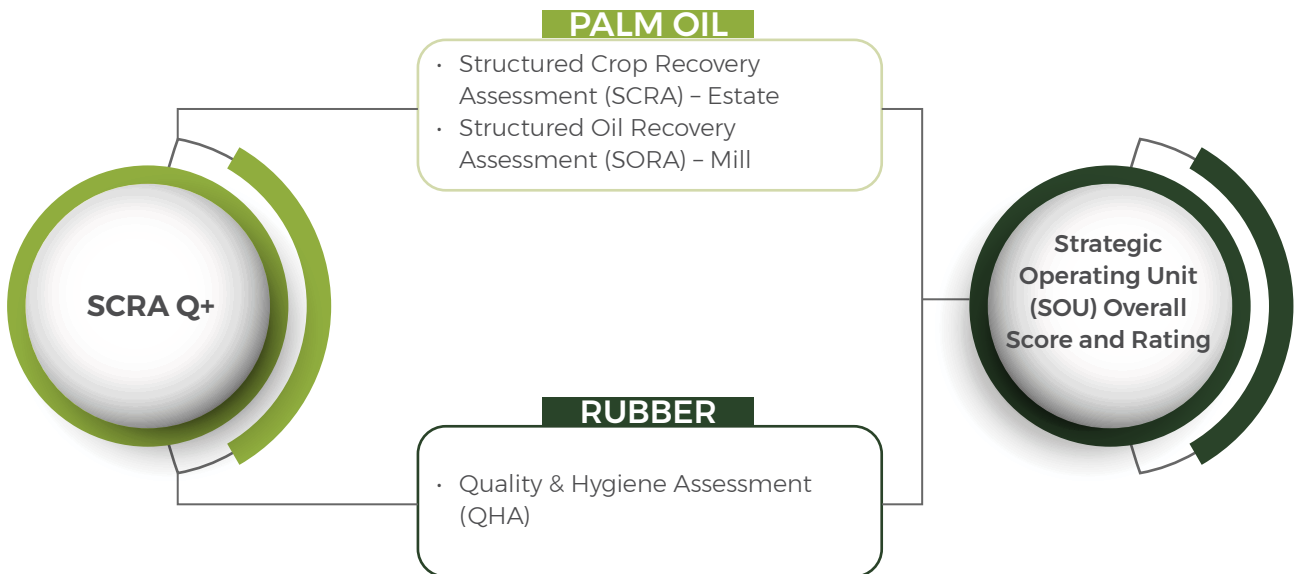
INNOVATION FOR SUSTAINABILITY

The promising developments from our research team supports our expectation from our accelerated replanting programme – to improve our average palm age from about 13 years as at 2017 to approximately 12 years by 2023. Our replanting programme, undertaken in 2015, is carried out using high yielding planting materials derived from our R&D efforts.

So far, we have focused on the primary traits and yield stability of our palm trees to promote increasing oil extraction rates and reliable high oil yield. Moving forward, our new planting materials will be supported by operational improvements to ensure more efficient harvesting, optimum ripeness identification, and easier loose fruit collection.

Our goal is to have enough capacity to sell the high yielding materials required to meet Malaysia’s planting requirements. The focus for palm oil moving forward must be on breakthrough innovation to double yields and modernise to increase productivity. We believe that growth in demand can be possible without the clearance of any more forested land.

Quality Management



In all our initiatives, we strive to raise standards, and work beyond the limits of certification. In this instance, we have successfully combined our field assessments into the Structured Crop Recovery Assessment (SCRA Q+) programme, to realise our oil extraction targets. This programme comprises three assessments that measure the efficiency of our harvest and evacuation of crops, crop quality, and mill efficiency.

The three assessments are:

- Structured Crop Recovery Assessment (SCRA): supports yield maximisation by addressing the yield loss factor (efficiency of crop harvesting and evacuation to the mill). The assessment also includes crop quality, which directly affects performance of the oil extraction rate (OER). Over the last four years, our SCRA scoring recorded a positive trend, reflective of a good harvesting and recovery culture in our operating units.
- Structured Oil Recovery Assessment (SORA): supports the realisation of increased OER by reducing oil loss and ensuring mill efficiency. This assessment covers 10 areas in addressing the effectiveness of mill processes including: leakages, housekeeping, palm product quality, laboratories, oil and kernel losses, as well as safety and security.
- Rubber Quality Hygiene Assessment (QHA) focuses on the cleanliness of tapping and collection of field latex, and reception and preservation and despatching of field latex at the latex stations. Cleanliness is the main factor that contributes to the Volatile Fatty Acid (VFA) content of field latex.

Moving forward, we intend to develop capacity and competency of local assessors to further deploy the SCRA Q+ programme in Papua New Guinea and to carry out assessments in harmonising the operationalisation of SCRAQ+ in Malaysia and Indonesia.



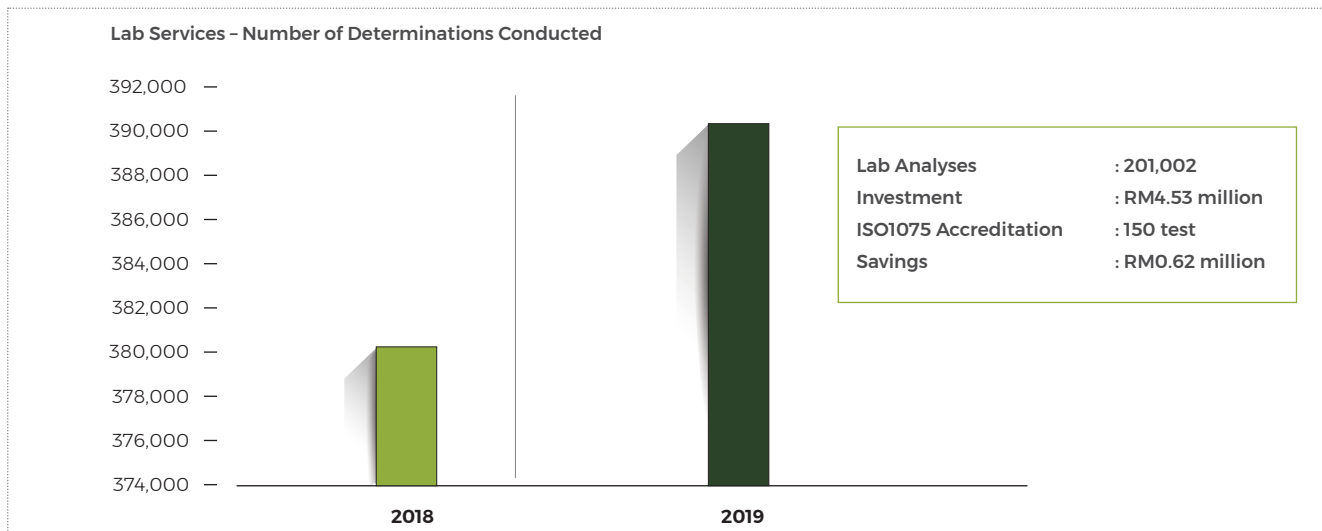
Our premium oil palm seeds, CALIX 600

Precision Agriculture

Our plantation and agronomy research has reinforced our belief in the potential of Agriculture 4.0. There is a need for large-scale deployment of new precision agriculture tools to improve productivity and decision-making processes. To that end, we have deployed mechanised solutions and new digital technologies to enhance productivity and efficiency in our estates. This is in addition to our efforts to develop new rapid methods to expand our lab automation and robotics to cover soil, water, and food safety tests, mainly to increase its throughputs.

To fully leverage the new digital solutions, our researchers have worked to develop capabilities in data collection and processing, and expanded the scope of accreditations for the tests conducted in our labs.

OUR PERFORMANCE: LAB SERVICES



OUR FOCUS AREAS

INNOVATION FOR SUSTAINABILITY

Frontier Research

We focused on refining and improving our approaches in best agricultural practices through continuous Pest & Disease and agronomic trials, which contributed to higher economic returns, while reducing the load on the environment. Similarly, we continued our efforts to optimise the use of green fertilisers to enhance soil health, especially on low fertility soils. We have also made progress on early pest and disease detection using advanced remote sensing and non-invasive technologies.

Mechanisation

After systematic trials and tests in our estates, we initiated efforts to scale-up and commercialise our patented machines that assist in more efficient Fresh Fruit Bunch (FFB) evacuation and loose collection. We also developed two new machines – Mechanical Buffalo Scissor Lift (MBSL) and Integrated Oil Palm Loose Collector (ILFC), which have been already commercially licenced to external estates.

Mechanical Buffalo with Scissors Lift System reduce the double handling of FFB.



The mechanical buffalo

Monitoring and Surveillance

We have set-up an enterprise wide geographic information system (GIS) to centralise spatial data and facilitate faster decision-making. We have also dedicated additional resources to increase image collection through drone and satellite-based systems. These images allow for more efficient delivery of mapping services as well as the development of operational analytics such as palm census, health, and water management status. We also have deployed tools that use artificial intelligence for seamless execution, for example the extraction of information from images.

Innovation for Customers

Our Innovation Centre (IC) in Malaysia developed and launched six new quality consumer products in Asia. IC also provided extensive technical support and services to internal and external customers. We have also initiated efforts to phase-out the trans fats from our product offerings.

Our way forward

In 2020, R&D will continue to focus on the three key strategies – yield and productivity improvement; increase in revenue streams; and the development of sustainable practices. In addition, we will focus more on developing new technologies and products for Downstream business, catalysing new growth through diversification.

In the coming years, the high yielding potential of GenomeSelect™ will be augmented by research into other oil palm traits to enable faster harvesting and climate change tolerance. With a focus on field testing of elite palms, supported by experimental data in specifically designed plant phenotyping nurseries, while this research has been on track, we will validate the results in 2020. Additionally, we will pursue the ongoing development of models for plant health and nutrition to allow optimise use of resources.

In case of our processing technology that relies on application of biocatalyst, we will replicate the deployment in twelve palm oil mills in 2020. We are expecting a potential increase in the Oil Extraction Rate (OER) by 0.70% based on the commercial evaluations at four test mills.

As the world transitions to Industry 4.0, we will continue our mechanisation and automation efforts. Starting 2020, we will commence operating a 5 ton/hr experimental pilot plant known as Tennamaram Experimental Station (TESt). TESt will be the foundation for the next generation palm oil mill with more automation and process control. It will also provide an opportunity for our engineers and mill managers to objectively evaluate and determine the best design that will help our mills reach their optimum performance.

Our ongoing digitalisation efforts will be directed on the continued development and roll-out of imaging and analytics tools to benefit estate operations. We also recognise the potential of investing in Internet of Things (IoT) - enabled devices to further strengthen our data collection capabilities and enable additional analytics to improve performance.

INNOVATING FOR OPERATIONAL EXCELLENCE

Just as we are committed to innovating to improve our sustainability, productivity, and product quality, we strive to raise the bar on our operational performance. Doing so effectively enables us to consistently get better - managing our resource use and impact, and developing our people. It progresses us in our contribution to the Sustainable Development Goals (SDGs) 2, 9, 12 and 13.

Continuous improvement

In February 2018, SDP embarked on the second instalment of our five-year Operational Excellence and Innovation Business Management Strategy (OEIBMS 2.0), that serves as a blueprint towards achieving RM 550 million in cumulative Operational

Excellence benefits by 2022. The benefits consist of hard benefits (derived from cost savings and improved revenue generation) and soft benefits (derived from cost avoidance and sustainability indicators).

Central to the implementation OEIBMS 2.0 is a holistic approach that not only incorporates a vision and measurable target to achieve higher operational excellence and productivity, but also the development of capacity and skills as well as the cultural transformation of our people.

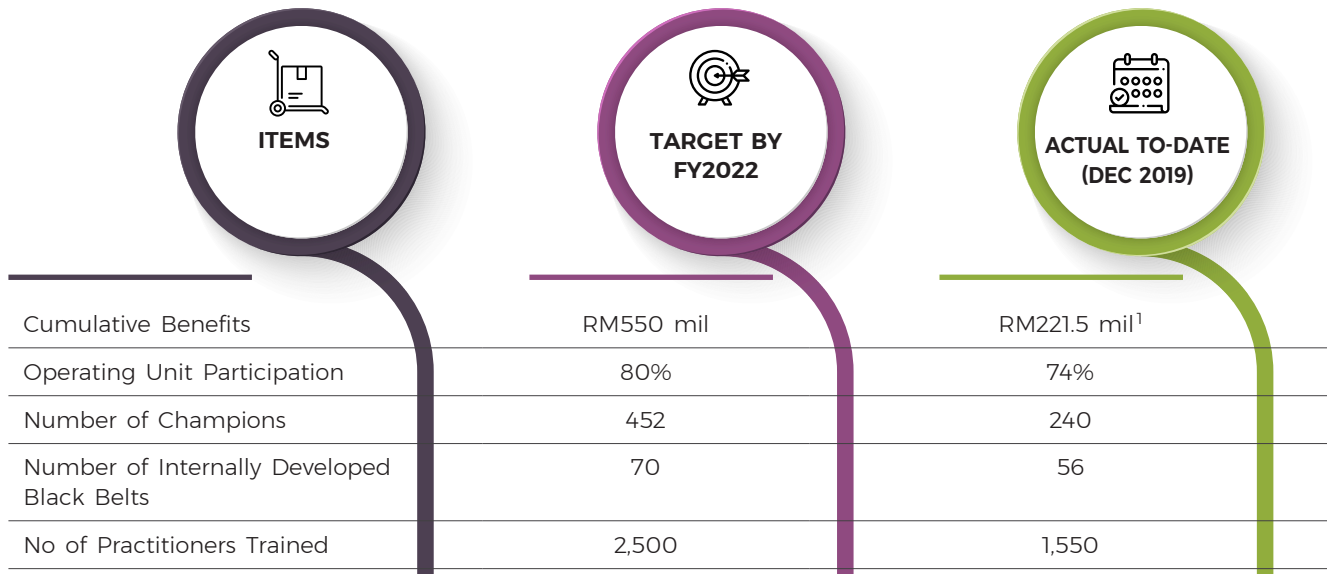




OUR FOCUS AREAS

INNOVATION FOR SUSTAINABILITY

So far, we have achieved:

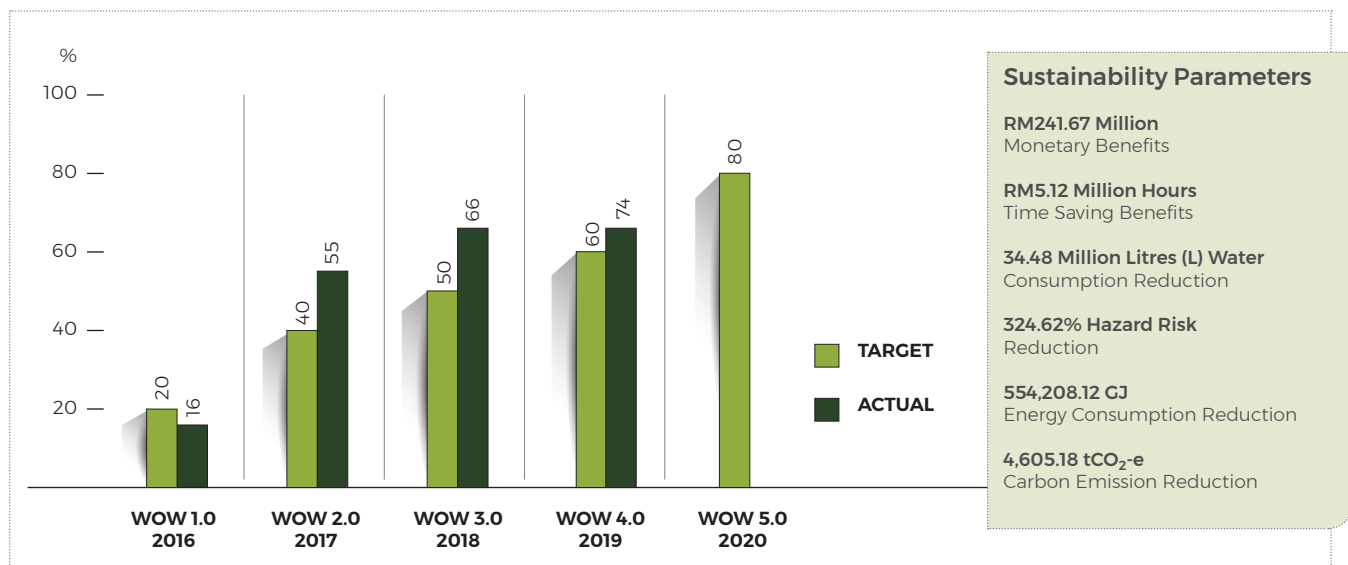


OEIBMS 2.0 is supported by four key programmes:

War on Waste Programme (WOW)

SDP's War on Waste (WOW) was introduced in 2015 to enable every employee to create bottom line impact through intensification of waste elimination efforts using the Kaizen methodology. This programme is in line with our aim to embed cultural transformation and a continuous improvement mindset. The programme proved to be successful and went on to win the "Most Innovative Approach to Driving Culture" award at the OPEX Business Transformation World Summit 2019, Orlando FL, USA.

OUR GROUP WIDE PARTICIPATION RATE



Note: The programme measures the participation rate of all 340 operating units across the Group with the aim of achieving 80% participation rate by FY2020. To date, 66% of Operating Units have participated in the programme yielding a cumulative benefits total of RM221.5 million (FY2016-FY2018).

¹ Cumulative benefits audited for June 2018

Clone Protocol

The fourth edition of our War on Waste (WOW) programme in 2019 has seen the introduction of the "Clone Protocol" framework - a replication platform that highlights only hard benefits, high impact projects that add value to key business strategies and objectives of both our Upstream and Downstream segments.

Lean Palm and Value Chain Enterprise

Focused on expanding the coverage of Lean Six Sigma (LSS) application across our value chains, Lean Palm and Value Chain Enterprise drives organic growth through operational excellence. It ensures innovative enhancements to our products through improvements, to maximise profit margins. This programme was rolled out in December 2017 and is due for completion in 2022.



Upstream Malaysia
RM41.7 million
 Flemington Oil Mill
 Kempas Estate
 Segaliud Estate
 Tun Tan Siew Sin Estate
 Tunku Estate



Upstream Indonesia
RM6.71 million
 Minamas Research Centre
 Aneka Persada Estate
 Betung Factory
 Alur Dumai Factory
 Ungkaya Factory

Case Study
 Tun Tan Siew Sin Estate, Sabah, Malaysia pursued a project analysing weeding processes at operations which found that fewer rounds of weeding could be carried out to maintain current results. Upon successful execution, the project was replicated by 9 other estates in Peninsular Malaysia which will entail a potential benefit of over RM400,000.



Sime Darby Plantation (SDP) won gold medals and 'The Best Impact on Transformation' award at the Asia Pacific Quality Organisation (APQO) 2018.

Achievements from this initiative:

In 2019, two teams from our Upstream Indonesia operations won 3 awards from Opexcon 2019, Indonesia's largest annual Operational Excellence event. The two projects enabled us to:

- increase Oil Extraction Rate (OER) by reducing oil loss from the average 1.6% to 1.21%
- reduce the number of Oryctes sp. (rhinoceros beetle) attacks on immature and mature fields.

In 2018, we won gold medals and 'The Best Impact on Transformation' award at the Asia Pacific Quality Organisation (APQO) in Abu Dhabi, the team's winning Lean Six Sigma project explored reductions in daily average processing costs for our refinery and is slated to deliver a potential benefit of approximately USD1.3 million per year to SDP, if implemented across our operations.

Universal learning

We know that the dynamics of learning have changed - in 2015, we introduced digital versions of our Operational Excellence resources. This way, our employees have access to a variety of e-learning resources to supplement training workshops. This approach allows us to train a wider employee base across our operations.



OUR FOCUS AREAS

INNOVATION FOR SUSTAINABILITY

RESOURCE MANAGEMENT

The consumption of natural resources is increasing steadily, with reports showing that the global material footprint is outpacing population and economic growth. UN predictions show that if the global population reaches 9.6 billion by 2050, the equivalent of almost three planets would be required to sustain our current lifestyles.

The imperative is clear: at Sime Darby Plantation (SDP), we know we need to do more and better with less. We recognise that sustainable development and growth means improving the way we produce and consume resources. According to the United Nations Development Programme (UNDP), agriculture is the biggest user of water worldwide, and irrigation now claims close to 70% of all freshwater meant for human use. Efficient management of our shared natural resources and the way we manage waste are key considerations in how we ensure our operations are efficient and sustainable.

We have made progress in finding local solutions to some of the industry's most pressing challenges. Through our total quality management programmes, we have identified gaps within the value chain where strategic interventions have the greatest potential to improve the environmental and social impact of production.

This year, we have also explored design solutions to reduce resource use and environmental impact. We continue to address challenges regarding air, water and soil pollution and have implemented management systems of our water intensity at the mills.

EFFLUENT MANAGEMENT

Palm oil Mill Effluent (POME) is the major organic waste output from the production of palm oil. POME is an acidic effluent that contains oil, plant debris, and nutrients. Discharging untreated effluent into water streams is strictly illegal and may cause considerable environmental problems – and adversely affect life under water.

“

Malaysia operations targets to maintain 0.65 tonnes of effluent per tonne of FFB processed

”

We maintain robust management systems to ensure all our mills and refinery operations are fitted with Palm Oil Mill Effluent Treatment System (POMETS) and Industrial Effluent Treatment Systems (IETS) that support the management of waste and comply with national environmental standards. These are part of our contributions to SDG 13 and 15.

In our operations in Malaysia, we adopt seven Environmental Mainstreaming Tools to ensure compliance to effluent discharge standards regulated by the Malaysian Department of Environment (DOE). These include:

- Sabah Region complies with the Biochemical Oxygen Demand (BOD) limit of 20 ppm for water discharge
- Sarawak Region complies with the BOD limit of 50 ppm for water discharge and land application
- Northern, Central East and Central West regions comply with relevant BOD levels, which vary from 5,000 ppm for land application to 50 ppm for water discharge
- Southern Region is moving towards compliance with a BOD limit of 20 ppm for water discharge and 100 ppm for land application

We have also invested in training our employees to manage effluent & their treatment systems. We employ Certified Professionals in Palm Oil Mill Effluent (CePPOME), and Certified Environmental Professionals in the Operation of Industrial Effluent Treatment Systems (CePIETSO - PCP/BP, etc.). The BOD discharge limit for our operations are available on page 92.

In Indonesia, Pollution Control, Evaluation, and Rating (PROPER) is a national-level public environmental reporting initiative by the Ministry of Environment & Forestry to monitor and assess the environmental management of palm oil mills. A colour-coded rating scheme was developed under PROPER to grade palm oil mill compliance performance against environmental regulation and standards. This assessment mainly focused on the legality & permit, hazardous & toxic waste material, air pollution control, and water pollution control.

For the last two years, 88% of selected mills by Ministry of Environment & Forestry for PROPER Assessment received blue rating (compliance with national regulatory standards) and only 2 mills are rated red (factories display some sort of pollution control effort but do not comply with the regulatory standards in absolute terms). The non-compliance was immediately addressed and corrected by the mill management. For 2019, PROPER assessments were completed for 11 mills and 1 refinery. Out of 11 mills, 9 mills have been selected as a candidate for the higher rating which is green (mill's environment management procedures go beyond the expected compliance level).



Mills in Papua New Guinea (PNG) and Solomon Islands (SI) targets to maintain 0.70 tonnes of effluent per FFB processed



Biological Oxygen Demand (BOD) and Total Suspended Solids (SS) Implementation from the Papua New Guinea (PNG & SI) palm oil mill effluent (POME) are regulated based on the discharge standards as tabulated below. The POME is either used for land application or discharged into local water ways under stricter standards. The effluent management in all our mill operations are constantly monitored by individual mills and any non-conformance is immediately addressed and corrected by the mill management.

Water Management

Agriculture accounts for about 70% of global water withdrawals

The Food Agriculture Organisation (FAO) reports that agriculture is competing for water and water resources as they are impacted by climate change. The current rate of water withdrawals has grown at almost twice the rate of the increase in population, alongside an expected 50% increase in food demand by 2050. Agricultural industries will face mounting pressure on their use of water.

We are aiming to reduce our water usage to an intensity of 1.0m³ per tonne of Fresh Fruit Bunches (FFB) produced by 2023. This means a cumulative reduction of between 10 and 40% over 5 years, and demonstrates our commitment to SDG 12. We began monitoring water intensity at our mills in 2017, and found that we use 1 MT FFB: 1 m³ water, and around 0.2 to 0.4m³ water is used for purposes other than FFB processing (approximately 20%). The palm oil industry benchmark for water consumption is currently approximately 1.4m³ per tonne of FFB produced. We continue to invest in initiatives to reduce our water usage.

In PNG & SI, our mills are operating at an average of 0.8m³ – 0.9m³. We are confident that by implementing control measures on water usage at our mills, we can effectively reduce our water intensity and meet our 2023 target.

Palm Oil Mills	Water intensity m ³		Annual reduction required to achieve target by 2023
	2019	2023	
Total Upstream	1.40	1.00	6%



Our water quality performance of all our mills will be monitored remotely through our online dashboard using ArcGIS platform by end of 2020.

We continuously monitor the quality of discharged waste water, and waste water treatment performance – with the objective of protecting water sources within our boundaries. We comply with all local legal requirements, and are consistently striving to improve our standards.

We treat providing access to safe drinking water and sanitation for our employees as a top priority. We ensure that periodic testing of water samples is conducted, and the samples taken from river systems has shown no significant water quality deterioration.

WASTE MANAGEMENT

Project Metamorphosis

At our estate operations, our waste inventory showed fertiliser bags were thrown away and ending up in landfills each year. In collaboration with a plasticware manufacturer – Heng Hiap Industries Sdn Bhd,, we developed the technology innovation to upcycle the discarded fertiliser bags into plastic chairs. This initiative reduces the number of bags that end up in the landfill, supports our waste management efforts and protect the ocean (SDG 14). According to Ocean Conservancy, 8 million metric tons of plastics enter our oceans each year.

The Metamorphosis project was awarded the Best Innovation in Sustainability, EUROPA AWARDS 2019. Since 2019, we have implemented the project in two estates, produced 35 chairs, and collected over 8,500 kg of bags.

Moving forward, we will run the project at all our estates in Peninsular Malaysia and conduct research on the feasibility of producing other plastic products and biodiesel from plastic waste. We aim to collaborate with other industry players to scale the initiative up and increase its viability.



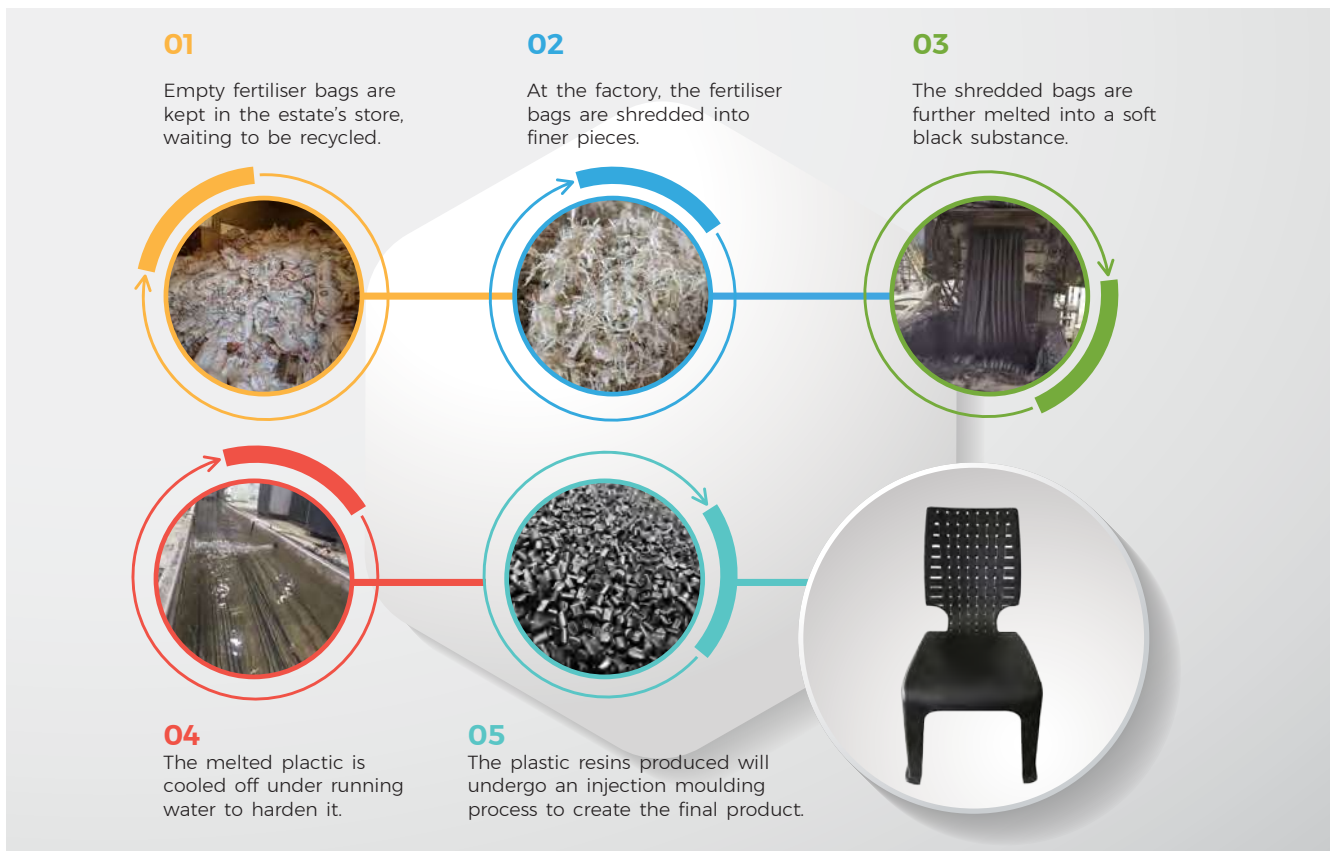


OUR FOCUS AREAS

Reducing Plastic Waste

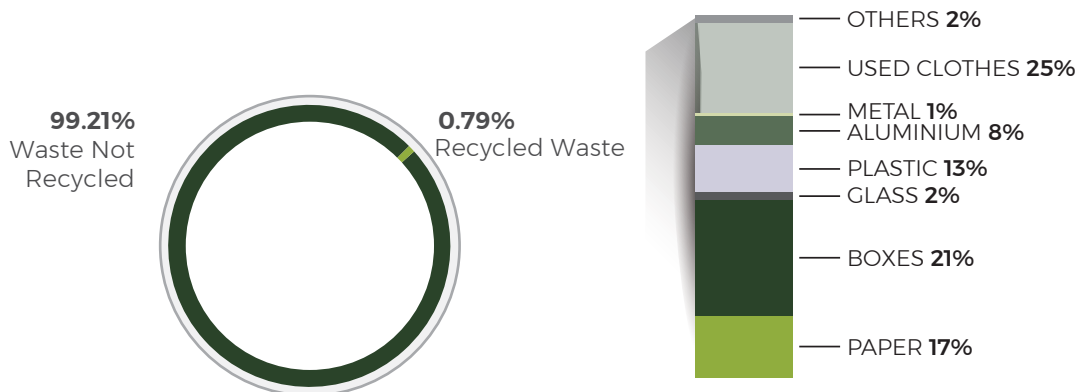
Every company has a role to play in reducing the use of plastics. Some estimates show that almost 13 million tonnes of plastic end up in the ocean each year - to assess our role in averting this crisis, we conducted an inventory of single use plastic waste at our Sime Darby Plantation (SDP) Head Office in 2017. We recorded 325,830 pieces of single use plastic equivalent to 4,522.12 kg in a year.

We have since developed the No-Single Use Plastic initiative aimed at reducing plastic waste, reducing the consumption of single-use plastics. Through communication campaigns, lunch and learning events, and a replacement of the bottles and food containers we use, we have successfully reduced our use of plastics by 1,064kg.







Project Metamorphosis upcycles discarded fertiliser bags into plastic chairs.

BREAKDOWN OF WASTE RECYCLED AT HEADQUARTERS (PLANTATION TOWER, MALAYSIA)



DELIVERING SUSTAINABILITY STANDARDS

As at 2019, Sime Darby Plantation (SDP) is the world’s largest producer of Certified Sustainable Palm Oil with a production capacity of 2.496 Million (MT). We are committed to ensuring all our operations follow good agricultural and best management practice by implementing sustainability standards. This includes international standards such as the Roundtable on Sustainable Palm Oil (RSPO) and the Rainforest Alliance (RA), as well as national mandated standards such as the Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO).

 <ul style="list-style-type: none"> ✓ Upstream 99% ✓ Downstream Supply chain 100% <p><small>Check our progress at www.rspo.org</small></p>	 <ul style="list-style-type: none"> ✓ Supply chain for Refineries 100% ✓ Upstream 100% 	 <ul style="list-style-type: none"> ✓ Upstream 100% 	 <ul style="list-style-type: none"> ✓ Papua New Guinea (PNG) only
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Malaysian Sustainable Palm Oil (MSPO) Certification

MSPO was developed as a national certification scheme in 2015. It offers auditable standards on sustainability principles, criteria and indicators for both independent as well as organised smallholders, plantation companies and palm oil mills in Malaysia. Key sustainability issues faced by the industry such as environment and biodiversity, as well as social responsibilities are embedded in MSPO’s seven principles¹².

As at March 2018, SDP achieved 100% MSPO certification for its Malaysian estates and mills, ahead of the December 2018 deadline set by the government. Certification was made possible by proactive measures undertaken by SDP which included in-house training to the SDP team, active engagement with the Malaysian Palm Oil Certification Council (MPOCC), and dialogues with all relevant stakeholders. We have since maintained our MSPO certification and it remains at 100% as at December 2019. Moving forward, we will continue to assist and support smallholder certification in our efforts to achieve 100 percent MSPO certification for palm oil production in Malaysia.

Indonesian Sustainable Palm Oil (ISPO) Certification

ISPO is the national palm oil certification scheme in Indonesia. Introduced in 2011, the scheme aims to increase the competitiveness of Indonesian palm oil in the global market and contribute to the government’s commitments on greenhouse gas reduction. The higher agriculture standard is mandatory for all palm oil growers. Companies

that are not compliant to the standard may face penalties and have their business license revoked.

To date, SDP has achieved 100% ISPO certification for its Indonesian mills. We will continue to strive for certification of our estates, managed smallholder lands and plasma smallholder plots. As we work towards our own certification, we continuously engage and support smallholders in their certification process.

Sustainable Agriculture Network and Rainforest Alliance

Our West New Britain operations in PNG were first audited against the 2010 SAN Standards in November 2016 and achieved certification on 13 March 2017. The certificate covers 13 estates. Our Ramu Agricultural Industries Ltd oil palm operations were successfully audited against the Rainforest Alliance 2017 Sustainable Agriculture Standard in November 2017 and certification was awarded Q1 2018.

While we aim to complete all audits by 2020, certification for smallholders will be included in a step-wise approach as we develop the support programmes. We are now embarking on expanding the scope of the audit to include WNB’s associated smallholders, starting with the Tamba Lease Settlement Scheme (LSS), a group of 200 smallholders. We continue to work with The Rainforest Alliance.

The Alliance’s integrity and iconic logo are well recognised by consumers in our major markets and we believe that this certification could add tremendous assurance and value for our customers.

¹² Refer to the Malaysian Palm Oil Certification Council (MPOCC) at www.mpocc.org.my for more information



MANAGING OUR MATERIAL MATTERS

At Sime Darby Plantation (SDP), we acknowledge the criticality of understanding material matters in enhancing our inherent value to our stakeholders. We believe that sufficient mitigation plans are being employed, reviewed and monitored to reduce any potential impact on our performance and/or reputation.

These matters have a high impact on our organisation and was of most concern to our stakeholders. Material matters were determined via engagements with our wide range of stakeholders, our participation on various collaborative industry platforms, and dialogues, amongst others.

-  SHAREHOLDERS
-  INVESTORS
-  CUSTOMERS
-  SUPPLIERS/
BUSINESS PARTNERS
-  EMPLOYEES
-  NGOS/CIVIL SOCIETY
-  LOCAL COMMUNITIES
-  GOVERNMENT
AGENCIES
-  REGULATORS

	MATERIAL MATTERS	STAKEHOLDERS
	<p>SOCIAL AND ENVIRONMENTAL PERFORMANCE</p> <ul style="list-style-type: none"> • Deforestation, Conservation & Biodiversity • Climate Change Impacts and Climate Resilience • Fire and Haze • Human Rights and Exploitation • Supply Chain Transparency and Sustainability • Smallholder Inclusion 	
	<p>OCCUPATIONAL SAFETY AND HEALTH PERFORMANCE</p> <ul style="list-style-type: none"> • Fatalities, Injuries, Accidents of Employees 	
	<p>OPERATIONAL PERFORMANCE</p> <ul style="list-style-type: none"> • Productivity & Efficiency Improvements • Disruption to Production due to External Factors • Quality and Safety of Products • Yield Intensification 	
	<p>PEOPLE MANAGEMENT</p> <ul style="list-style-type: none"> • Availability of Adequate Manpower • Minimum Wage • Succession Management 	
	<p>COVID-19</p>	

MITIGATION STRATEGIES

- Flawlessly implement sustainability standards such as the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), and Indonesian Sustainable Palm Oil (ISPO)
 - Lead in development of new environmental and social performance standards and approaches, in line with stakeholder expectations.
 - Manage supply chain risks by improving traceability and engagement with suppliers.
 - Ensure inclusion of smallholders in a sustainable supply chain
 - Engagement and inclusion of stakeholders through collaborations and partnerships to co-develop solutions for material issues
 - Maintain high levels of disclosure and communicate effectively on material issues
-
- Effective implementation of Occupational Safety and Health (OSH) Systems and Standards across the entire Group
 - Continuous improvement of our OSH systems with a goal of achieving Zero Harm.
 - Increase awareness and accountability of safety & health by implementing campaigns and improvement initiatives
 - Develop a proactive safety and health culture by promoting concern reporting.
 - Implement targeted intervention programmes to tackle critical issues and locations.
-
- Strategy execution in an effective manner:
 - Systematic replanting programme to ensure optimal output in the long-term.
 - Dedicated performance monitoring units to monitor operational performance.
 - Technical support to our Upstream and Sime Darby Oils businesses by advisors to ensure continuous operational excellence.
 - Focus on innovation to improve productivity, optimise efficiency of processes, and enhance quality of products and services.
 - Robust planning to optimise harvesting and crop recovery during wet weather conditions.
 - Irrigation mechanisms deployed during dry weather conditions.
 - Research & Development (R&D) for high-yielding and infection-resistant oil palm breeds as well as methods to manage diseases.
 - Ensuring robust safety and quality checks and adherence to food safety standards.
-
- Robust development programmes to fill capability gaps in sustaining long term performance.
 - Sourcing of workers from a number of countries to reduce dependency on one source country.
 - Supervisory and technical training programmes for executives & non-executives, e.g. Staff and Supervisor Enhancement Programme, Harvesting Skills Training for plantation workers.
 - Mechanisation and productivity enhancement initiatives to reduce dependence on labour.
-
- Every effort has been made by management to contain the spread of the virus, which include:
 - Working from Home arrangements for employees
 - Restrictions and minimisation of business travel globally
 - Putting in place procedures across all our operations to protect the safety and health of all our employees
 - Full compliance with government guidelines and regulations in all countries, e.g. the Movement Control Order (MCO) in Malaysia



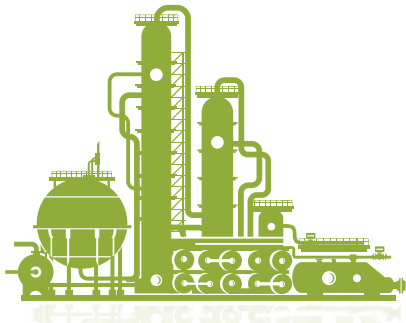


OUR FOCUS AREAS

WHERE WE ARE IN NUMBERS

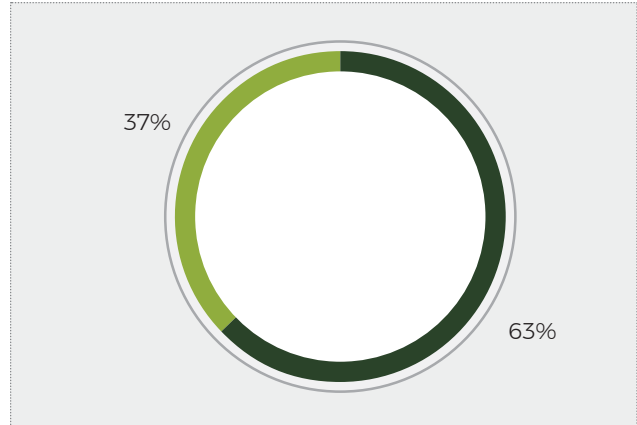
Data in this section provide details to our sustainability performance for the reporting period 2017, 2018 and 2019 unless otherwise stated.

SIME DARBY OILS - CERTIFIED SUSTAINABLE PALM OIL SUPPLY CHAIN

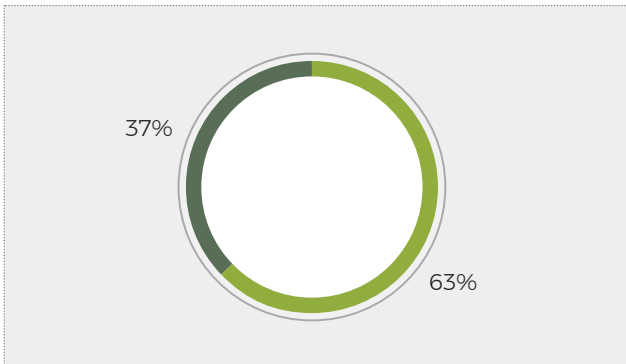


■ Conventional ■ RSPO Certified

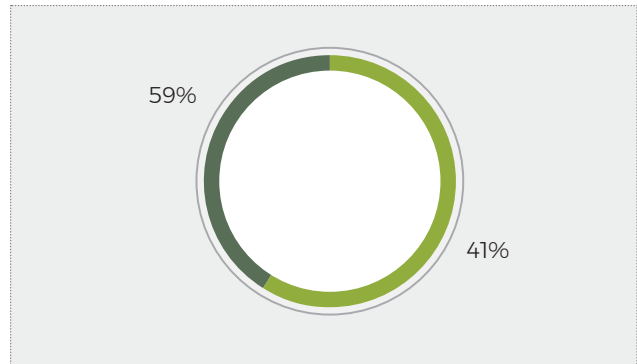
TOTAL RAW MATERIAL (JANUARY TO SEPTEMBER 2019)



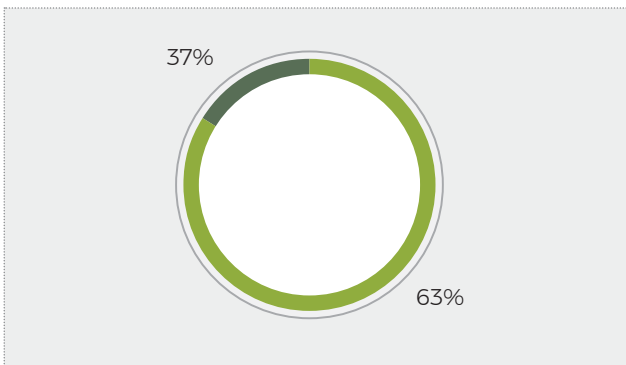
CRUDE PALM OIL (CPO)



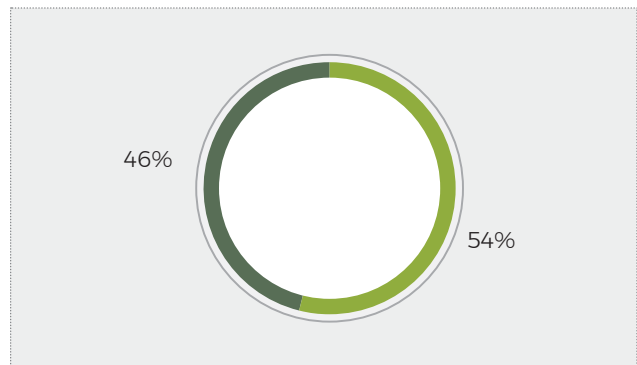
CRUDE PALM KERNEL OIL (CPKO)



PALM KERNEL



REFINED PALM



SDO REFINERIES/KCPS

6 Malaysia

3 Indonesia

1 Thailand

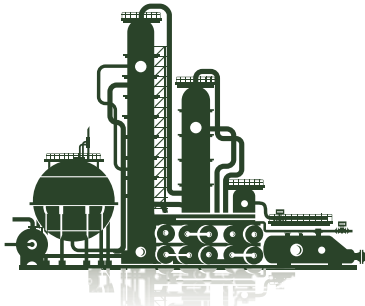
1 South Africa

1 PNG & SI

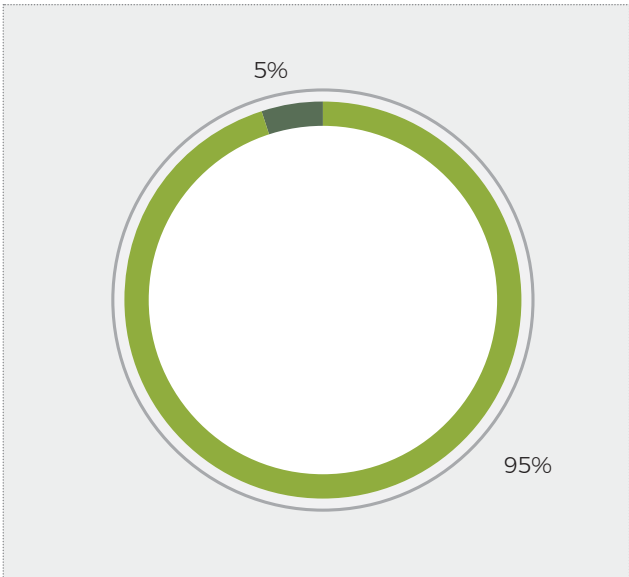
1 United Kingdom

1 Netherlands

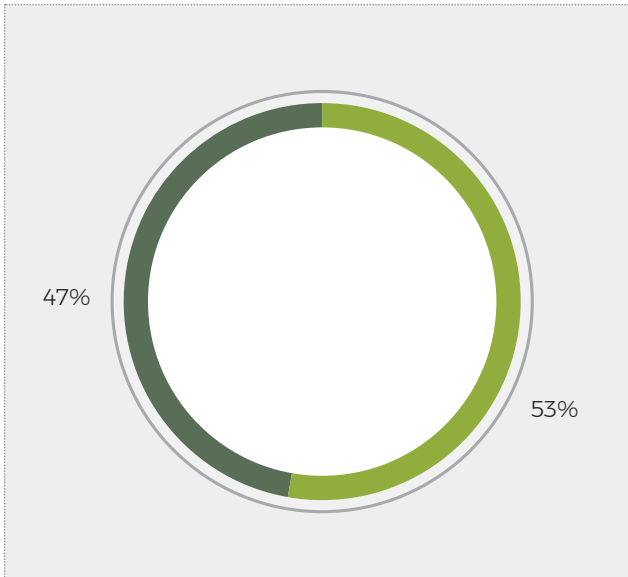
SIME DARBY OILS - TRACEABILITY



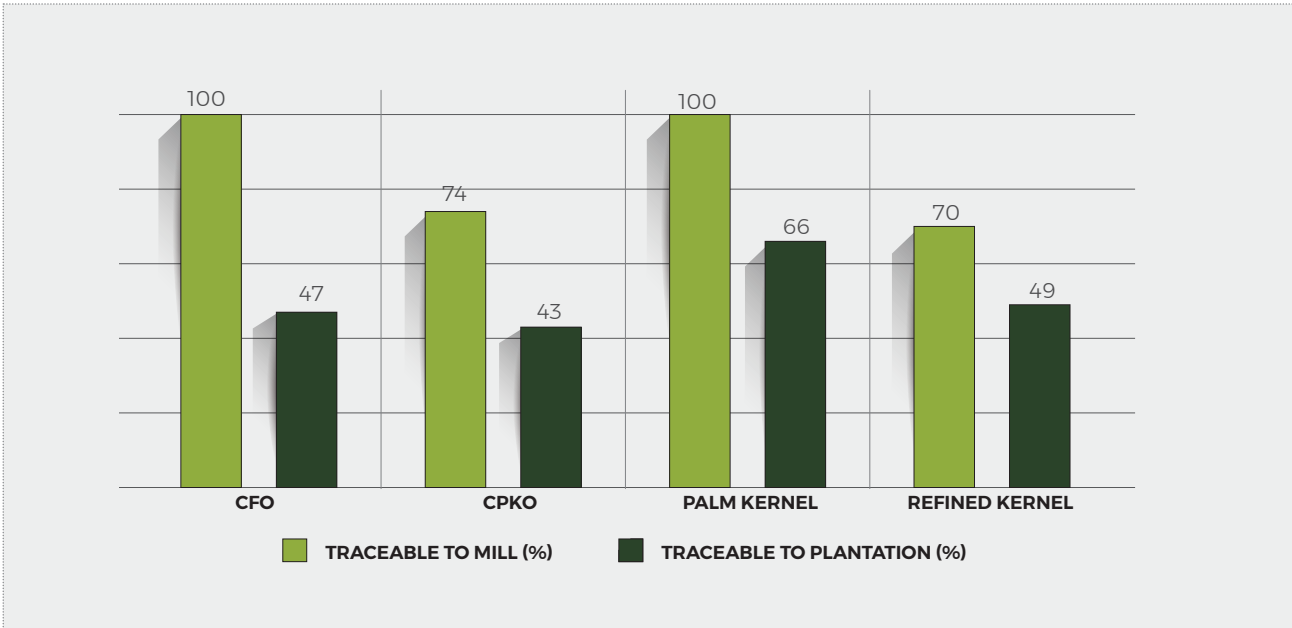
TOTAL TRACEABILITY TO MILL



TOTAL TRACEABILITY TO PLANTATION



BREAKDOWN BY RAW MATERIAL



OUR FOCUS AREAS

WHERE WE ARE IN NUMBERS

Managing Land And Biodiversity Ecosystems

LAND MANAGEMENT PERFORMANCE

	Malaysia	Indonesia	PNG & SI*
Total landbank	343,327	287,479	146,096
Total HCV and CSA land**	5,778	20,436.50	20,221
Percentage of land conserved	1.68%	8.68%	13.84%
Total planted area (oil palm)	299,984	193,730	90,814
Total area for infrastructure	24,971	66,860	115,474
Total planted area (all crops)	312,578	195,653	10,401
Peat Area			
Oil Palm planted on peat	4667.38	27295.07	834.83
Unplanted for conservation	0	1574.27	423.20
Unplanted for other usage	0	5478.75	23.16

* Papua New Guinea (PNG) and Solomon Islands (SI)

** High Conservation Value (HCV) and Conservation Set Aside (CSA)

Note: Figures above are in hectares (ha) unless stated otherwise



High Conservation Value (HCV) and Conservation Set Aside (CSA) area in our West New Britain operations, Papua New Guinea (PNG)

Building Climate Change Resilience

CARBON MANAGEMENT PERFORMANCE

Emission Source	2015	2016	2017	2018	2019
Agricultural Machineries	23,736.80	25,523.15	37,572.38	1,028.78	643.77
Boilers	367,121.57	335,480.29	338,088.93	354,366.46	429,515.48
Effluent Treatment	2,156,657.95	1,902,040.59	1,940,045.26	2,035,245.87	1,998,152.62
Electricity Generation	58,946.52	65,509.92	66,854.60	64,810.50	90,230.02
Fertilisers	201,902.97	302,113.57	511,417.28	499,695.24	356,930.50
Heavy Machineries	36,484.50	36,130.67	56,950.21	95,022.92	24,763.58
Other Stationary Machineries	4,052.42	4,261.86	4,440.28	3,869.90	2,579.38
Purchased Electricity	118,998.41	127,451.46	155,939.96	110,588.08	157,339.21
Purchased Steam	18,193.76	17,174.43	33,990.95	3,035.19	12,496.18
Transport (Controlled vehicles)	2,020.95	20,644.05	71,688.73	37,156.13	40,186.46
Mill credit/Historical Land Use Change emissions	0	(7,220.89)	(16,222.73)	(34,531.29)	(611,557.75)
Emissions from KCP/ Sequestration in Conservation A	0	33,224.42	38,400.99	96,821.96	(117,777.92)
Total carbon emission (tco₂-e)	2,988,115.85	2,862,333.52	3,239,166.84	3,267,109.74	2383501.53

CONSUMPTION OF RENEWABLE AND NON-RENEWABLE ENERGY

Material Type	2015	2016	2017	2018	2019
Renewables	35,384,844.34	21,616,655.92	29,737,484.74	24,469,962.63	25,943,614.06
Non Renewables	4,043,897.72	4,150,096.89	5,282,145.46	4,596,849.28	5,564,852.05
Total Gigajoules (GJ)	39,428,742.06	25,766,752.80	35,019,630.20	29,066,811.92	31,508,466.11

CONSUMPTION OF NON-RENEWABLE ENERGY CONSUMPTION

Material Type	2015	2016	2017	2018	2019
B20	0	4,734.77	0	0	0
Biodiesel	0	0	0	0	0
Diesel	1,683,514.53	1,905,165.31	2,536,852.59	2,164,255.14	1,539,285.25
Electricity	604,127.33	637,875.59	753,104.16	726,230.68	2,320,003.99
Petrol	6,128.25	7,208.68	10,264.51	3,584.49	2,783.84
Liquefied petroleum gas	373.93	377.77	332.17	0	0
Medium fuel oil	237,206.97	226,548.72	474,833.64	334,592.93	334,592.93
Natural gas	1,511,131.08	1,366,851.84	1,506,758.39	1,366,851.84	1,366,851.84
Anthracite coal	1,415.63	1,334.20	0	1,334.20	1,334.2
Others, 4%	0	0	0	0	2,658,714.96
Total Gigajoules (GJ)	4,043,897.72	4,150,096.89	5,282,145.46	4,596,849.28	8223567.01





OUR FOCUS AREAS

WHERE WE ARE IN NUMBERS

Our Commitment To Human Rights And Decent Work

SOCIAL PERFORMANCE

TOTAL WORKFORCE

	2018	2019
Total workforce	97,223	94,757





BY CATEGORY

	2018	2019
Executives	3,398	3,476
Non-executives	12,805	12,886
Workers	79,334	78,395

BY AGE GROUP

	2018	2019
Baby-Boomers (56 above)	1,839	1,303
Gen X (39-55)	28,973	26,743
Gen Y (38-24)	40,595	37,502
Gen Z (23 below)	2,367	7,060

BY GENDER

	 				 		
	2018	Male	Female (%)		2019	Male	Female (%)
Board of Directors	9	2	22%	Board of Directors	9	2	22%
Top Management	6	1	17%	Top Management	6	1	17%
Senior Management	97	19	20%	Senior Management	95	20	21%
Mid Management	466	82	18%	Mid Management	476	89	19%
Junior Executive	1614	499	31%	Junior Executive	1,642	534	33%
Workers	47,779	11,028	23%	Workers	48,866	10,990	22%
Non-exec	7,796	2,156	28%	Non-exec	7,680	2,209	29%

Note: Excluding data from New Britain Palm Oil (NBPOL) (Upstream Papua New Guinea (PNG), Solomon Islands (SI), Singapore), NBPOL (United Kingdom) and Sime Darby Oils (SDO) Zwijndrecht Netherlands



WORKERS BY NATIONALITY

	2018	2019
Indonesia	16,284	15,036
India	5,884	7,253
Bangladesh	1,404	1,286
Nepal	1,221	941
Others	475	298

Note: Migrant Workers in Upstream Malaysia only

WORKERS BY CONTRACT TYPE

	2019
Permanent Workers	93%
Temporary Workers	7%

Note: Workers in Upstream operations only (Malaysia, Indonesia, Papua New Guinea (PNG) & Solomon Islands (SI))

TRAINING HOURS



2017
69,074



2018
66,846



2019
47,624



OUR FOCUS AREAS

WHERE WE ARE IN NUMBERS

Innovation For Sustainability

EFFLUENT MANAGEMENT

Biological Oxygen Demand discharge limit for Upstream Operations



MALAYSIA OPERATIONS

Region	Location	Name of POM	BOD Discharge Limit	
			Watercourse	Land Application
Northern Region (NTR)	Karangan, Kedah	KKS Sg Dingin	NA	< 5000 ppm
	Kuala Kurau, Perak	KKS Chersonese	< 50 ppm	NA
	Sg.Siput Utara, Perak	KKS Elphil	NA	< 50 ppm
	Teluk Intan, Perak	KKS Flemington	< 100 ppm	NA
	Teluk Intan, Perak	KKS Selaba	< 100 ppm	NA
	Teluk Intan, Perak	KKS Seri Intan	< 100 ppm	NA
Central East Region (CER)	Bestari Jaya, Selangor	KKS Tennamaram	NA	< 5000 ppm
	Kapar, Selangor	KKS Bk Kerayong	NA	< 5000 ppm
	Carey Island, Selangor	KKS East	NA	< 5000 ppm
	Carey Island, Selangor	KKS West	NA	< 5000 ppm
	Raub, Pahang	KKS Bk Puteri	< 100 ppm	NA
	Temerloh, Pahang	KKS Kerdau	< 100 ppm	NA
	Kuantan, Pahang	KKS Jabor	< 100 ppm	NA
Central West Region (CWR)	Labu, Negeri Sembilan	KKS Labu	NA	< 5000 ppm
	Port Dickson, Negeri Sembilan	KKS Tanah Merah	NA	< 5000 ppm
	Port Dickson, Negeri Sembilan	KKS Sua Betong	< 100 ppm	NA
	Bahau, Negeri Sembilan	KKS Kok Foh	NA	< 5000 ppm
	Jasin, Melaka	KKS Kempas	NA	< 1000 ppm
	Jasin, Melaka	KKS Diamond Jubilee	NA	< 5000 ppm
	Muar, Johor	KKS Pagoh	< 20 ppm	NA
Southern Region (STR)	Chaah, Johor	KKS Chaah	NA	< 100 ppm
	Kluang, Johor	KKS Gunung Mas	NA	< 100 ppm
	Kluang, Johor	KKS Bukit Benut	NA	< 100 ppm
	Layang-layang, Johor	KKS Ulu Remis	NA	< 100 ppm
	Layang-layang, Johor	KKS Hadapan	NA	< 100 ppm
Sabah Region (SBR)	Sandakan, Sabah	KKS Sandakan Bay	NA	< 20 ppm
	Tenom, Sabah	KKS Melalap	NA	< 20 ppm
	Kunak, Sabah	KKS Benuang	NA	< 20 ppm
	Kunak, Sabah	KKS Giram	NA	< 20 ppm
	Tawau, Sabah	KKS Merotai	NA	< 20 ppm
Sarawak Region (SRR)	Bintulu, Sarawak	KKS Lavang	NA	NA
	Bintulu, Sarawak	KKS Rajawali	< 50 ppm	NA
	Bintulu, Sarawak	KKS Derawan	< 50 ppm	NA



INDONESIA OPERATIONS

Region	Mill	BOD Discharge Limit		pH discharge limit
		Watercourse	Land Application	
Kalimantan Tengah Barat (KTB)	Sekunyir Factory	-	<5000 ppm	6 – 9
	Pematang Factory	-	<5000 ppm	6 – 9
	Sukamandang Factory	-	<5000 ppm	6 – 9
	Lembiru Factory	-	<5000 ppm	6 – 9
	Bukit Ajong Factory	-	<5000 ppm	6 – 9
Kalimantan Selatan & Sebangsan (KSS)	Angsana Factory	-	<5000 ppm	6 – 9
	Ungkaya Factory	-	<5000 ppm	6 – 9
	Gunung Aru Factory	-	<5000 ppm	6 – 9
	Mustika Factory	-	<5000 ppm	6 – 9
Kalimantan Selatan & Pamukan (KSP)	Rantau Factory	-	<5000 ppm	6 – 9
	Betung Factory	-	<5000 ppm	6 – 9
	Bebunga Factory	-	<5000 ppm	6 – 9
	Pondok Labu Factory	-	<5000 ppm	6 – 9
Riau Utara & Aceh (RUA)	Manggala Factory	-	<5000 ppm	6 – 9
	Alur Dumai Factory	-	<5000 ppm	6 – 9
	Teluk Siak Factory	-	<5000 ppm	6 – 9
	Blang Simpo Factory	-	<5000 ppm	6 – 9
Riau Selatan, Sumsel & Jambi (RSS)	Teluk Bakau Factory	-	<5000 ppm	6 – 9
	Mandah Factory	-	<5000 ppm	6 – 9
	Rantau Panjang Factory	-	<5000 ppm	6 – 9
	Ladang Panjang Factory	-	<5000 ppm	6 – 9
	Sungai Pinang Factory	-	<5000 ppm	6 – 9

Biological Oxygen Demand (BOD) and Suspended Solid (SS) discharge limit



PAPUA NEW GUINEA AND SOLOMON ISLANDS OPERATIONS

Region	Mill	BOD Discharge Limit		Suspended Solid discharge limit
		Watercourse	Land Application	
West New Britain (WNB)	Mosa Oil Mill	90 ppm	-	500 ppm
	Kumbango Oil Mill	90 ppm	-	500 ppm
	Kapiura Oil Mill	90 ppm	-	500 ppm
	Numundo Oil Mill	90 ppm	-	500 ppm
	Warastone Oil Mill		20 ppm*	1000 ppm
Guadalcanal Plains Palm Oil Limited (GPP)	Tetere Oil Mill	90 ppm	-	500 ppm
Ramu Agricultural Industries Ltd (RAI)	Gusap Oil Mill	-	4000 ppm	1000 ppm
Higaturu Oil Palm (HOP)	Sangara Oil Mill	-	4000 ppm	1000 ppm
	Mamba Oil Mill	-	4000 ppm	1000 ppm
Milne Bay Estates (MBE)	Hagita Oil Mill	-	4000 ppm	1000 ppm
Poliamba (POL)	Poliamba Oil Mill	90 ppm	-	500 ppm

Note: Stricter standards apply for BOD discharge due to proximity to Marine Protected Area



OUR FOCUS AREAS

WHERE WE ARE IN NUMBERS

Innovation For Sustainability

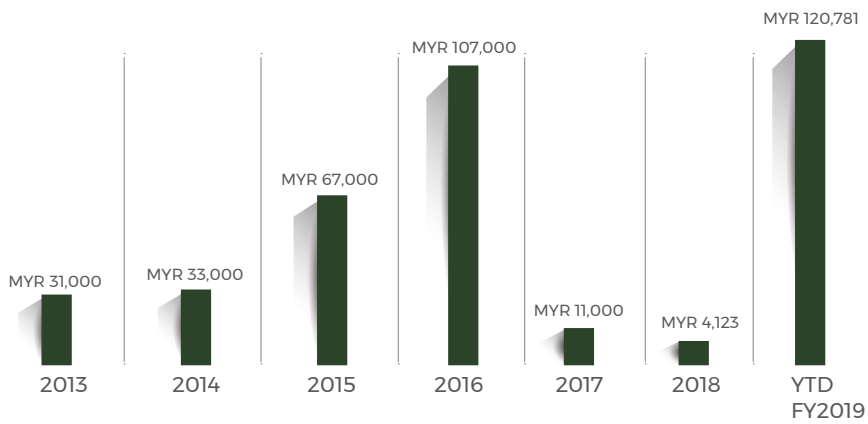
VOLUME OF EFFLUENT DISCHARGE TO FFB PROCESSED AT MILL RATIO

Volume (m ³)	2017	2018	2019	Target
Malaysia	0.62	0.59	-	0.65
Indonesia	0.49	0.5	-	0.5
PNG & SI	0.79	0.7	0.62	0.7

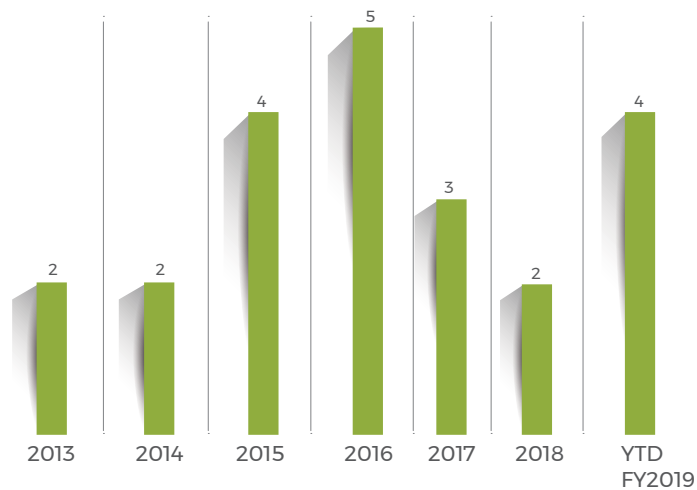
Environmental fines/penalties	2017	2018	2019
Number of cases	3	1	4
Fines in (RM)	11,000	4,000	120,781

ENVIRONMENTAL FINES

TOTAL ANNUAL FINES



NUMBER OF CASES



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

The Global Reporting Initiative (GRI) is a multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators. Sime Darby Plantation Berhad Sustainability Report has been prepared in accordance with the GRI Standards: Core option. The following summary table details the location of specific disclosures throughout this report and its Annual Report. It also includes additional supporting commentary and reasons for the omission of data, where relevant. For further details, please visit www.simedarbyplantation.com.

GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Disclosure	Page or reason for omission	
Organisational Profile		
102-1	Name of organisation	Sime Darby Plantation Berhad (SDP)
102-2	Activities, brands, products, and services	About This Report (1) Who We Are (2-3) <i>Annual Report FY2019 – Who We Are (12-13), What We Do (14-15)</i>
102-3	Location of headquarters	<i>Annual Report FY2019 – Our Corporate Information (19)</i>
102-4	Location of operations	<i>Annual Report FY2019 – What We Do (14-15), Our Global Presence (16-17)</i>
102-5	Ownership and legal form	<i>Annual Report FY2019 – Our Corporate Information (19)</i>
102-6	Markets served	<i>Annual Report FY2019 – What We Do (14-15), Our Global Presence (16-17), Our Value Creation Model (44-45)</i>
102-7	Scale of the organisation	Who We Are (3) <i>Annual Report FY2019 – Who We Are (12-13), Our Global Presence (16-17), Our Financial Highlights (18), Group Financial Review (54-60), 5-Year Financial Highlights (61)</i>
102-8	Information on employees and other workers	Our Commitment to Human Rights and Decent Work – Female Representation in Management (69) Where We are in Numbers (90-91)
102-9	Supply chain	Who We Are (2-3) <i>Annual Report FY2019 – What We Do (14-15), Our Global Presence (16-17), Our Value Creation Model (44-45), Our Performance by Sector: Upstream (62), Our Performance by Sector: Downstream (70), Supporting Smallholders (97)</i>
102-10	Significant changes to the organisation and its supply chain	<i>Annual Report FY2019 – Chairman's Message (26-27), Group Managing Director's Review (34-35), Group Financial Review (54-60), Corporate Governance Overview Statement (145)</i>
102-11	Precautionary Principle or approach	<i>Annual Report FY2019 – Chairman's Message (27), Statement on Risk Management and Internal Control (176-177)</i>
102-12	External initiatives	Section 1: Raising The Bar On Sustainable Growth (8-21) Drawing the Line on Deforestation (22-41) Our Commitment to Human Rights and Decent Work (63-67)
102-13	Membership of associations	Section 1: Raising The Bar On Sustainable Growth (8-21) Drawing the Line on Deforestation (27, 36-41) Our Commitment to Human Rights and Decent Work (63) Innovation for Sustainability (83)





GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Disclosure		Page or reason for omission
Strategy		
102-14	Statement from senior decision-maker	From Our Group Managing Director (4-5) From Our Chief Sustainability Officer (6-7)
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	<i>Annual Report FY2019 - Corporate Governance Overview Statement (144)</i> <i>Statement on Risk Management and Internal Control (180-181)</i>
Governance		
102-18	Governance structure	<i>Annual Report FY2019 - Corporate Governance Overview Statement (140-144)</i>
Stakeholder Engagement		
102-40	List of stakeholder groups	About Our Report (1) Managing Our Material Matters (84-85)
102-41	Collective bargaining agreements	Our Commitment to Human Rights and Decent Work - Freedom of Association (60)
102-42	Identifying and selecting stakeholders	About Our Report (1) Managing Our Material Matters (84-85)
102-43	Approach to stakeholder engagement	Managing Our Material Matters (84-85) <i>Annual Report FY2019 - Stakeholder Engagement (46-47)</i>
102-44	Key topics and concerns raised	Managing Our Material Matters (84-85)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	<i>Annual Report FY2019 - Financial Statements</i>
102-46	Defining report content and topic Boundaries	About This Report (1)
102-47	List of material topics	About This Report (1)
102-48	Restatements of information	<i>Annual Report FY2019 - Who We Are (13)</i>
102-49	Changes in reporting	About This Report (1)
102-50	Reporting period	About This Report (1)
102-51	Date of most recent report	Non-applicable. Reports are produced every two years
102-52	Reporting cycle	About This Report (1)
102-53	Contact point for questions regarding the report	<i>Annual Report FY2019 - Our Corporate Information (19)</i>
102-54	Claims of reporting in accordance with the GRI Standards	About This Report (1)
102-55	GRI Content Index	<i>Global Reporting Index (GRI) Content Index</i>
102-56	External assurance	<i>Annual Report FY2019 - Independent Assurance Report</i>

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Economic			
Economic Performance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	<i>Annual Report FY2019 – Group Managing Director's Review (30-37), Group Financial Review (54-60)</i>
	103-2	The management approach and its components	<i>Annual Report FY2019 – Group Financial Review (54-60)</i>
	103-3	Evaluation of the management approach	<i>Annual Report FY2019 – Group Financial Review (54-60)</i>
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	<i>Annual Report FY2019 – Group Financial Review (54-60), Financial Statements</i>
Market Presence			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	<i>Annual Report FY2019 – Our Global Presence (16-17)</i>
	103-2	The management approach and its components	<i>Annual Report FY2019 – Our Market Landscape (40-43)</i>
	103-3	Evaluation of the management approach	<i>Annual Report FY2019 – Our Market Landscape (40-43)</i>
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	<i>Annual Report FY2019 – Profile of Leadership Team (128-137)</i>
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work – Engaging and Empowering Communities (64-67)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work – Engaging and Empowering Communities (64-67)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work – Engaging and Empowering Communities (64-67)
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Our Commitment to Human Rights and Decent Work – Engaging and Empowering Communities (64-67)
	203-2	Significant indirect economic impacts	Our Commitment to Human Rights and Decent Work – Engaging and Empowering Communities (66-67)
Procurement Practices			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	<i>Annual Report FY2019 – Board Tender Committee Report (169-170)</i>
	103-2	The management approach and its components	<i>Annual Report FY2019 – Board Tender Committee Report (169-170), Statement of Risk Management and Internal Control (174-182)</i>
	103-3	Evaluation of the management approach	<i>Annual Report FY2019 – Statement of Risk Management and Internal Control (174-182)</i>



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Economic			
Anti-corruption			
GRI 103: Management Approach 2016ment Approach 2016	103-1	Explanation of the material topic and its Boundary	<i>Annual Report FY2019 – Governance and Audit Committee Report (150-159)</i>
	103-2	The management approach and its components	<i>Annual Report FY2019 – Governance and Audit Committee Report (150-159)</i>
	103-3	Evaluation of the management approach	<i>Annual Report FY2019 – Statement of Risk Management and Internal Control (174-182)</i>
Environment			
Water and Effluents			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Innovation for Sustainability – Resource Management (80) – Effluent Management (80-81) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Innovation for Sustainability – Resource Management (80) – Effluent Management (80-81) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Innovation for Sustainability – Resource Management (80) – Effluent Management (80-81) Managing Our Material Matters (84-85)
GRI 303: Water and Effluents 2018	303-2	Management of water discharge-related impacts	Innovation for Sustainability – Resource Management (80) – Effluent Management (80-81)
Biodiversity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Drawing the Line on Deforestation (22-41) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Drawing the Line on Deforestation (22-41) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Drawing the Line on Deforestation (22-41) Managing Our Material Matters (84-85)
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	Drawing the Line on Deforestation – Our Conservation Efforts (38-41)
	304-3	Habitats protected or restored	Drawing the Line on Deforestation – Our Conservation Efforts (38-41)

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Environment			
Emissions			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Building Climate Change Resilience (42-47) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Building Climate Change Resilience (42-47) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Building Climate Change Resilience (42-47) Managing Our Material Matters (84-85)
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Building Climate Change Resilience - Carbon Performance (42-43) Where We are in Numbers (89)
	305-2	Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	Building Climate Change Resilience - Carbon Performance (42-43) Where We are in Numbers (89)
	305-3	Other indirect (Scope 3) GHG emissions	Building Climate Change Resilience - Carbon Performance (42-43) Where We are in Numbers (89)
	305-4	GHG emissions intensity	Building Climate Change Resilience - Carbon Performance (42-43) Where We are in Numbers (89)
	305-5	Reduction of GHG emissions	Building Climate Change Resilience - Carbon Performance (42-43) Where We are in Numbers (89)
Effluents and Waste			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Where We are in Numbers (92-93) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Where We are in Numbers (92-93) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Where We are in Numbers (92-93) Managing Our Material Matters (84-85)





GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Environment			
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Building Climate Change Resilience - Managing Emissions and Pollution (45) Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Managing Our Material Matters (84-85) Where We are in Numbers (92-93)
	103-2	The management approach and its components	Building Climate Change Resilience - Managing Emissions and Pollution (45) Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Managing Our Material Matters (84-85) Where We are in Numbers (92-93)
	103-3	Evaluation of the management approach	Building Climate Change Resilience - Managing Emissions and Pollution (45) Innovation on Sustainability - Effluent Management (80-81) - Waste Management (81-82) Managing Our Material Matters (84-85) Where We are in Numbers (92-93)
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Building Climate Change Resilience - Managing Emissions and Pollution (45) Where We are in Numbers (94)
Social			
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) Managing Our Material Matters (84-85)

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Social			
Labour/Management Relations			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) - Enhancing Workers' Voice (61-62) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) - Enhancing Workers' Voice (61-62) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Freedom of Association (60) - Enhancing Workers' Voice (61-62) Managing Our Material Matters (84-85)
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) Managing Our Material Matters (84-85)
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) Managing Our Material Matters (84-85)
	403-3	Occupational health services	Our Commitment to Human Rights and Decent Work - Decent Work (53-54) - Fair Wages (54-55)
	403-4	Worker participation, consultation, and communication on occupational health and safety	Our Commitment to Human Rights and Decent Work - Freedom of Association (60) Managing Our Material Matters (84-85)



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Social			
Occupational Health and Safety			
GRI 403: Occupational Health and Safety 2018 <i>(continued)</i>	403-5	Worker training on occupational health and safety	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59)
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Drawing the Line on Deforestation - Driving Supply Chain Traceability (22-23) - Traceability to Mill (25) - Traceability to Plantation (26) - Supplier Risk Assessment (28-29) - Verification and Engagement (29) - Supporting Smallholder Sustainability (30-35)
	403-9	Work-related injuries	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59)
Training and Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - A Safe and Healthy Workplace (56-59) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Social			
Non-discrimination			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) - Decent Work (53-54) - Fair Wages (54-55) - Enhancing Workers' Voice (61-62) - Reducing Gender Equality (67-69) Managing Our Material Matters (84-85)
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Freedom of Association (60) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Freedom of Association (60) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Freedom of Association (60) Managing Our Material Matters (84-85)
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Our Commitment to Human Rights and Decent Work - Freedom of Association (60)
Child Labour			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Combating Child Labour (70-71) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Combating Child Labour (70-71) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Combating Child Labour (70-71) Managing Our Material Matters (84-85)



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Material Topics			
GRI Standard	Disclosure		Page or reason for omission
Social			
Child Labour			
GRI 407: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Our Commitment to Human Rights and Decent Work - Combating Child Labour (70-71)
Forced or Compulsory Labour			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53) Managing Our Material Matters (84-85)
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Our Commitment to Human Rights and Decent Work - Responsible Recruitment (51-53)
Human Rights Assessments			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Upholding Human Rights (49-50) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Upholding Human Rights (49-50) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Upholding Human Rights (49-50) Managing Our Material Matters (84-85)
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Our Commitment to Human Rights and Decent Work - Engaging and Empowering Communities (64-67) Managing Our Material Matters (84-85)
	103-2	The management approach and its components	Our Commitment to Human Rights and Decent Work - Engaging and Empowering Communities (64-67) Managing Our Material Matters (84-85)
	103-3	Evaluation of the management approach	Our Commitment to Human Rights and Decent Work - Engaging and Empowering Communities (64-67) Managing Our Material Matters (84-85)





Plantation

SIME DARBY PLANTATION BERHAD

Registration No.: 200401009263 (647766-V)

Main Block, Level 10, Plantation Tower
No. 2, Jalan PJU 1A/7, Ara Damansara
47301 Petaling Jaya, Selangor
Malaysia

Tel: (603) 7848 4000 Fax: (603) 7848 4172

www.simedarbyplantation.com

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