Sime Darby Plantation

LEADING SUSTAINABLY
LIVING SUSTAINABLY

2021

ANNUAL REPORT 2021

LEADING SUSTAINABLY **LIVING SUSTAINABLY**

We work hard to raise our own standards and seek solutions that will help raise the bar across the industry. We drive responsible production beyond our own boundaries in response to climate change and to contribute to a better society. We adopt leading standards and assist our supply chain through the same journey. We uphold our Environmental, Social and Corporate Governance (ESG) commitments and go beyond compliance and operational requirements.

ABOUT THIS REPORT

This Integrated Report covers the economic, environmental and social aspects of Sime Darby Plantation Berhad's (SDP) developments and operations in the countries we operate in. It encapsulates material information encompassing our strategy and business model, operating contexts, material risks, stakeholder interests, performance, financial reports, as well as our approach to governance.

Reporting Framework

This Report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> framework and represents the third year of SDP's integrated reporting journey. This Report is also aligned to Global Reporting Initiative (GRI) standards, the United Nations Sustainable Development Goals (SDGs) as well as the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad. Our climate-related disclosures are guided by the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

The GRI Content Index for the Annual Report 2021 is available online on Stock and Shareholder Information section at www.simedarbyplantation.com

All financial statements have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standards (MFRS), Malaysian Code on Corporate Governance 2017 and the Companies Act 2016.

Reporting Scope and Boundary

The scope of this Integrated Report covers the financial year period from 1 January 2021 to 31 December 2021 (FY2021), unless otherwise stated, and encompasses all business operations of SDP including our subsidiaries and joint ventures.

Forward-looking Statements

Throughout this Integrated Report, we use certain forward-looking statements that typically contain words such as 'aim', 'may', 'plan', 'will', 'should', 'would', 'expected', 'potential' or other similar expressions. These forward-looking statements discuss future expectations concerning the plans, objectives, goals, strategies, operations and performance of the Group. These statements are neither guarantees nor predictions of future performance as they involve known and unknown risks, uncertainties or other assumptions in their representation of possible scenarios. Actual results and outcomes could differ materially from those expressed or implied. We make no expressed or implied representation or warranty that the results anticipated by these statements will be achieved. Readers are cautioned not to place undue reliance on the forward-looking statements.

THIS REPORT IS AVAILABLE ONLINE:
www.simedarbyplantation.com

CONTENTS

GROUP AT A GLANCE

Our Vision

To be an integrated, global leader in the palm oil industry

OUR BUSINESSES

Upstream

Our Upstream operations encompass 239 estates and 70 palm oil mills located in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands where fresh fruit bunches (FFB) from our estates are delivered to our mills to be processed into crude palm oil and other derivatives.

Read more about our Upstream performance on page 54

Sime Darby Oils

Our Downstream operations, represented by Sime Darby Oils, comprise the production of oils and fats, oleochemicals, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives, as well as the sales and marketing of these products.

Read more about Sime Darby Oils' performance on page 60

Renewables

Sime Darby Plantation Renewable Energy focusses on value-accretive activities in the renewable energy sector. By leveraging on the assets and by-products of our core business, we are strategically involved in solar, biogas and biomass projects that contribute to the Group's sustainability goal of lowering carbon emissions. We participate in various business capacities ranging from supplying feedstock to being a landowner and investor.

Read more about our Renewables performance on page 64

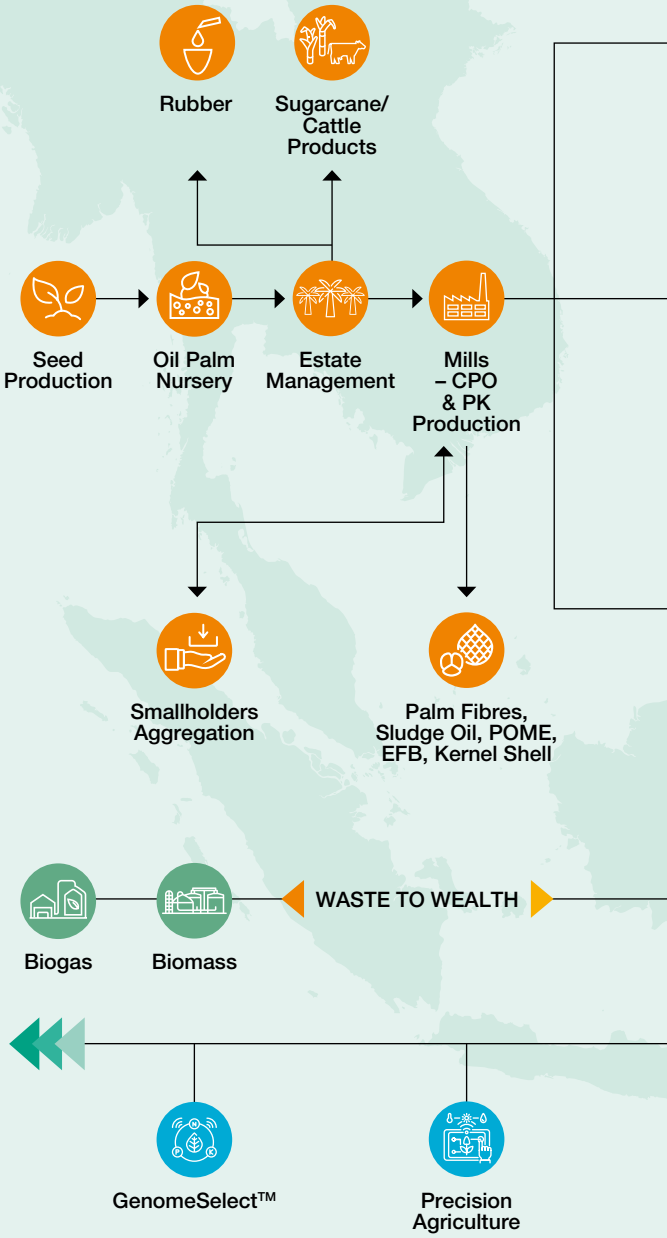
R&D

Our R&D capabilities encompass all research area requirements across our integrated value chain. Through strategic and operational R&D, we are committed to developing, applying and transferring relevant knowledge, research findings and technologies to improve our plantation yields and operations, milling processes as well as refined and customised Downstream products for our customers.

Read more about our R&D performance on page 66

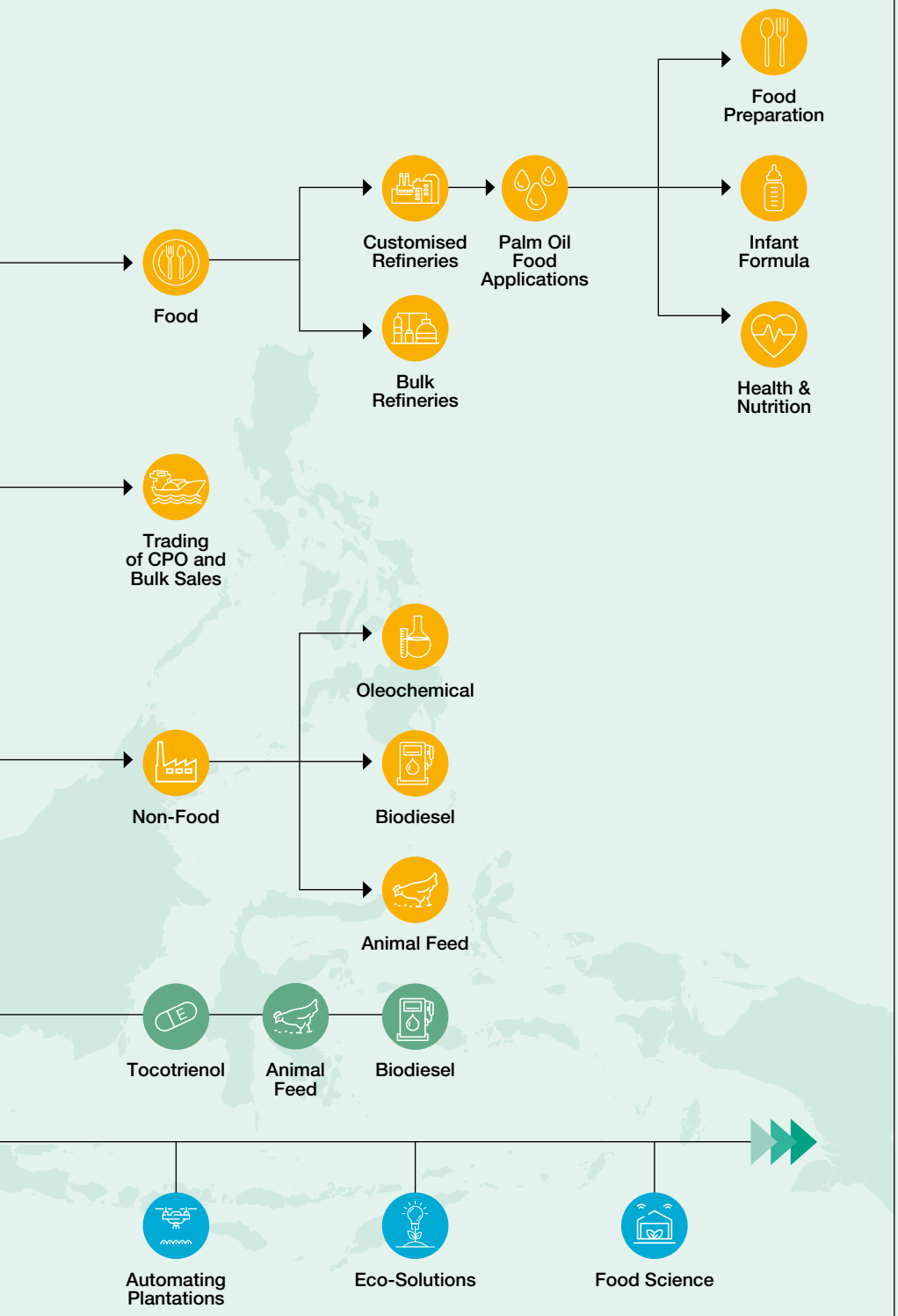
OUR INTEGRATED VALUE CHAIN

CPO – Crude Palm Oil
PK – Palm Kernel
POME – Palm Oil Mill Effluent
EFB – Empty Fruit Bunches



Our Values

Integrity | Respect & Responsibility | Enterprise | Excellence



KEY HIGHLIGHTS

Total Landbank

341,815 ha
in Malaysia

256,169 ha
in Indonesia

146,646 ha
in Papua New Guinea and the Solomon Islands

Business Presence

13 countries*

* Our operations are located in Malaysia, Indonesia, Singapore, Thailand, China, South Africa, Philippines, the Netherlands, USA, United Kingdom, Germany, Papua New Guinea and Solomon Islands

Innovation Footprint

5
Research & Development Centres

1
Fully Operational Genetic Testing Facility

3
Product Innovation & Development Centres

190
Scientists and Technicians

Sustainable Energy

38.33 MW
Total Installed Renewable Energy Capacity

21.6%
reduction in carbon emission through biogas plants initiative

PEOPLE

Empowering Workers and Communities

What we are facing

Due to our complex supply chains, we inevitably face human rights challenges. We see these as opportunities to continue identifying areas where we can create positive change.

One of our central commitments is to respect, support and uphold the fundamental human rights of those in and around our operations. Through various programmes, we have demonstrated our commitment to build an inclusive culture and environments that are founded on respect for human rights and their basic needs.

What we are doing

SDP has put in place initiatives to comply with standards under the International Labour Organisation and to improve the living and working conditions of our workers. These include:

Conducting

social dialogues

to understand their needs in relation to work, essential support and community living.

Providing trusted

grievance channels

to enable our workers to raise queries, complaints, grievances with improved oversight of grievances and accountability for grievance handling.

Establishing a new

Social Welfare & Services Department

to oversee the well-being and safety of workers, and ensuring that our day-to-day operations comply with international best practices.

Ensuring

responsible recruitment practices

to enforce our zero-recruitment fee policy, appoint ethical recruitment agents and protect workers from any form of coercion, intimidation or deception in the process of seeking employment in SDP.

HUMANITY

Progressing Towards Climate Positive

What we are facing

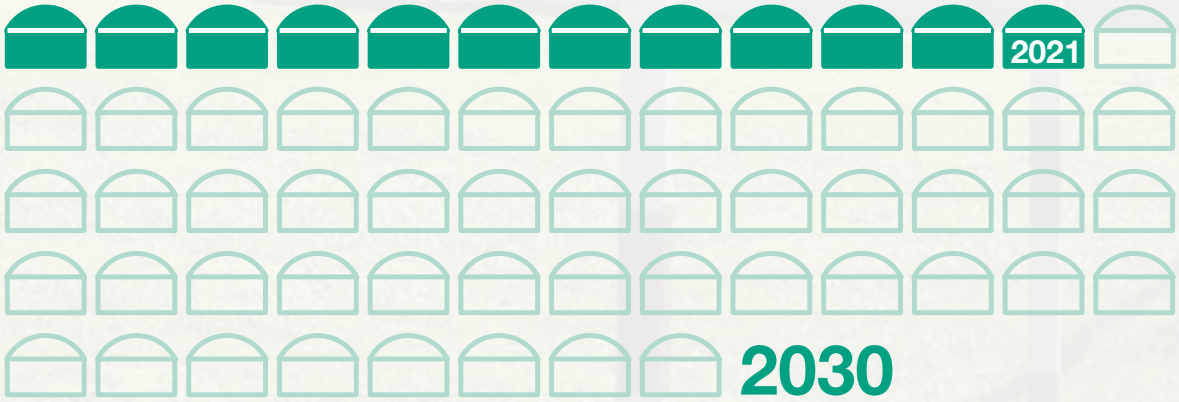
Global temperatures are expected to increase by 1.5 degree before 2040. To keep this increase below the 1.5 degree threshold, everyone has a role to play.

We are no different; and our commitment to protect the environment guides our operations on the ground. While SDP has faced challenges in meeting our targets to reduce emissions, we have also made significant infrastructure investments as well as mitigation efforts to support these aims.

We have set an ambitious target to reduce our carbon emission significantly by 2030. This is achievable because of our accelerated progress in setting up biogas plants to utilise methane as a renewable energy.

What we are doing

With the goal of having a total of 60 biogas plants by 2030, SDP is aiming to reach a carbon emission reduction target of 50%. Currently, SDP has 12 biogas plants across our operations in Malaysia, Indonesia and Papua New Guinea. The establishment of biogas plants complements other initiatives we have implemented – a zero-burning policy, reforestation and large-scale tree planting, hotspot and fire management, regenerative agriculture through integrated pest management and companion planting.



Aiming for
50%
reduction of carbon emissions by 2030

Total of
60
biogas plants by 2030

Currently
12
biogas facilities across our operations

Implementing
zero-burning policy
and nature-based solutions such as large-scale tree planting.

* Biogas plants capture methane, the single largest source of emissions from palm oil operations, which can be used to generate electricity.

COMMUNITY

Standing Together Against the Pandemic

What we are facing

Governments are maintaining various measures to manage the spread of COVID-19 and it seems that the world may need to adapt to live with the virus indefinitely.

Millions of people have been badly affected by the pandemic psychologically, financially and physiologically. Whenever possible, we have extended our help and support through donations, volunteering and collaborations on government initiatives.

What we are doing

We understand the difficulties faced in coping with the COVID-19 pandemic and nation-wide lockdowns. We have offered assistance and support to hospitals, communities and struggling families to help them stay resilient.

Distributed
16,990 food aid and care packs
to communities surrounding our operations in Malaysia and Indonesia

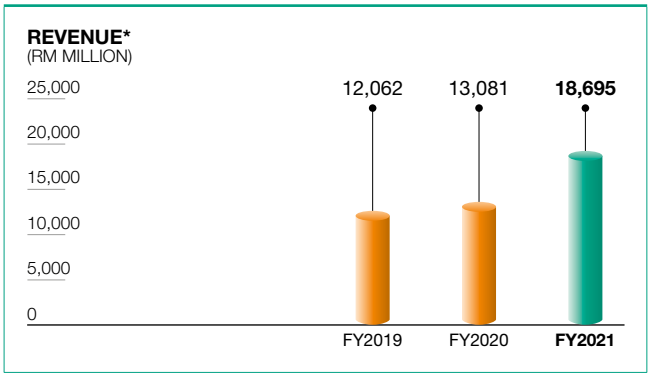
Supported Malaysian government's COVID-19 vaccination drive by setting up
vaccination centres
in our oil palm estates as well as communities.

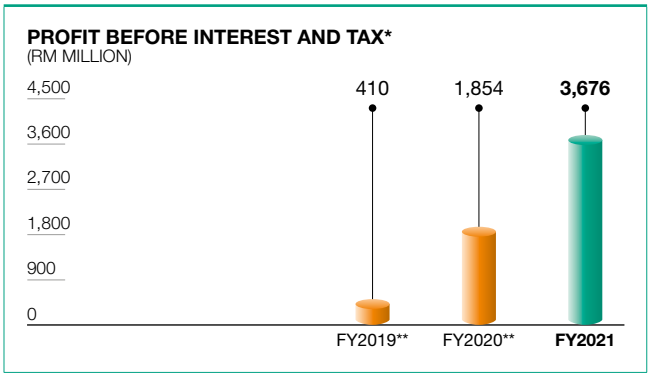
Provided
51 ventilators and 5000 oximeters
to 12 hospitals.

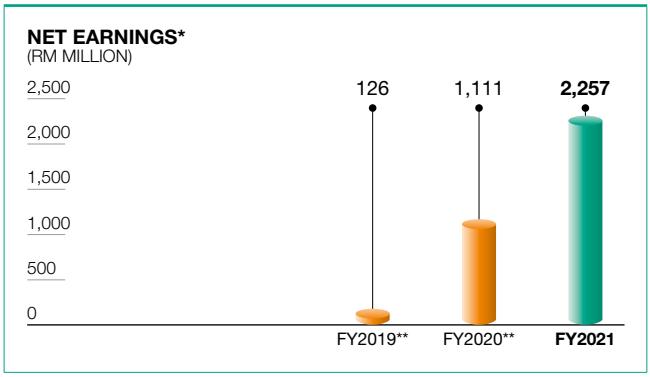
Provided
25 medical vehicles
to the Indonesian government for emergencies and remote facilities.

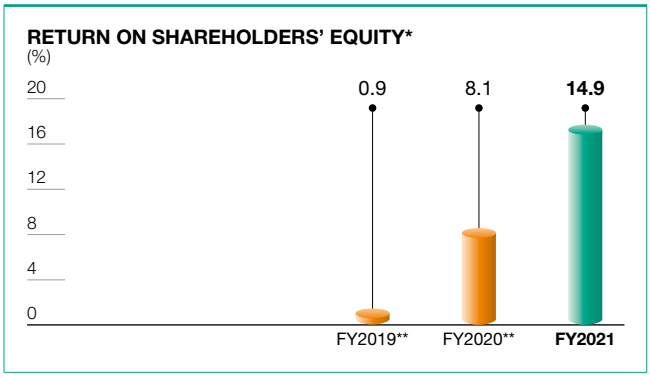
Provided
2,600 Antigen Rapid Test Kits
to Provincial Health Authorities in Papua New Guinea.

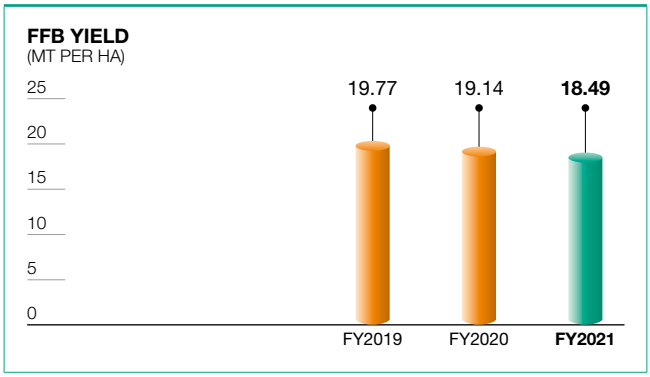
FINANCIAL HIGHLIGHTS

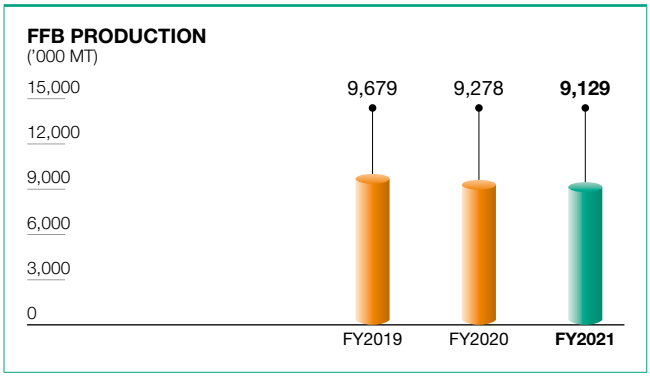












* The Group's financial results from continuing operations.
** Re-presented comparatives

CORPORATE INFORMATION

AS AT 2 APRIL 2022

BOARD OF DIRECTORS

Tan Sri Dato' Seri Haji Megat Najmuddin
Datuk Seri Dr Haji Megat Khas
Non-Independent Non-Executive Chairman

Mohamad Helmy Othman Basha
Group Managing Director

Datuk Zaiton Mohd Hassan
Senior Independent Non-Executive Director

Dato' Halipah Esa
Independent Non-Executive Director

Zainal Abidin Jamal
Non-Independent Non-Executive Director

Dato' Henry Sackville Barlow
Independent Non-Executive Director

Dato' Mohd Nizam Zainordin
Non-Independent Non-Executive Director

Datuk Mohd Anwar Yahya
Independent Non-Executive Director

Tunku Alizakri Raja Muhammad Alias
Non-Independent Non-Executive Director

Tan Ting Min
Independent Non-Executive Director

Lou Leong Kok
Independent Non-Executive Director

GROUP MANAGING DIRECTOR

Mohamad Helmy Othman Basha

SECRETARY

Azrin Nashiha Abdul Aziz
(LS 0007238)

REGISTERED OFFICE

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

Telephone : +(603) 7848 4000
Facsimile : +(603) 7848 5360
Email : communications@simedarbyplantation.com
Website : www.simedarbyplantation.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No.: 197101000970 (11324-H)

Office:
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Telephone : +(603) 2783 9299
Facsimile : +(603) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

Telephone : +(603) 2173 1188
Facsimile : +(603) 2173 1288

FORM OF LEGAL ENTITY

Incorporated on 2 April 2004 as a private company limited by shares under the Companies Act, 1965 and converted into a public company limited by shares on 20 July 2017.

STOCK EXCHANGE LISTING

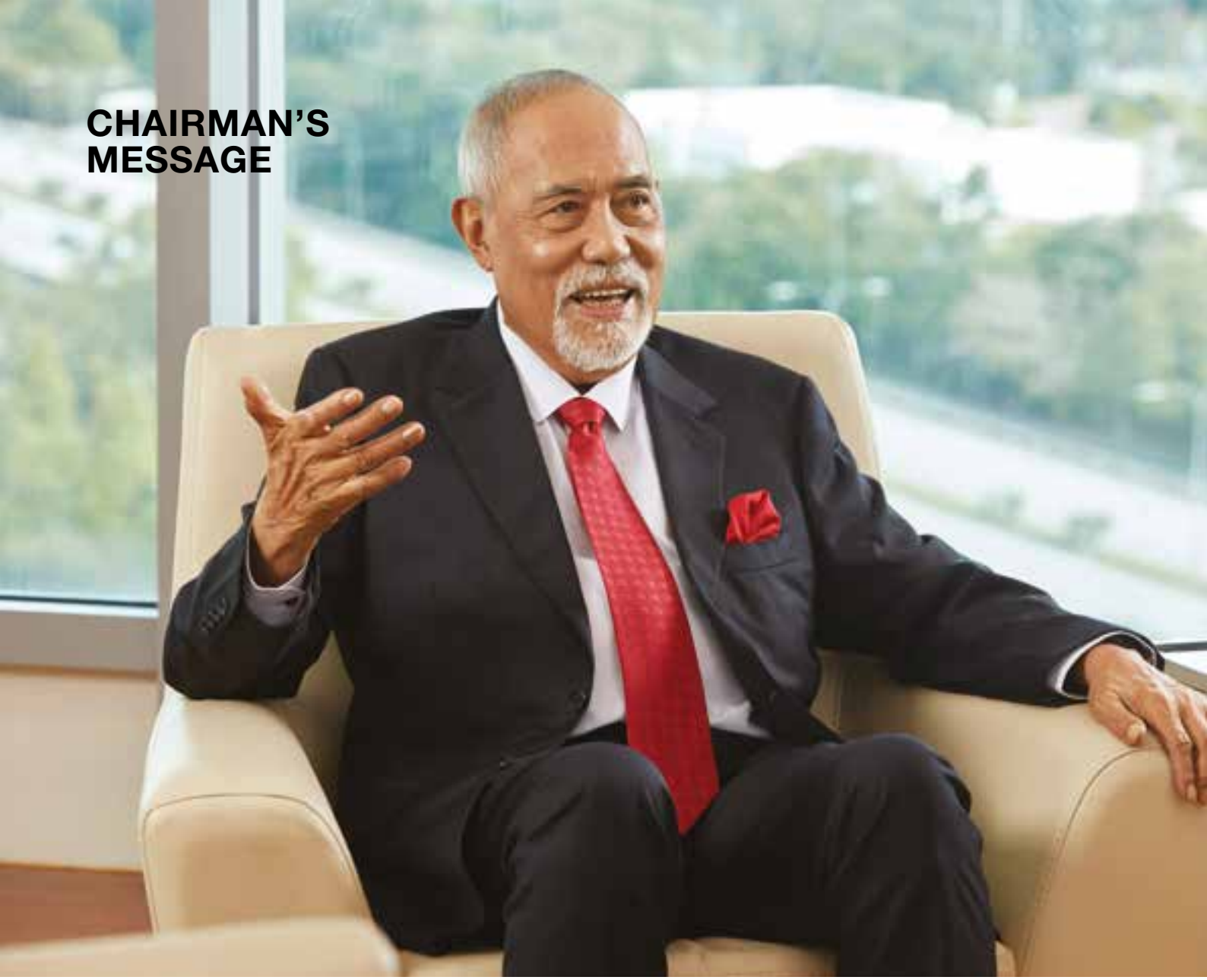
Listed on the Main Market of Bursa Malaysia Securities Berhad since 30 November 2017.

Stock Code : 5285
Stock Name : SIMEPLT

PLACE OF INCORPORATION AND DOMICILE

Malaysia

CHAIRMAN'S MESSAGE



Revenue
RM18.7 bil

Net Profit
RM2,257 mil

Sustainability is a key driver in our business. Our unwavering commitment to uphold sustainable practices has made its mark on our corporate culture. We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN BIN DATUK SERI DR HAJI MEGAT KHAS
Chairman

SOLID BUSINESS FUNDAMENTALS AND RESILIENCE

FY2021 was a year of uncertainties with the pandemic still posing a threat globally. Thankfully we faced the challenges from a position of strength. With our strong fundamentals and operational resilience, driven partly by our transformational efforts across the Group, Sime Darby Plantation Berhad (SDP or the Group) delivered stellar results.

The Crude Palm Oil (CPO) price rally was a key contributor to our strong performance, but our employees played a significant role too. During the year, we redesigned many work processes from the ground up with the widespread adoption of automation and Artificial Intelligence. I am heartened by the nimbleness demonstrated by our employees who, despite the challenges, remained true to our corporate values through their commitment and professionalism.

Spurred by the rally in CPO price due to tight supply, the Group generated total revenue of RM18.7 billion in FY2021, an impressive 43% year-on-year increase from FY2020. This performance was achieved against the backdrop of elevated crude oil prices which have led to rising input costs including fertiliser. Long-standing labour shortage issues and unpredictable weather conditions also confronted the Group.

Overall, this commendable set of results as well as our strong fundamentals will position us for future growth to create value for our stakeholders in the long-term.

MEASURES TO FUTURE-PROOF OUR BUSINESS

With tightened movement restrictions imposed by the Malaysian government to contain COVID-19 infections, labour shortage was an issue for the Group. However, we hope labour constraints will ease with the lifting of border restrictions by the Malaysian government from 1 April 2022.

Within the Group, we have responded to these challenges positively, recognising and seizing opportunities to future-proof our business. To reduce reliance on manual labour, we initiated measures including mechanisation, automation, and digitalisation at our plantations. Details of these initiatives are in the Business Review section of this report.

By 'reimagining plantations', we have taken bold steps to transform many outdated practices and norms so that the industry will be able to attract more local, highly skilled talent moving forward.

Ensuring sustainable growth for the future is also an important part of our strategic plans to future-proof our business. We note that public concern for Environmental, Social and Governance (ESG) issues is growing, and ESG performance has an impact on financial returns. Thus, I am pleased to share that the Group remains committed to contributing towards a low carbon future, a journey we embarked on in 2012 and continue to pursue with concrete actions as we strive to lead and live sustainably.

LEADING AND LIVING SUSTAINABLY

Sustainability is a key driver in our business. Our unwavering commitment to uphold sustainable practices has made its mark on our corporate culture. We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices. Given the scale of our operations, we are confident that we can make a positive impact on people, humanity, and the communities we operate in and even lead the industry towards collective action.

People

From our workers at our plantations to the communities we live and operate in, people are the bedrock of our success.

Due to the complex supply chains in our industry, we inevitably encounter issues relating to human rights. However, these also provide opportunities for us to bring about positive change, working with like-minded organisations and experts to address issues and uphold our commitments to sustainable and responsible business.

We continue to pursue with concrete actions as we strive to lead and live sustainably.

CHAIRMAN'S MESSAGE

On 30 December 2020, the United States Customs and Border Protection (USCBP) issued a Withhold Release Order (WRO) or import ban against palm oil produced by SDP in its Malaysian operations, due to allegations of forced labour. On 28 January 2022, the USCBP issued a notice of finding that certain SDP palm oil products were produced using convict, forced or indentured labour.

To address the situation, we have appointed consultants to undertake independent, full-scale reviews of labour practices across our Malaysian operations.

I am confident that SDP will emerge from this episode stronger. We have a long history of doing things the right way and we will continue to strive to do so. In our efforts to lead the way, we have embarked on continuous improvements to ensure that we have internal controls and systems in place to support our workers and ensure their well-being.

In line with the Government's plan to raise the minimum wage to RM1,500 a month, the Group has increased the monthly remuneration of our workers with effect from 1 May 2022.

SDP's pledge to respect, support and uphold the fundamental human rights of those in and around our operations is unwavering. More details of our actions in this regard can be found in page 23.

Humanity

Closely aligned with our sustainability goal is our commitment to protect the environment for future generations. We recognise that the perils of climate change are real and call for immediate action. To this end, the Group has set a new target to lower carbon emissions by 50% by 2030, from an initial target of 40% by 2030.

A key driver for success is the establishment of biogas plants which generate electricity from methane captured from our palm oil operations – the single largest source of emissions. These biogas plants are key in helping us achieve our emissions reduction targets.

To date, our 12 plants have reduced carbon emissions from our operations by 18%. We expect to achieve an estimated 28% reduction in carbon emissions by the end of 2022. More details can be found in the Sustainability section on page 76.

▲ We have embarked on continuous improvements to ensure that we have internal controls and systems in place to support our workers and ensure their well-being.

We are confident that we can make a positive impact on people, humanity, and the communities we operate in and even lead the industry towards collective action.

Community

Community is the backbone of our supply chain and culture of care is strongly embedded in how we run our business. The Group plays an active role in supporting the communities surrounding our operations and our supply chain. During the year, we responded to the urgent needs of our communities to safeguard their well-being.

For instance, in the aftermath of severe floods in Malaysia, we contributed RM7 million to support relief efforts, with RM5 million allocated to our philanthropic arm, Yayasan Sime Darby (YSD) to meet the immediate needs of local communities. We also supported workers in our operations, providing for their immediate needs and well-being.

The ongoing COVID-19 pandemic continued to threaten the livelihoods of many and created social repercussions. Hence, to help underserved communities, we worked with YSD to offer employment opportunities across our Upstream operations for locals near our operating units.

Additionally, through the Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme, a government-led initiative, we provide unemployed Malaysian graduates from local and international universities with the opportunity to gain work experience. It is a one-year programme that we have been supporting for 12 years now. We employ approximately 500 graduates, in batches, annually, under this programme.

To protect our employees and surrounding communities from the COVID-19 virus, we set up industrial vaccination centres across the country for our workers and others from surrounding estates. We also volunteered our Headquarters for a public-private partnership in setting up one of the world's first drive-through vaccination centre for persons with disabilities. In Indonesia, we provided 20 medical vehicles and medical equipment to support emergency facilities in remote areas within the region.

The issue of mental well-being also came very much to the fore during the pandemic since it caused much stress among individuals in various aspects and many ways. Recognising this, we took steps to help our employees address the issue.

For more details on our initiatives relating to mental health, please refer to the Human Capital Growth section on page 72 of this report.

STRONG CORPORATE GOVERNANCE PRACTICES

Adopting robust corporate governance practices is also part of SDP's blueprint to build resilience and sustainability in the Group. The Board has thus aligned its practices with the revised Malaysian Code of Corporate Governance issued on 28 April 2021.

The Board has played an active and invaluable role, working very closely with the management team, to ensure that the Group pursues strategic goals that are aligned to its corporate values and culture.

IN APPRECIATION

While FY2021 was a challenging year for SDP, it has also been rewarding. I would like to take this opportunity to thank our Board members for contributing their expertise to the Group.

During the year, we welcomed Datuk Mohd Anwar Yahya as an Independent Non-Executive Director of the Company. Datuk Anwar has over 44 years of experience in accounting and finance. His appointment strengthens the Board's composition particularly in the areas of financial governance as well as financial and risk management.

On behalf of the Board, I would also like to express our gratitude to all the employees of SDP; the demands of the year may have taken its toll, but their commitment to excellence has never wavered. This is also a testament to the strong business fundamentals we have built through the years which have allowed us to weather these challenges to emerge even stronger.

OUTLOOK

Looking ahead, we expect the global supply of edible oils to be impacted by several factors from adverse weather to the Russian-Ukraine conflict, which has led to supply disruptions. Against this backdrop I am confident that SDP, with our solid track record established over 200 years, is well positioned to achieve our business and long-term sustainability goals and targets.

CELEBRATING 200 YEARS OF EXCELLENCE

With a history that stretches back 200 years, we have faced crises, world wars and weathered storms. Our resilience is a measure of all who came before us – the pioneers who laid the foundation of this great company and those who over the years, built upon it. As we mark our second centennial I acknowledge and congratulate all our leaders and staff, past and present. I am confident that if we all embrace the same bold spirit of integrity, respect and responsibility, excellence, and enterprise, SDP will continue to thrive and lead the industry.

We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices.

OUR IMPACT

As responsible leaders in our industry, we want to make a positive impact in the Community for the benefit of future generations.

Fighting Deforestation

75%

of our palm oil is sustainably sourced. Since the 1980s we have adopted a Zero Burning Policy, a hallmark of our global operations that has made a significant impact to save our forests and biodiversity. Our ambition is to achieve 100% sustainably sourced palm oil by 2025.

Supporting Livelihoods

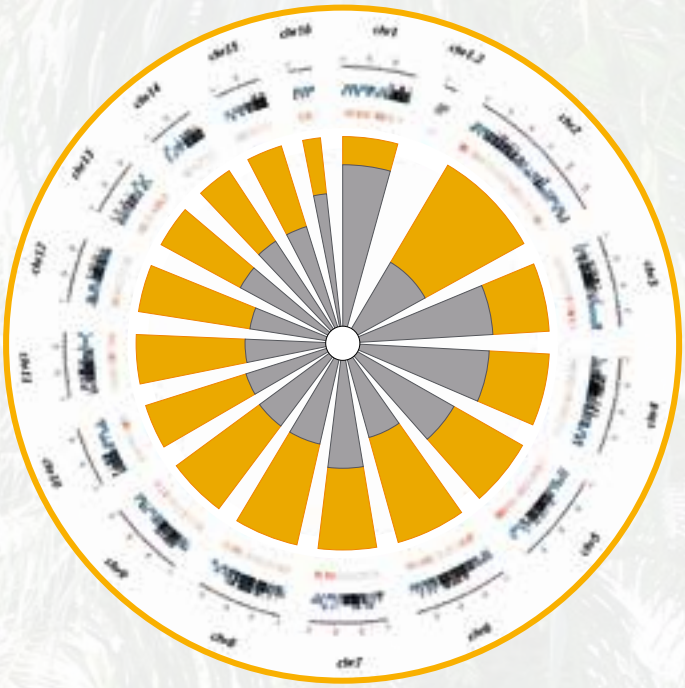
3,800

smallholders are directly and indirectly involved in our supply chain. We ensure that these people are supported by higher yields and living wages, in addition to educating them on sustainable practices that will help them survive and thrive in a post-pandemic world.

Accelerating Climate Action

50%

of carbon emissions reduction by 2030 is our medium-term target in the fight against global warming. We have been extensively embarking on carbon reduction initiatives such as biogas and tree planting programmes as we work towards our long-term net zero target.



Sharing Knowledge

80%

of the existing oil palm genome assembly is now complete, a result of years of extensive research. We have made this vital piece of research publicly available, so that we can make a difference together as an industry. This has enabled companies to develop more efficient, scalable solutions when it comes to the cultivation of palm oil.

Protecting Human Rights

81%

of our workforce comprises labourers and workers in our estates, mills and refineries. It is vital that we ensure internationally recognised human rights and workplace standards are upheld across all our operations. This year, we conducted an independent assessment of our systems and processes to ensure there are no issues of human rights exploitation and abuse.

Inspiring Healthier Choices

100%

of the palm oil we produce is non-genetically modified and trans fats free, allowing us to offer quality and safe products to our customers.

GROUP MANAGING DIRECTOR'S Q&A

Total Dividend in FY2021

20.28 sen per share

Oil Extraction Rate

21.59%

As a leading player in the palm oil industry, we are aware that the scale of our influence can encourage collective action. We hope the standards we set can lead the industry towards positive change.

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

Q CAN YOU SHARE SOME OF THE KEY CHALLENGES SIME DARBY PLANTATION BERHAD (SDP) HAS FACED? HOW DID THE GLOBAL PANDEMIC IMPACT THE GROUP?

A It has been a tough couple of years. The ramifications of the global pandemic are still percolating on many levels strategically, operationally and financially. Extreme weather events, supply chain issues and geopolitical tensions have added to the mix to create disruptions never seen in our lifetimes.

Yet, despite these challenges, strategic initiatives undertaken over the past few years to transform our operations and to achieve excellence, have stood us in good stead. We stayed true to the corporate values that have defined us through the years – integrity, respect and responsibility, excellence and enterprise; and we were guided by our vision to be a leading integrated global player in the palm oil industry.

We were confronted with and impacted by rising costs in energy, fertiliser, and logistics. The border restrictions to contain the pandemic exacerbated the already tight foreign labour situation in the country. In response, we intensified efforts to reduce dependence on labour through mechanisation, automation and digitalisation, which also resulted in improved efficiency. While this has taken some of the sting out of the current labour situation, it will also help us future-proof our business.

Another key issue confronting the Group is the Withhold Release Order (WRO) issued by the United States Customs and Border Protection (USCBP), which was converted into a finding of forced or indentured labour on 28 January 2022.

We take these charges against us seriously and we will take all necessary steps to address them. We have appointed experts and consultants to conduct in depth, onsite assessments and reviews of our labour practices across our Malaysian operations.

As a leading player in the palm oil industry, we are aware that the scale of our influence can encourage collective action. We hope the standards we set can lead the industry towards positive change.

A key initiative we have implemented is fortnightly social dialogues, a two-way communication platform which enables workers to engage with management at operating units (OU). OU management are trained to effectively engage and listen to workers. The process is supported by a toolkit and tracker to ensure effective and efficient reporting and monitoring, and also that issues are resolved in a timely manner.

These dialogues, with our existing and improved grievance channels and other communications platforms, have helped us to understand the social and cultural nuances of the different nationalities who work with us.

Another important new initiative is the Environmental, Social and Governance (ESG) scorecard used to measure performance of OU management. This carries equal weightage with our operational scorecard and is designed to ensure that clear indicators are implemented, monitored, and applied across our Upstream Malaysia organisational structure. With the focus on accountability and transparency the scorecard has helped to ensure that workers' well-being and welfare are embedded in our internal processes.

We have also introduced governance and structural changes. The aim was to ensure our Upstream Operations continue to comply with internationally recognised standards and best practices.

More details can be found in the Update On The Finding By The US Customs And Border Protection, page 23

▲ As an industry leader, we have taken bold and decisive steps towards a net zero future.

GROUP MANAGING DIRECTOR'S Q&A

Q WHAT ARE YOUR THOUGHTS ON SDP'S FINANCIAL PERFORMANCE IN FY2021?

A Despite the challenges, I am proud that our people, demonstrating great resilience, delivered an outstanding performance in FY2021. The Group achieved an overall revenue of RM18,695 million, a 43% increase compared to RM13,081 million in FY2020. Net profit was 90% higher at RM2,257 million than FY2020's RM1,185 million.

Our Upstream business registered a profit after tax of RM2,081 million. Fresh fruit bunch production declined 2% year-on-year to 9.1 million mt in FY2021. Oil extraction rate increased slightly in FY2021 to 21.59% compared to 21.44% in FY2020. Whereas Sime Darby Oils' (SDO) registered a profit after tax of RM477 million. Sales volume decreased by 13% compared to FY2020 at 3.77 million mt. Capacity utilisation was 63.8%.

Given our stellar performance, our Board approved a total dividend payout of 20.28 sen per share for FY2021, representing 60% of recurring net earnings. This was the Group's highest payout since listing in November 2017.

Q COULD YOU SHARE HIGHLIGHTS FROM YOUR OPERATIONS IN FY2021?

A The upstream sector stepped up efforts to innovate, mechanise and automate, to reduce reliance on manual labour. Thus, last year, we further improved the man-to-land ratio to 1:15.3. Currently, we have one of the most efficient man-to-land ratios in the industry.

We have established partnerships and collaborated with local startups, government agencies and ministries, to develop new solutions for our estate operations, with the aim of giving us an edge for the future. This includes our journey of open innovation by sharing pain points on open platforms to scout for solutions. Today, more accurate drone technology is used to conduct mapping, imaging and data collection of our plantations.

▲ Local drone companies are working with us for pest and disease spraying, which has resulted in more responsive and effective plantation management.

Also, local drone companies are working with us for pest and disease spraying, which has resulted in more responsive and effective plantation management. A key area of focus is oil palm harvesting, where collaborations with both local and foreign universities, as well as international technology providers, are ongoing to find viable solutions.

Meanwhile, we have started planting and scaled up production of the high-yielding GenomeSelect™ seeds in FY2021 to ensure that we are able to meet all our replanting needs by FY2022.

A new initiative recently launched in collaboration with experts from SDO, is a groupwide exercise to raise the safety and sustainability standards in our facilities and processes. We aim to deliver superior quality products and services to our customers, which will continue to drive the strategic initiatives of our downstream sector.

For more information, please refer to our press releases at SDP's website under the Press Releases section at www.simedarbyplantation.com

Our business transformation initiative or "Project Matterhorn", is in its second year. "Transformation Sprints" were implemented in more global business units even as we are harvesting returns from "Transformation Sprints" that have entered the Implementation Phase in Malaysia, Indonesia, Thailand, Europe and South Africa.

Our fully integrated business model, provides us the edge to optimise our strategic plans and maximise our returns, increase cost savings and enhance productivity and efficiency throughout the Group.

We also leveraged on higher sustainability premiums, particularly for our Kernel Crushing plants in Malaysia and Indonesia.

During the year, investments were made to channel waste from our mills to our downstream operations so that we could minimise resource consumption and reduce our carbon and water footprints. These investments have given our operations an added boost towards achieving our sustainability goals.

Q THIS YEAR, YOU HAVE SET A NEW AMBITIOUS TARGET TO REDUCE CARBON EMISSIONS BY 50% IN 2030. WALK US THROUGH YOUR RATIONALE FOR THIS.

A The reality is, we are already living with global warming and climate change today. As a leader in the palm oil industry for sustainable practices, we must take swift and decisive action before it is too late.

We have all seen the latest report from the Intergovernmental Panel on Climate Change (IPCC). We know what needs to be done, and SDP is stepping up. We are working to achieve our targets on several fronts.

First, a major focus of our ambition for greener operations is to drive deforestation out of our supply chain. We will also establish more rigorous controls to ensure greater traceability, better supplier risk assessment, monitoring and engagement, as well as ensuring No Deforestation, No Peat and No Exploitation (NDPE) in our supply chain. And of course, we will strive for smallholder inclusion, which means, we will work closely with our smallholder suppliers to help them along the journey towards implementing responsible agricultural practices.

At the operational level, we have completed installing 12 biogas plants and six rooftop solar systems on SDP's premises. The total reduction in carbon emissions achieved through these initiatives is equivalent to planting 27.4 million carbon capture trees. Another seven biogas plants and four solar-powered systems are expected to be installed at SDP's premises in FY2022.

Moving forward, SDP will continue to explore more technological solutions for our operations and premises to further reduce carbon emissions. We hope that by setting such an ambitious target and showing how it can be achieved, we can rally the industry and raise the bar while working towards our net zero aspirations.

Q WHAT DOES FY2022 HAVE IN STORE FOR SDP?

A FY2022 is shaping up to be a year of growth and opportunities, and I am cautiously optimistic about our performance this year. However, it is important for us to remain vigilant and alert, as the past year has taught us to plan for the worst but hope for the best. There is also a pressing need for us to focus on improving our ESG initiatives.

The global economy is still recovering from the impact of the pandemic. Thankfully, we are supported by enhanced vaccination coverage, improved vaccine efficacy and increased availability of medical treatment.

On the domestic front, according to the Ministry of Finance Malaysia, GDP growth of between 5.5% and 6.5% is anticipated in 2022, up from between 3% and 4% from 2021. Inflationary pressures are expected to persist going into 2022, with economists pegging the inflation rate at between 2.3% and 3%.

We are expecting another year of volatility for palm oil prices, with prices expected to stay elevated. There are a number of factors that are contributing to this. The supply of palm oil is affected by the labour supply situation in Malaysia, high cost of fertilisers and unpredictable weather conditions. Meanwhile, global supplies of edible oils have been affected by the war in Ukraine, which has also had a direct impact on prices.

From 1 April 2022, the Malaysian government has started to ease border restrictions put in place initially to contain the spread of the corona virus. While this is certainly a positive development that will allow sorely needed foreign labour to return to the country, SDP will continue the drive to automate and mechanise. It is imperative that we reduce our reliance on manual labour in our operations. Hence, our fast-tracked initiatives to mechanise, automate and digitalise our plantation operations will continue into FY2022 and beyond. These initiatives to innovate and transform our work processes will also help us attract more skilled Malaysian workers for our plantations.

Another key focus area for us is Sustainability. As an industry leader, we have taken bold and decisive steps towards a net zero future. We have started to align our disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Collectively as a nation, Malaysia is still lagging in its efforts to become a green economy. Based on the KPMG Net Zero Readiness Index, Malaysia is currently ranked 21st among 32 countries. We hope that our efforts can influence and inspire other Malaysian companies to do more to advance their decarbonisation efforts.

SDP will also continue to assess and ensure our operations are in line with international labour practices. We believe that Human Rights are universal and we will uphold the rights of all our people and we will strive to eradicate abuse and violation of human rights from our supply chain.

In 2022, we are also marking SDP's 200th anniversary. We have been a leader in the industry and contributed to its development. We have made and will continue to make positive impact within the communities we operate in. With the talents of our people and our strong culture of innovation, I am confident that SDP will continue to achieve breakthroughs and impact positively the communities we operate within.

ADDRESSING THE LABOUR SHORTAGE

While the economy gradually recovers from the pandemic, the plantation industry has been grappling with labour shortages which have pushed us to be adaptive and innovative in our daily operations.

SDP's mitigation strategy was to adopt automation, mechanisation and digitalisation in our operations. We also implemented initiatives to attract more locals to work at our estates while actively facilitating the return of migrant workers who left for their home country before the pandemic lockdowns.

Adopt mechanisation and digitalisation

We deployed drones to perform pesticide spraying activities, achieving higher precision, greater coverage of land and at lower costs.

1:15.3 ha

One of the most efficient man-to-land ratios in the industry

3,010

Locals hired through Project Lokal

Project Lokal

We developed a campaign to hire more locals, targeting those who lost their jobs during the country-wide lockdown.

UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

Sime Darby Plantation Berhad (SDP) shares the universal condemnation of forced labour and is determined to be part of the solution when it comes to eliminating forced labour in all its forms. Since the issuance of the Withhold Release Order (WRO) by the United States Customs and Border Protection (USCBP), we have undertaken a full-scale, independent assessment spanning our facilities across Malaysia.

BAN BY THE USCBP

On 6 July 2020 SDP was made aware of a petition that was submitted by Liberty Shared, a Hong Kong based non-governmental organisation, to the USCBP on 20 April 2020. There were allegations of forced labour and child labour on SDP's estates, in the petition.

On 30 December 2020, the USCBP issued a WRO against SDP based on information it said "reasonably indicates the presence of all 11 of the International Labour Organisation's forced labor indicators in SDP's production process". This was converted to a Notice of Finding which took effect on 28 January 2022.

Following the filing of the initial complaint, SDP undertook an extensive audit of its Malaysian operations while at the same time appointing PricewaterhouseCoopers Singapore to engage with Liberty Shared to better understand the issues at hand. Subsequently, after the imposition of the WRO, SDP appointed independent experts to assess its operations against the 11 International Labour Organisation (ILO) Forced Labour Indicators (FLIs). Simultaneously, SDP committed to a comprehensive internal exercise to understand and address any and all issues on the ground as part of a continuous improvement plan.

The experts appointed were:

- **Nixon Peabody,** to advise on the communication and submission process with the USCBP and all matters relating to the laws of the United States;
- **Impactt Limited,** as ethical trade consultancy specialising in human rights, labour standards and ethical trade to conduct a comprehensive evaluation of SDP's labour practices across its Malaysia operations;
- **PricewaterhouseCoopers,** to validate payment of wages, related matters, as well as remediation fees;
- **Ernst and Young,** to set up automated tools to ease manual processes surrounding wage data input; and
- **Andy Hall,** a human rights activist specialising in ethical recruitment.

Over the past several months, guided by the inputs and expert views of its consultants, SDP has implemented sweeping measures across its Malaysian operations to ensure continued compliance with ILO standards and also to ensure that these new measures are effective and sustainable.

UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

SDP shares the universal condemnation of forced labour and is determined to be part of the solution when it comes to eliminating forced labour in all its forms. SDP reviewed its governance structure and instituted a Continuous Improvement Plan (CIP) directly focussed on the ILO's indicators of Forced Labour, with the purpose of changing mindsets, embracing new norms and acquiring knowledge to stay abreast of developments and trends. With the CIP in place, SDP expects to achieve the expected standards required under the ILO indicators and, wherever possible, exceed them.

To monitor the expert assessments that were being undertaken and to oversee the implementation of the CIP, from July 2021, the Board Sustainability Committee (BSC) has met at least fortnightly.

The BSC is supported by a two-tier management team, the first of which is the Steering Committee (SC) chaired by the Group Managing Director (GMD), which meets weekly. The second is a taskforce and working group chaired by the Chief Financial Officer (CFO), which meets at least twice a week and comprises seven separate workstreams that are led by members of the Plantation Leadership Committee (PLC) or functional heads.

Each workstream comprises personnel from operations as well as the Headquarters, which allows for the development of practical solutions and enhancements. This collaboration is pivotal in ensuring buy-in from operations, thereby providing the right environment to ensure the sustainability of new or improved initiatives.

By demonstrating the commitment of SDP's senior management and their direct involvement in the initiatives deployed, thus putting heavier emphasis on sustainability within formal performance management targets, SDP has already effected transformative behavioural change.

Over 500,000 work hours from over 1,200 individuals and 10,000 meetings have been invested in the CIP, over the course of the 12 months to enhance its human rights practices.

Each workstream was established to address specific FLIs with specific outcomes. All allegations were investigated, policies and guidelines were updated or developed, and existing systems and processes were interrogated. Key enablers such as the grievance channels were strengthened and new resources were deployed to support new initiatives.

11 ILO Indicators	Abuse of Vulnerability	Identity Document Retention	Movement Restriction	Excessive Overtime	Abusive Living and Working Condition	Deception	Isolation	Debt Bondage	Withholding of Wages	Physical & Sexual Violence	Intimidation
1 Grievance Channel	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
2 Occupational Safety & Health (OSH) and Workers' Housing					✓						
3 Social Dialogue	✓	✓	✓	✓	✓	✓	✓			✓	✓
4 Estate Issues – FLIs	✓		✓			✓	✓			✓	✓
5 Operational Intervention	✓	✓	✓			✓		✓			
6 Wage Structure				✓					✓		
7 Key Performance Indicators (KPIs)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Workstream	Outcomes
Workstream 1: **Grievance Channels**	• Trusted and organised channel for workers to raise queries, complaints, grievances with improved oversight of grievances and accountability for grievance handling • Worker's protection is guaranteed • Improved management capability to investigate grievances effectively
Workstream 2: **OSH and Workers' Housing**	• Worker centric Health and Safety, focussed on salient/significant field and mill hazards • Accommodations well maintained with necessary repairs done in a timely manner based on clear Standard Operating Procedures (SOP) • Clear, effective and speedy access to medical care (for Occupational issues) at the Operating Unit (OU) level
Workstream 3: **Social Dialogue**	• Establish Active and Independent OU level management and workers' representation through social dialogue to: – Enable co-creation between workers and management to improve workplace and living conditions – starting from improvements related to the 11 ILO FLIs – Support monitoring of the overall implementation of the CIP
Workstream 4: **Estate Issues – FLIs**	• SDP does not employ undocumented workers • Workers operate in a harassment/abuse/intimidation-free workplace • Workers can freely leave the estates/mills barring reasonable restrictions • Workers can access government hospitals when they are unwell and may be granted medical leave • Social visit pass' workers afforded same rights and entitlements as regular workers • All migrant children have clear path to legal status or citizenship
Workstream 5: **Operational Intervention**	• Historic recruitment fees (unreported payments charged by agents, sub-agents or other third parties to SDP's foreign workers in countries of origin, in contravention of SDP's zero recruitment fee policy) reimbursed to current and former workers including 100% level of understanding of repayments by current and former workers • Recruitment policies, processes and practices have effective due diligence systems in place to ensure ethical recruitment • All workers are in possession of their own personal documents and have individual, secure lockers within their own accommodation to keep them
Workstream 6: **Wage Structure**	• Simplified and consistently applied wage structure • Workers and management understand payslip and how wages are paid • Governance on wages, work hours / days and equitable pay for work done • Authorised and fair wage deductions
Workstream 7: **Environmental, Social and Governance (ESG) Scorecard**	• Ensuring the sustained implementation of improvement actions on labour practices • Outside of performance management / corporate scorecard • Centrally managed & metric driven • Collective performance approach for each OU

UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

ENSURING SUSTAINABILITY OF THE GOVERNANCE STRUCTURE MOVING FORWARD

SDP's CIP examined the additional resources needed to strengthen overall governance mechanisms for labour practices and also to ensure that changes implemented are sustainable. This was central to the enhancement programme, given the breadth and span of the Group's operations. Thus, three of seven workstreams were dedicated to enhancing these governance mechanisms.

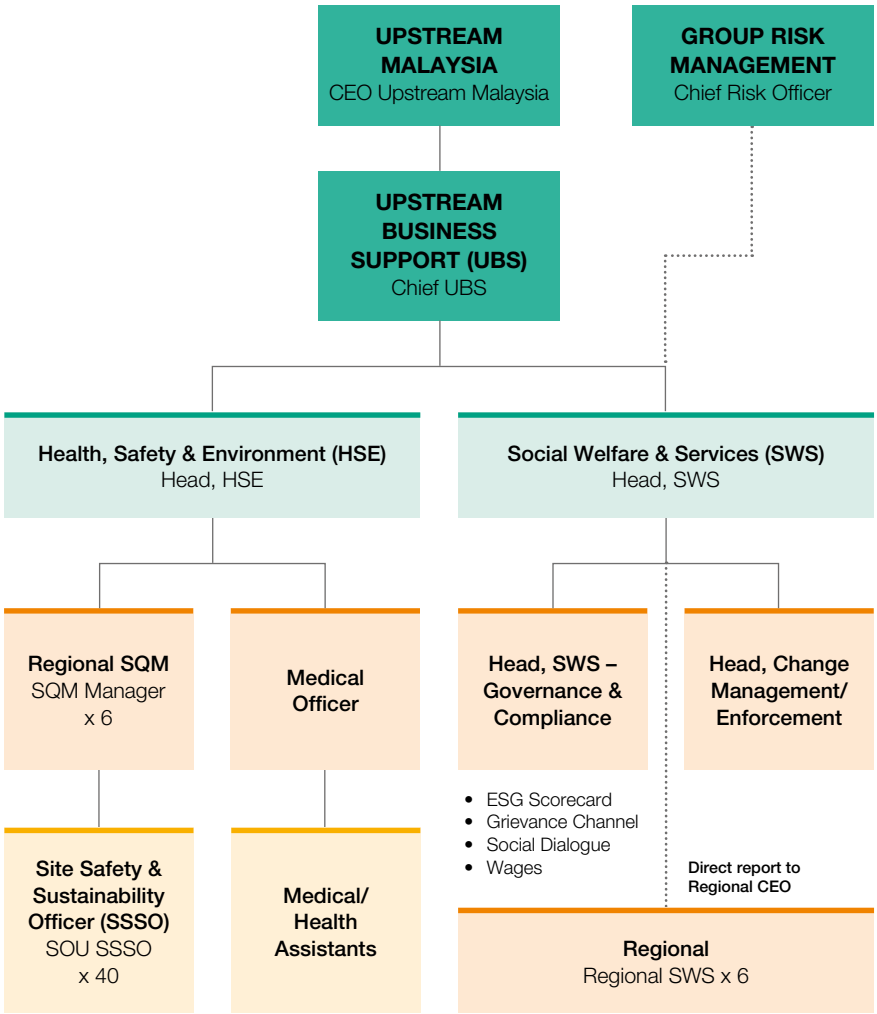
1. New governance structure and resources

Key structural changes have been instituted in Upstream Malaysia to ensure dedicated focus on worker welfare as well as to ensure continued compliance with ILO and sustainability standards. To this end, a new Social Welfare & Services (SWS) department has been established. This dedicated team will be responsible for overseeing the implementation of policies and procedures related to the well-being and safety of workers, ensuring that day-to-day Upstream Operations comply with internationally recognised best practices.

As of January 2022, 40 fulltime dedicated Site Safety and Sustainability Officers (SSSO) have been appointed to assist and support the strategic OUs (SOUs) with managing safety and, sustainability initiatives on the ground, with a particular focus on human rights. These new officers are tasked with managing overall documentation, providing on-site support for operations compliance monitoring, and setting out actionable immediate next steps in managing any safety and sustainability concerns or issues should it arise.

To emphasise a zero-tolerance approach, SDP has also taken stern and swift action against those who have not adhered to the company's policies. This is particularly important as consequence management and accountability will ensure a shift in culture and to clearly establish the tone from the top.

Regular audits and engagement exercises have been undertaken with estate management to ensure awareness of all SDP's new policies, guidelines, processes and systems to ensure both understanding and compliance.



2. Grievance Channels

The key objective was to win trust and enable the workforce to raise issues without fear of retaliation. Having reviewed its grievance channels and how these work in practice, SDP identified some gaps, particular in the way that grievances were being monitored and escalated. This was evidenced by the fact that too few workers were using the channels available to air their grievances. To remedy this, SDP carried out extensive work to identify the limitations of its grievance

mechanisms, and then agreed on a workstream outcome. Refreshed grievance mechanisms were rolled out and a dedicated Grievance Unit was established. Along with weekly meetings by a Grievance Committee, this new management system has strengthened transparency and governance over the handling of grievances.

Central to these enhancements was increasing worker awareness of the grievance platforms available to them. There have been intensive efforts to communicate the new systems via briefings, the development and dissemination of videos via WhatsApp and printed collaterals such as posters and pictorial diagrams displayed prominently at OUs. Another material improvement is the appointment of worker representatives to raise awareness amongst their fellow countrymen on the availability of these channels.

The improved confidence in SDP's grievance channels is evidenced by an increase in the monthly average number of calls. Prior to September 2021, the average was around 15 calls a month; between September 2021 and January 2022, SDP has handled a monthly average of 69 calls.

3. Social Dialogue

The key objective of the Social Dialogue is to provide a two-way communication platform between workers and management, to discuss issues related to worker welfare and concerns. The intent is to allow for the co-creation of resolutions to issues that are raised and to build stronger relationships between site management and workers.

In October 2021, SDP launched the Social Dialogue initiative and it has since been rolled out across more than 150 operating units, and 1,625 worker representatives of different nationalities have been appointed.

Worker representatives are appointed through elections by the workers themselves and empowered to suggest improvements. Every nationality is represented by a worker representative at each OU.

The Social Dialogue process is supported by a Social Dialogue Toolkit, which includes an escalation protocol for issues that cannot be resolved at OU level, along with guidelines for issues resolution. A clear set of KPIs and an online tracker, developed in-house, ensure the effective and efficient reporting and monitoring of issues raised at these dialogues, and also that issues are resolved in a timely manner.

SDP believes this is the first programme of its kind among palm oil plantation companies in Malaysia.

4. KPIs – Environmental, Social and Governance (ESG) scorecard

The ESG Scorecard which is effective for the 2022 Financial Year aims to drive behavioural change. It has been constructed with three behaviour-based indicators and two outcome-based indicators.

Communicated to all estates and mills in January 2022, this scorecard puts greater emphasis on ESG performance, particularly on specific labour-related practices. Crucially, the new system is independently monitored for objectivity. A unique feature of this scorecard is that, apart from the objective evidence of the implementation of initiatives, a key component is quarterly surveys that will be undertaken to get workers' feedback on their working and living experiences with SDP.

KPI	Measurement Criteria	Type
Closure of Grievances	Closure of 95% grievances raised that are within purview of the operating unit	Behaviour-based
Operational Health & Safety	Quality of intervention and approach towards improving processes and governance	Behaviour-based
Social Dialogue	Conduct of social dialogues based on success factors	Behaviour-based
Workers Satisfaction Survey	Score of quarterly surveys sent to workers to measure effectiveness of initiatives	Outcome-based
Environmental & Governance Compliance	Compliance to legal and statutory requirements and conformance to sustainability certifications	Outcome-based

SDP'S OPERATIONS MAPPED AGAINST 11 ILO INDICATORS OF FORCED LABOUR

Please refer to pages 38 to 40 in the 2021 Sustainability Report for an overview of the measures adopted against the 11 ILO indicators.

OUR VALUE CREATION MODEL

An integrated approach frames SDP's value creation model, spanning the entire value chain to deliver sustainable value to all our stakeholders.

OUR CAPITALS

Financial

- RM30.34 billion worth of total assets
- RM17.86 billion in total equity

Intellectual

- Brand values
- Industry best practices
- Intellectual property, expertise, knowledge and experience within the industry

Natural

- 744,630 ha land
- 239 estates

Manufactured

- 70 mills and 11 refineries
- 278,900 mt bulking terminal capacity
- 5 R&D Centres and 3 Product Innovation & Development (previously named as Innovation Centres)

Human

- Over 80,000 employees
- Innovative and performance driven talent pool that is future ready and driven by winning mindsets

Social & Relationship

- Vendor Development Programme
- Smallholders and supply chain collaboration
- Collaborative partnerships with customers and business partners
- Continuous engagement with communities, authorities and related stakeholders

OUR COMPETITIVE ADVANTAGE

SDP is a leader in the palm oil industry with a proven track record established over the last 200 years. Our extensive presence and experience give us competitive advantages. These include:

The World's Largest Oil Palm Plantation Company by Planted Area

With a total planted area of 579,708 hectares, we are the world's largest certified palm-oil producer and seller of sustainable palm oil.

Leader in Sustainability

With the scale of our operations and influence, SDP is primed to lead the industry towards progress on sustainable development, production and growth.

Future-focussed R&D Capabilities

We invest significant resources to push the boundaries of our capabilities to position ourselves to thrive now and in the future.

Economies of Scale Through Value Chain Integration

We are strategically empowered as we manage and control the entire value chain from Upstream to Downstream, allowing us to synergise business decisions across the value chain.

Wide & Diverse Geographical Reach

Our Upstream operations comprise 239 estates and 70 palm oil mills located around the world, while our Downstream operations provide access to the key markets globally.

Performance & Innovation Driven Culture

Our people are driven by the values of performance and innovation which are embedded in our corporate culture. Digitalisation and automation are tools that empower our people towards higher performance.

Availability of Large Landbank

Opportunity to support National Sustainability agenda through partnership with large-scale solar developers.

Maximising Returns Across the Value Chain

Our Strategies

Read more about Our Strategies on page 42

OUR INTEGRATED VALUE CHAIN

Seed Production and Preparation

- Seed Production
- Oil Palm Nursery

Cultivation and Milling

- Estate Management (Oil Palm, Rubber, Sugarcane & Cattle)
- Mills (CPO & PK)
- Palm Fiber, Sludge Oil, POME, EFB & Kernel Shell

Waste Management

- Waste (Palm Fiber, Sludge Oil, POME, EFB, Kernel Shell, Palm Kernel Expeller & Palm Fatty Acid Distillate)
- Waste to Wealth Products (Biogas, Biomass, Tocotrienol, Animal Feed & Biodiesel)

Glossary: CPO – Crude Palm Oil | PK – Palm Kernel | POME – Palm Oil Mill Effluent | EFB – Empty Fruit Bunches

MATERIAL MATTERS WHICH ALIGN WITH OUR VALUE CREATION MODEL

Operational Performance | **People Management** | **Macroeconomic Conditions** | **Social and Environmental Impact** | **Occupational Safety and Health Performance** | **Capital Management**

Read more about Managing Our Material Matters on page 36

OUR VISION

To be the leading integrated palm oil player.

Driving Operational Excellence

Serving Our Customers' Evolving Needs

OUR SUSTAINABILITY COMMITMENTS

Going Beyond Set Standards

As an industry leader, SDP consistently strives to do better than meeting set standards so we can lead the pace for impactful breakthrough on standards. SDP is fully compliant with all major palm-oil related sustainability standards globally, i.e. Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) certifications. At the same time, SDP is also an active participant in some of these certification platforms to advance sustainability standards.

Push Towards Climate Action

SDP's strong commitment towards sustainability is evident throughout our operations and supply chains with extensive programmes put in place to reduce climate impacts. We also collaborate actively and extensively with strategic partners on important issues such as reforestation, conservation and biodiversity.

Respecting Human Rights

At SDP, we consistently adhere to practices that promote the rights of the individual. Hence, all our employees at all levels, including our workers at our plantations on the ground, are given access to mechanisms which allow them to air any grievances so they can be heard and their issues addressed. Other platforms include dialogue sessions with our employees to proactively allow them opportunities to speak and be heard and also, to be understood.

Ensuring a Sustainable Supply Chain

SDP's commitment to sustainability extends to our supply chain. This strong commitment is underlined by the significant amount of resources we have invested to ensure full transparency of our supply chain. One example is Crosscheck, an online platform we developed and launched that tracks the origin of fresh fruit bunches and crude palm oil across our supply chains.

We also leverage partnerships and technologies to extend and sharpen our supply chain monitoring capabilities, e.g. the Radar Alerts for Detecting Deforestation (RADD) monitoring system which SDP jointly developed with partners to detect tropical deforestation more efficiently.

We also conduct supplier risk assessments to ensure No Deforestation, No Peat and No Exploitation (NDPE).

HOW WE SHARE THE VALUE WE CREATE

Investors

- Total shareholder return
- Responsible investment
- Shariah-compliant

Customers

- Preferred supplier of certified sustainable palm-based products and quality food ingredients
- Customisation of products to fit specific needs
- Focus on value added/ differentiated products
- Focus on food safety
- Focus on Health and Nutrition, Wellness, plant-based products as well as Animal Nutrition

Employees

- Strengthening talent pipeline
- Continuous capability-building via structured development programmes
- Enhanced quality of life by providing of a safe, healthy and conducive work-life environment
- Improvement in the well-being and livelihood of our employees

Local Communities

- Mutual growth and development of local communities by providing employment, technical training, smallholder schemes and community development projects focussed on education, healthcare, food security, water and sanitation
- Development of a sustainable palm oil supply chain that contributes to national and local economic development, while balancing traditional needs and environmental protection

Government & Society

- Positive relationships with authorities and local communities to gain support for business development
- Support for the industry's renewable energy and innovative initiatives

Processing and Value-Adding

- Customised Refineries
- Bulk Refineries
- Kernel Crushing Plants
- Palm Oil Food and Nutritional Applications
- Non-Food Applications

Commercial and Distribution

- Trading of CPO & Bulk Sales
- Food Preparation
- Infant Formula
- Health & Nutrition
- Oleochemical
- Biodiesel
- Animal Feed

CORE VALUES THAT ACT AS GUIDING PRINCIPLES FOR VALUE CREATION

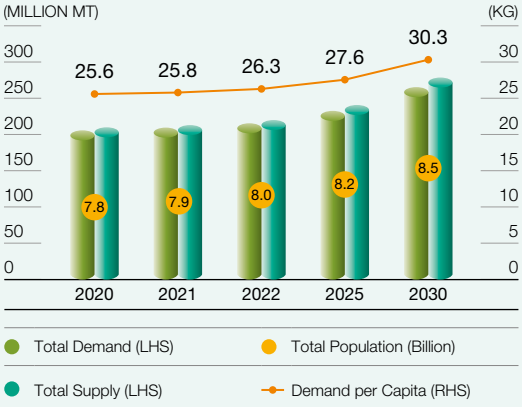
Integrity | **Respect and Responsibility** | **Enterprise** | **Excellence**

OUR MARKET LANDSCAPE

Sime Darby Plantation Berhad (SDP) has a presence in 13 countries, operating in a complex business environment with different and growing demands. It is imperative that SDP continues to stay engaged on the ground with our stakeholders to keep abreast of evolving current issues and global trends so that we can be responsive and continue to meet the needs of our customers and stakeholders.

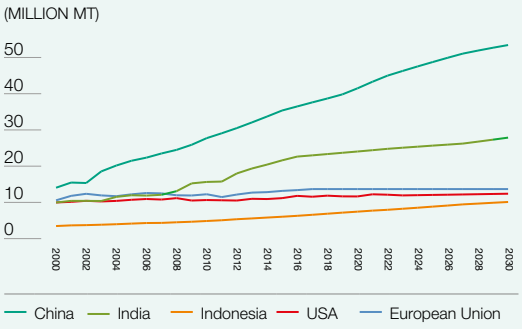
Trend	Impact to SDP	Our Response	Link to Strategy
Rising demand for vegetable oils	The long-term outlook for the vegetable oils business continues to be positive and relatively strong. Global food oil demand has been remarkably resilient despite the global pandemic and associated lockdowns. In addition to sustained demand worldwide due to population growth, an increase in per capita intake, especially in China and India, will contribute to keeping demand strong. Globally, palm oil is the most widely consumed vegetable oil making up 36% of total vegetable oil consumption. This demand is expected to increase in the near future as the Russian-Ukraine conflict has led to a global shortage of sunflower and rapeseed oils, leading to the market turning to alternatives like palm oil.	• Drive innovation to enhance productivity and efficiency to generate higher production and improve yields through GenomeSelect™. • Continue to build, secure and maintain good relationships with customers by innovating to meet their needs proactively, seamlessly and promptly via a robust supply chain model. • Strengthen our efforts to innovate our operations through mechanisation, automation and digitalisation.	

GLOBAL VEGETABLE OIL DEMAND & SUPPLY VS POPULATION



Source: LMC Oilseeds & Oils Report 2021

TOTAL FOOD DEMAND FOR VEGETABLE OILS IN LEADING CONSUMERS



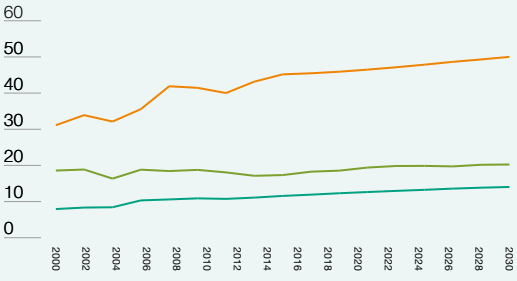
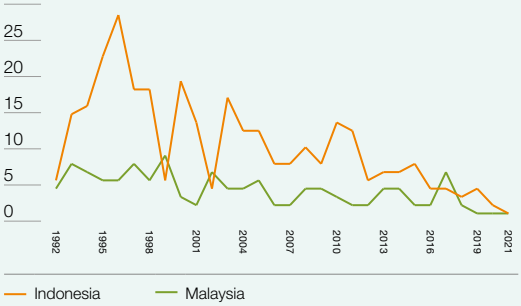
Source: LMC Oilseeds & Oils Report 2021

Legend:

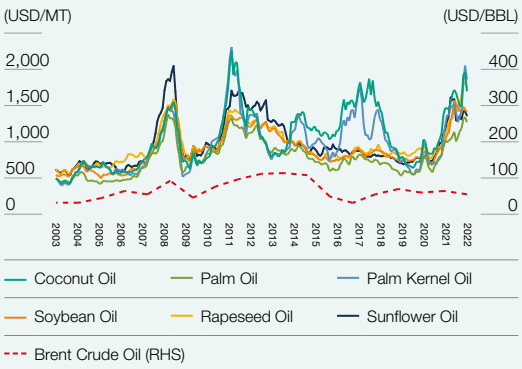
Driving operational excellence in our Upstream sector

Serving our customers' evolving needs in our Downstream sector

Maximising returns across the palm oil value chain by leveraging on our integrated business model

Trend	Impact to SDP	Our Response	Link to Strategy
Supply disruption of palm oil	Palm oil production has been impacted by acute labour shortages due to restrictions on border movements to contain the global pandemic. This is further exacerbated by unpredictable and extreme weather conditions. In the long term, the outlook for palm oil production will be more positive as fundamentals such as the growth of new plantings and replanting exercises, improvements in planting materials and the deployment of new technologies and innovation will help to promote production rates. **PALM OIL SUPPLY FORECAST** (MILLION MT)  Source: LMC Oilseeds & Oils Report 2021 **YOY GROWTH IN OIL PALM HARVESTED AREA** (%)  Source: United States Department of Agriculture 2021	• Actively recruit locals to plug the gap in foreign labour supply. • Invest in precision agriculture as well as digitalisation, mechanisation and automation to reduce reliance on manual labour. • Increase the use of higher yielding planting material, i.e. GenomeSelect™.	
Accelerating demand for climate action and commitment	There are increasing pressures for companies to step up and take urgent actions to limit global warming from increasing beyond 1.5 degrees Celsius and minimise climate-related repercussions on people and the planet. There is also a global commitment to accelerate efforts to transition towards a net zero economy. This has resulted in pressures on corporates and ESG investors to take urgent actions too. In line with this, the Securities Commission Malaysia has updated the Malaysian Code on Corporate Governance (MCCG) in FY2021 to encourage companies to address sustainability risks and opportunities in an integrated and strategic manner to support their long-term strategy and success.	• Commit to a net zero strategy. • Align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). • Adhere to MCCG FY2021 by adopting and implementing practices and policies to address sustainability risks and opportunities.	

OUR MARKET LANDSCAPE

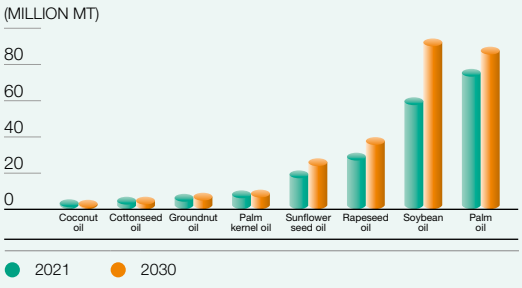
Trend	Impact to SDP	Our Response	Link to Strategy
Volatility of vegetable oil prices	Palm oil prices continue to be volatile due to constraints and ongoing disruptions in global supply which has caused annual average palm oil prices to hit their highest levels since 2011. Prices are expected to stay volatile in the short-term, but will also be susceptible to changes in global demand, tariff structures in major consuming countries, geopolitical factors, biodiesel mandates and CPO inventory levels in Indonesia and Malaysia. According to the World Bank, palm oil prices are expected to hover around USD1,000-1,100/mt for the next 5 to 10 years. **VEGETABLE OIL PRICES**  Source: World Bank	• Enhance and optimise supply chain network to ensure seamless connectivity and prompt response to customer needs. • Focus on growing the Downstream business to minimise the impact of price volatility. • De-commoditise palm oil production by increasing the ratio between commodity and differentiated product offerings to cushion any price volatility due to market shocks and disruptions. • Identify and tap on alternative revenue streams from renewable sources, i.e. solar, biogas, biomass and other alternative land use.	
Growing emphasis on digitalisation	Various restrictions on the movement of people to contain the global pandemic have led to a labour crunch in the industry. This has caused disruptions in many aspects of SDP's operations, increased our business risks, spurred the industry to focus on innovation and fast track the adoption of new technologies. Adoption of technologies, such as digitalisation, automation and mechanisation are accelerated due to the urgency and importance of reducing reliance on manual resources and help boost productivity and efficiencies. To remain competitive, SDP has to improve our business agility to create more sustainable business values through the delivery of new and innovative business capabilities. There have been rising concerns about Environmental, Social and Governance (ESG) efforts and growing expectations for digital solutions to support and improve ESG practices.	• We are focussed on delivering our digital roadmap to transform SDP's operations. At the same time, we are committed to improving and aligning our processes and practices to global Environmental, Social and Governance (ESG) standards. • Build intelligence in our systems and machineries to enhance operational efficiencies and governance. • Explore new business models and synergies across all business functions. • Explore and adopt relevant technologies that enable SDP to be a more data-driven organisation, leveraging on insights obtained through Data Analytics, Artificial Intelligence (AI) / Machine Learning (ML) and various Internet of Things (IoT) solutions. • Build and develop digital and related skills and agility in our people to equip them with the relevant tools and capabilities to thrive in the continuously changing business landscape.	

Legend:

Driving operational excellence in our Upstream sector

Serving our customers' evolving needs in our Downstream sector

Maximising returns across the palm oil value chain by leveraging on our integrated business model

Trend	Impact to SDP	Our Response	Link to Strategy
Increased competition from other edible oils	Palm oil will face competition from vegetable oils such as rapeseed oil, soybean oil and sunflower oil. Yields have stagnated in Malaysia, Indonesia and Papua New Guinea due to the lack of major advances in mechanisation across the industry as well as the higher costs of fertiliser and labour. The high productivity of oil palm per hectare is outweighed by the labour required by the crop, particularly in harvesting. In 2021, palm oil and soybean oil contributed to over 55% of the vegetable oil market and will increase to 65% by 2030. Soybean oil is forecasted to contribute 34% of the vegetable oil by 2030, beating palm oil at 32% due to the slowed rate of palm oil area expansion in Malaysia and Indonesia because of sustainability pressures. This could lead to a palm oil supply reduction of 13 million mt in world markets by 2030. Slow palm oil supply growth in Southeast Asia and soybean expansion in Brazil could offer the key marginal solution to the oil supply gap for the next few years. **WORLD EDIBLE OILS PRODUCTION FORECAST**  Source: LMC Oilseeds & Oils Report 2021	• Intensify productivity and efficiency through precision agriculture, especially digitalisation, innovation, mechanisation and automation to improve yields and reduce costs. • Continue to focus on innovation for product differentiation, service offerings and value to customers. • Explore diversification into the production of other crops and build the necessary supply chain.	
Heightened pressure from regulatory environments	Since 2018, the European Union has called for a phase-out of the use of palm-based biofuels in Europe by 2030. The ongoing biodiesel mandates in Malaysia and Indonesia will lead to higher domestic demand for palm oil and will have a positive impact on CPO prices. On 30 December 2020, the United States Customs and Border Protection (USCBP) agency issued a Withhold Release Order (WRO) halting palm oil exports originating from SDP's Malaysian plantations from entering US ports. Following this, in January 2022, the USCBP determined that certain SDP palm oil products were produced using convicts, forced or indentured labour, by issuing the notice of Finding, effective 28 January 2022.	Proactively manage sustainability issues by engaging with relevant regulators and governments to address any allegations, resolve disputes and create solutions. For greater transparency and accountability, SDP appointed an ethical trade consultancy, to conduct an independent assessment of labour practices at our Upstream operations in Malaysia, against 11 International Labour Organisation (ILO) forced labour indicators. For further details on USCBP/WRO, please refer to page 23.	

Read more about Our Strategies on page 42

STAKEHOLDER ENGAGEMENT

We actively engage our key stakeholders to help us understand their concerns and expectations. This helps us to align our business strategies and practices better to meet their needs as well as those of the markets and communities we operate in.

Key Stakeholders	Mode of Engagement	Frequency of Engagement
Customers Our customers recognise us and support us by purchasing our products and services.	• Events, webinars, forums meetings (virtual and face-to-face) • Surveys and feedbacks • Regular business touchpoints, i.e. phone calls, email correspondences etc. • Collaborative platforms and working groups	
Employees Our people are our most important assets and they are the main contributors to the success of our businesses.	• Capability and skills development programmes • Organisational Health Index (OHI) • Volunteer programmes • Muster briefings • Union meetings • Gender committee meetings • Social dialogues • Grievance channels	
NGOs/Civil Society Organisations NGOs enable us to contribute more meaningfully by combining social impact with business performance.	• Various engagement platforms, i.e. information sharing forums, roundtable discussions etc. • Engagement surveys • Collaborative projects	
Industry Groups They allow us to share knowledge and expertise within the group, and stay abreast of current developments in the industry.	• Working groups • Task forces • Technical committees • Collaborative research • Conferences/Seminars, field and lab visits, information sharing through social media	
Government Agencies The government sets the rules and regulations that we must comply with, and have an impact on our business and the industry at large.	• Various engagement platforms, i.e. events, webinars, roundtable discussions, feedback sessions, taskforce committees etc. • On-site inspections • Working visits	
Local Communities These are the places we operate in, and our business activities have an impact on the people in the communities.	• Community meetings and engagement events • Grievance panels	
Academic Institutions Academic institutions make it possible for us to reach out to a broader audience, and also grants access to cross-disciplinary collaborations and strategic partnerships.	• Collaborative projects • Advisory roles • Funding applications	

Legend:

Annually Quarterly Monthly Weekly Daily

Glossary:
ISPO – Indonesian Sustainable Palm Oil
MSPO – Malaysian Sustainable Palm Oil
RSPO – Roundtable on Sustainable Palm Oil

Key Stakeholders' Concerns	How We Address Stakeholders' Concerns and Expectations
• Product quality, food safety, delivery and services • Short-term and long-term product pricing • Traceability • Environmental harm, social injustice or exploitation • Product innovation and development	• ISPO, RSPO, MSPO Certified Products • No Deforestation, No Peat, No Exploitation (NDPE) Policy • Crosscheck • Product development specialists and portal, supported by R&D scientists, who interact with customers directly to optimise solutions and provide technical support • Foundation Food Safety System Certification (FSSC) 22000 Certification
• Succession pipeline and talent bench strength • Performance management and rewards • Employee well-being and support, including implementation of safety measure(s) to mitigate the risk of COVID-19 • Learning and development • Workers' welfare • Wage & overtime work • Collective agreement • Organisational culture and work environment	• Development support for Mission Critical Positions (MCP) successors and high potential talents • Alignment and strengthening of KPIs and robust performance conversations to achieve a high-performance culture • Create more skilled job opportunities for Malaysians in the palm oil sector through automation and mechanisation • Identification of learning needs and implementation of structured development to build capabilities • Implementation of social dialogues and improve grievance mechanisms (Suara Kami, Whistleblowing & Worker Helpline) • Improvements in Occupational Safety and Health (OSH) systems and implementation of COVID-19 procedures to priorities workforce safety
• Free, Prior and Informed Consent (FPIC) • Environmental impact • Human rights and labour rights • Expansion plans • Deforestation • Traceability • Food security	• Traceability and transparency data through Crosscheck and other means • Responsible Agriculture Charter • Human Rights Charter • Partnership and other collaboration opportunities • NDPE
• Certification-related issues • Regulatory pressures • Market forces (trade and business) • Sustainability issues • New product development status and after-sales service	• Partnership opportunities • Task forces, working groups and other platforms • Sharing SDP's latest genomic discoveries for palm product development; engagement with stakeholders to share information and provide solutions • Engagement and participation in working groups and National Interpretation consultations as an RSPO member
• Regulatory compliance • Emerging regulatory changes • Public policies • Government legislations	• Beyond Compliance Approach • Robust governance • Engagement on matters such as industrial policy as well as commenting on policy proposals • Strategic collaboration
• Land rights • Fire and haze prevention • Exploitation • Local eco-systems/employment • Smallholders	• NDPE Policy • Responsible Agriculture Charter • Human Rights Charter • Commitment to community development • FPIC • Philanthropic support • Smallholder schemes • Community fire prevention
• Advancement of sustainable palm oil • Community engagements	• Partnership opportunities • Research collaborations • Collective actions and commitments

MANAGING OUR MATERIAL MATTERS

Material matters impact our business as well as our stakeholders directly and indirectly. To mitigate any negative impact, we have put in place various initiatives and measures to help us to be agile and resilient while we strive towards organisational excellence and long-term sustainability.

Material Matters	Why Is This Material to Us?	What is Our Response?
Operational Performance	Disruptive macro externalities and factors beyond our control can impact operational performance, production and throughput, which ultimately affect business profitability and sustainability.	• Transformational initiatives to drive operational excellence, generate new value-adding revenue, alleviate leakage and wastage and manage costs prudently. • Ongoing adoption of precision agriculture, especially digitalisation, innovation, mechanisation and automation to mitigate adverse impacts from uncontrollable factors and global uncertainties.
People Management	People are our greatest asset as they are the main contributors to the success of our business. Building a strong organisational culture driven by innovation and best practices will cultivate excellence in our people. We also strive to protect and safeguard the rights of our people as part of our commitment to performance excellence.	• Drive continuous performance management for better clarity of goals and results. • Implementation of voluntary health coverage, incentive scheme and work from home arrangement and continuous review of rewards enhancement. • Implementation of talent development to prepare talents and successors for Mission Critical Positions (MCP). • Continuous review of people processes and practices to identify gaps and improvements including the enhancement to our commitment towards human rights. • Implementation of holistic and synergised people processes through the launch of "NADI", a people management system.
Macroeconomic Conditions	Fluctuations in commodity prices due to protectionist policies, political instability and conflicts as well as competition, can affect demand and supply trends, and erode revenue potential. Changes in legal and regulatory environments could exert additional pressure and increase the cost of compliance and operations.	• Strengthen business agility and innovation drive to respond to changing market conditions. • Strengthen our business portfolio through diversification. • Proactive management including scanning the business environment for disruptive changes or emerging risk, to capitalise on business cycles in delivering sustainable profit growth.
Social and Environmental Impact	Real or perceived concerns relating to environmental or social harm, traceability, food safety, food security and emissions could undermine organisational reputation, credibility and trust in the marketplace.	• Proactive identification and management of environmental and social risks across the value chain, i.e. traceability and certified sustainable palm oil to generate a net positive impact. • Ongoing support for socio-economic development and carbon footprint management in line with our growth strategy and sustainability agenda. • Targeted engagements with stakeholders to strengthen relationships.
Occupational Safety and Health Performance	Unsafe or poor working conditions, fatalities, injuries or accidents at work can adversely impact employees' morale, safety and productivity.	• Educate employees and supply chain partners to reinforce safety and health awareness. • Inculcate a strong health and safety culture through regular training and development for all employees, emphasising health and safety as drivers for excellence.
Capital Management	Prudent capital management is critical to mitigate risks associated with capital depreciation, financial distress, value destruction or corporate credit rating downgrades. Effective capital allocation will contribute towards maximising returns to the Group.	• Prudent and resilient capital management for strong balance sheet. • Optimise capital allocation amongst competing requirements whilst managing financial targets. • Effective management of working capitals.

Read more about Our Value Creation Model on page 28

Legend:

Financial | Intellectual | Natural | Manufactured | Human | Social & Relationship

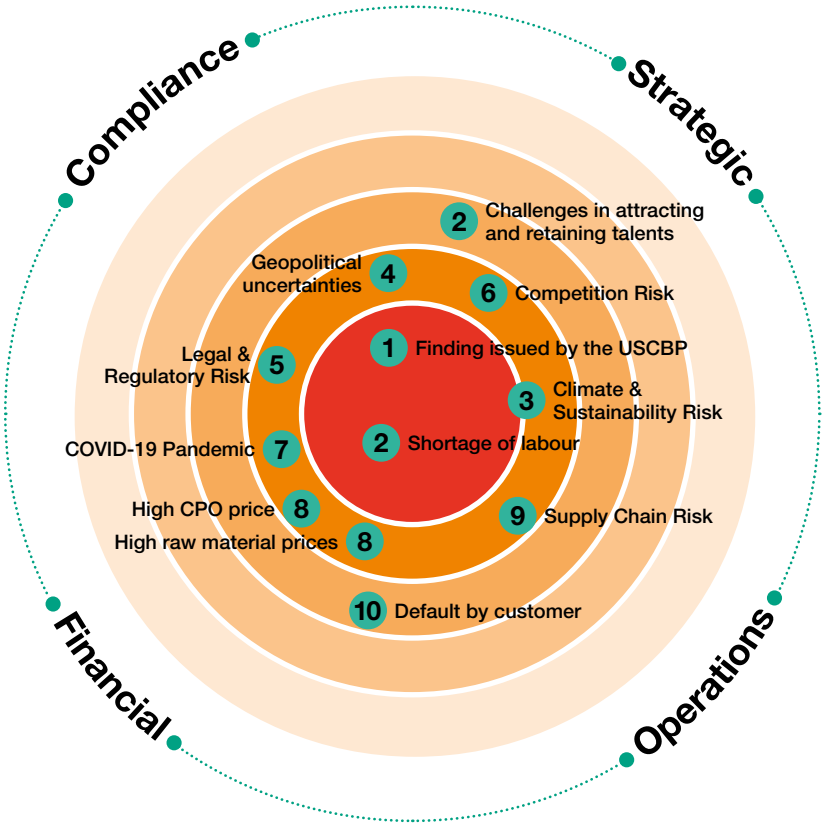
	Stakeholders Affected	Capitals Impacted
	• Investors • Suppliers/Business Partners • Customers • Employees	Financial, Intellectual, Human
• Improve organisational culture and enhance working environment to drive performance. • Implementation of "NEW", an employee programme to support employees' well-being. • Enhance employability for young graduates via PROTEGE programme. • Implementation of worker localisation project to help attract locals to work in plantations and reduce dependency on foreign workers. • People development which includes various capabilities, technical and leadership development programmes, to equip employees with critical skills and attributes.	• Investors • Suppliers/Business Partners • Customers • Employees • NGOs/Civil Society Organisations • Government Agencies	Financial, Human
• Implement measures to future-proof the business such as ensuring sustainable growth and reducing manual and foreign labour dependency via net zero commitment, mechanisation, automation and digitalisation.	• Investors • Suppliers/Business Partners • Customers • Employees	Financial, Intellectual, Manufactured
• Enhancement of Governance structures as mitigation and control measures. • Trainings and communication to internal and external stakeholders. • Exploration of net zero roadmap as response to climate change. • Revisions of policies and procedures to be more worker-centric in respect of human rights and labour rights.	• Investors • Suppliers/Business Partners • Customers • Employees • NGOs/Civil Society Organisations • Government Agencies • Local Communities	Financial, Intellectual, Manufactured, Natural, Human, Social & Relationship
• Proactive Hazard Identification, Risk Assessment and Risk Control.	• Investors • Employees • NGOs/Civil Society Organisations • Government Agencies	Human
	• Investors • Suppliers/Business Partners • Shareholders • Employees	Financial

PRINCIPAL RISKS

Our businesses operate within complex and dynamic environments that could pose various risks and challenges to our operations or even long-term viability. To enable us to manage these risks more proactively, we have identified these specific risks and developed concurrent strategies to mitigate the possible impact of these risks as far as possible.

ENTERPRISE RISK PERSPECTIVES RADAR

The enterprise risk perspectives radar maps the specific key enterprise risks according to their level of impact, strategic importance to SDP and/or their likelihood of occurrence. The closer the threat is to the centre of the radar, the more immediate or compelling is the threat, and the more urgent the call to action is.



Enterprise-wide key risks and mitigation strategies:

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
1 **Finding issued by the USCBP**	The United States Customs & Border Protection (USCBP) issued a finding on the use of forced labour in Upstream Malaysia operations.	• Reputational impact. • Potential loss of customers. • Potential loss of RSPO/MSPO certification.	• Various enhancements to the governance structures & platforms as well as initiatives to continuously improve adherence to the 11 ILO indicators have been adopted. This is described in detail on page 23.
2 **People Risk**	**Shortage of labour** Severe shortage of harvesters in our Malaysian operations due to COVID-19 pandemic and tighter border-control restrictions imposed by the government.	• Lower productivity leading to opportunity loss.	• Accelerate automation and mechanisation initiatives including use of drone technology. • Intensify recruitment of local workforce via "Project Lokal" to replace outgoing foreign workforce. • Proactive engagements with relevant government departments to accelerate the return and recruitment of foreign workers.

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
2 **People Risk**	**Challenges in attracting and retaining talent** As companies recover from the impact of COVID-19, this poses a threat to our talent pool as flight risk inherently increases with job markets improving. There is also increased competition in attracting the right talent.	• Diminished talent pool with specific skillsets, experience and knowledge to execute Group's strategies.	• Comprehensive succession plan for critical job functions. Succession planning is a key KPI for key management personnel in the Group. • Continuous training and development programmes to be conducted to enhance employees' skills and knowledge. • Robust performance management framework implemented to enhance how performance is measured and managed to identify and develop key talent in the Group. • Launched the Group's new all-in-one people management system that offers a single platform for efficient talent management process.
3 **Climate & Sustainability Risk**	Sustainability risk has significantly escalated in FY2021 as human rights and deforestation in the palm oil industry are being increasingly scrutinised. This exposes the Group to the risk of stricter requirements from customers and regulators. Adverse weather conditions in countries where the Group operates may have an impact on safety and productivity of employees, yield productivity and supply chain.	• Increasing stringent requirements from customers and regulators on sustainability practices. • Increased cost of doing business. • Adverse weather impacting yield productivity.	• Active engagements with all stakeholders to communicate on the sustainability initiatives that the Group is undertaking. • Continuous improvement actions to further strengthen sustainability practices on the ground. • Strict cadence of monitoring and tracking to ensure compliance. • Climate risk management and periodic updates to strategies in response to climate change. For more details, please refer to the Sustainability Report 2021.
4 **Geopolitical uncertainties**	Geopolitical confrontation and diplomatic dynamics present uncertainties that could potentially affect demand from the Group's key markets, disrupt global supply chains and cause volatility in commodity prices.	• Potential decline in demand from key markets. • Increase in operating costs.	• Continuously monitor key geopolitical developments that may expose the Group to systemic risks and realign strategies where applicable. • On the ground and close engagements with customers and suppliers to monitor and understand the impact of geopolitical developments. • Robust inventory management, leveraging on market intelligence to secure supplies (specifically fertilisers) at the best prices to ensure supply chain resilience. • Close monitoring of global raw material prices to ensure accurate budget costing for projects.

PRINCIPAL RISKS

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
5 **Legal & Regulatory Risk**	Changes in the regulatory landscape in the markets where the Group operates may expose the Group to higher compliance costs and increased scrutiny. Rising nationalistic sentiments in the country(s) where the Group operates exposes the organisation to the risk of unfavorable policies that could impact the Group's strategy, operations and financials. An emerging regulatory risk includes the impending regulations from the European Union in response to climate change such as the regulations on deforestation-free products.	• Increased cost of doing business. • Possibly more stringent regulatory requirements to be fulfilled where the Group operates.	• Proactive engagements and communication with all stakeholders to ensure the potential impact of proposed regulatory changes are understood and, where possible, mitigated. • Active communication with local regulators to reach amicable solutions. • Comprehensive and structured compliance programme is in place to ensure compliance. • Vigilant and continuous monitoring of any changes in regulations.
6 **Competition Risk**	Competition risk escalates in the markets where the Group operates under challenging economic conditions as well as the confluence of factors on customer demand including fluctuation of raw material prices, change in global supply and demand, inflationary pressure and changes in regulations.	• Intense price competition affecting profitability.	• Close monitoring of customers and competitors' strategies to better prepare for any shift in market trends. • Close engagements with customers to ensure competitiveness. • Continuously assess and realign strategies to remain competitive. • Continuous marketing activities to strengthen the Group's brand in key markets. • Ensuring quality of products and services/product differentiation.
7 **COVID-19 Pandemic**	Perpetual cycles of COVID-19 outbreaks and lockdowns exposes the Group to operational and supply chain disruptions as well as health risks for our employees and other relevant stakeholders.	• Health and safety of our employees and other relevant stakeholders. • Disruption to business operations.	• Safety and precautionary measures, including alignment to Government directives, are strictly implemented to mitigate the risk of COVID-19 infections among employees, contractors and other relevant stakeholders. • Regular monitoring and tracking of COVID-19 cases and assessment of its implications to SDP's operations. • Efforts undertaken to vaccinate our employees through various vaccination drives. • Business continuity plans for critical business functions are in place.
8 **Commodity Risk**	**High CPO price** High prices of CPO in FY2021 due to tight edible oil supplies have increased the cost of consumer products in the downstream segment, making it a challenge to remain competitive in the market. Furthermore, the narrowing price spread between palm and rival oils may prompt price-sensitive buyers to switch.	• Customers switching to other vegetable oils, impacting demand.	• Improve product and service offerings through diversification and differentiation of existing products. • The Group has taken steps to mitigate exposure to these risks by using derivative instruments to hedge against the risk of adverse price fluctuations. • Being an integrated player, the Group has, to an extent, a natural hedge to price volatility.

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
8 **Commodity Risk**	**High raw material prices** Raw material prices have skyrocketed throughout FY2021 as lockdowns ease and businesses resume, impacting the cost of raw materials such as fertilisers and metal. The power crunch in China exacerbated by high freight charges due to ship shortages has led to further significant fertiliser and agrochemical price increases due to shortage of supplies.	• Increase in operating cost. • Disruption to business operations.	• Robust inventory management, leveraging market intelligence to secure supplies, specifically fertilisers, at the best prices to ensure supply chain resilience. • Close monitoring of global raw material prices to ensure accurate budget costing for projects.
9 **Supply Chain Risk**	Shortage of vessels and containers as well as high freight costs arising from COVID-19 restrictions and global surge in the demand for goods have led to significant global supply chain disruptions and higher operating costs.	• Disruption to business operations. • Increase in operating costs.	• Frequent communication with liners to ensure the availability of vessels and close monitoring of freight rates. • Implemented a shipment management solution to digitise the shipment process and reduce manual intervention gaps to optimise efficiency of the process.
10 **Financial Risk**	**Default by customer** Volatility in FY2021 have inherently increased the risk of default by buyers both in terms of payment defaults and non-performance of contracts.	• Financial losses.	• Active monitoring of credit exposures and outstanding contracts at various levels of management including the Group Credit Committee. • Advance payment terms or more secured payment methods are enforced on certain higher-risk contracts.

RISK APPETITE

Risk appetite is the amount of risk an organisation is willing to accept in pursuit of its strategic objectives. The formulation of our risk appetite statements is guided by the Risk Appetite Framework.

For more information on the Risk Appetite Framework, please refer to page 108

Areas	Risk Appetite Statements
Growth	SDP will pursue growth strategies that are clearly stipulated in the Board approved Strategy Blueprint. Due consideration as to the risks and mitigating actions pertaining to these strategies would be assessed at every iteration of the Strategy Blueprint.
Debt/Funding from operations	SDP is committed to pursue strategies as stated in the Board approved Strategy Blueprint with investment and capital expenditure implications that facilitate it maintaining an adequate level of liquidity (as prescribed by the Board) and an appropriate credit rating from an external credit rating agency(s).
Reputation and brand image	SDP will avoid any situation and action resulting in negative impacts on our reputation and brand and, if and when an undesirable situation arises, manage it aggressively to preserve our reputation and brand image.
Robust risk and control environment	SDP aims to maintain adequate controls for all key risks identified (including but not limited to strategic, operations, compliance and financial risks) in which the Group will endeavour to remain vigilant in risk identification and management to protect its business and reputation.
Environment	SDP maintains its businesses in such a way as to minimise, to as low as reasonably practicable, risks to the environment as a matter of principle. The Group will comply with environmental laws and regulations and endeavour to maintain high standards.
Safety & Health	SDP will minimise, to as low as reasonably practicable, risks to safety and health as a matter of principle. The Group will comply with safety and health laws and regulations and endeavour to maintain high standards.

OUR STRATEGIES

Our strategies leverage on our core strengths, competitive edge and sustainability commitments to enable us to deliver excellence and sustainable performance. SDP's next 5-year strategic blueprint will help chart a new growth path and aim to future-proof the Group's operations.

Strategic Objectives	Our Progress in 2021
Driving Operational Excellence in Our Upstream Sector	**Accelerated replanting** • 3,780 ha of our estates are replanted with high yielding materials (GenomeSelect™ seed). **Yield Improvements & Labour Initiatives** • Ensuring workers completed their COVID-19 vaccination. • Initiated campaign to recruit local workers to reduce dependency on foreign workers. **Digitalisation** • Formation of Robotics team dedicated to pushing the boundaries of robotics technology development and adoption in SDP. • Rolled out nursery and immature spraying using Unmanned Aerial Vehicle (UAV) across Malaysia. • New digital curriculum added to training catalogue and cadet planter program. • Fertiliser planning & supply automation deployed to all estates in Malaysia. • Country-level CPO prediction model for Malaysia has been operationalised. • Initiated in-field Internet of Things (IoT) trial to analyse environmental conditions impacting tree health and yield.
Serving Our Customers' Evolving Needs in Our Downstream Sector	**SDO Transformation** • Successfully embarked on a structured Transformation programme, or Project Matterhorn. • Build upon the implementation discipline and momentum of identified bankable initiatives. • Reinforced the skills and capabilities that enable the new ways of working. **Operations** • Continuous efforts in improving operational excellence. **Commercial** • Focus on differentiated, sustainable and traceable higher value products. • Active development of products that optimise the performance of our current offering. **Digitalisation** • Enable digital infrastructure at refineries to improve manufacturing efficiency and build towards the vision of remote centralised operations. • Create value by marketing and stronger branding via enhanced digitalisation.
Maximising Returns Across the Palm Oil Value Chain by Leveraging on Our Integrated Business Model	**Operations** • Supply chain optimisation to meet food safety requirements and compliance. • Expansion of the infrastructure and establishment of overall data governance and operating model. **Digitalisation** • Achieved better trading decisions and outcomes through the support of enhanced trading and risk management systems. • Further digitalisation and improvements for centralised logistics operations.

Read more about Managing Our Material Matters on page 36

Priorities for 2022	Our KPIs	Link to Material Matters
• Continue to improve the perception of local workers working in estates. • Improving the welfare of employees. • Continue to drive the development of robotics technology and advanced mechanisation to address labour shortage and improve working conditions. • Integrate existing and future digital services for Estate Management at SDP by building a unified, modular, and scalable platform called Palm Digital. • Continue with enabling and turning internal and external data in the business to provide actionable insights with increased focus on mills.	**Financial Metrics** • Revenue • Average selling prices • PBIT • Cost **Non-Financial Metrics** (Productivity & Efficiency) • FFB Production/Yield • OER & KER • Mill Utilisation • Replanting • Land-to-man ratio	• Operational performance • People management • Macroeconomic conditions • Social and environmental impact • Occupational Safety and Health performance
• Deliver products that will facilitate making inroads into areas such as Health and Nutrition, Wellness, plant-based products as well as Animal Nutrition. • Create value-added products and expand our portfolio into new ingredients. • Focus on food security, food safety and sustainability. • Improve process controls and process innovation as well as implement Environmental, Social and Governance (ESG) initiatives. • Achieve greater transparency in our carbon emission levels through closer monitoring and measurements. • Continue the implementation of SDO's Culture of Care charters in our organisation.	**Financial Metrics** • PBIT/PBT • Gross Profit (GP) Margin • Cost **Non-Financial Metrics** (Productivity & Efficiency) • Volume • Customised vs commodity ratio • Sales of physical certified palm oil • Customer Satisfaction Index • Refinery utilisation/refinery's availability • Operational Overall Equipment Effectiveness (OOEE)	• Operational performance • People management • Macroeconomic conditions • Social and environmental impact • Occupational Safety and Health performance
• Continue building on the strength of our proven track record and capabilities to deliver customised, quality solutions to our global clients. • As a fully integrated producer, we work across our supply chain to ensure that sustainability, quality, and purity are built into our products from the field. • Continually aim to set best practices and standards. • Enhance implementation of traceability and risk monitoring system. • Expansion of the infrastructure and establishment of overall data governance and operating model. • Further digitalisation and improvements for other centralised operations such as trading management and risk monitoring.	**Non-Financial Metrics** • Sustainable Policy Transparency Toolkit (SPOTT) evaluation • Brand Perception – External Customer Survey • Organisational Health Index (OHI) • Sime Plantation Oils Trading (SPOT) system • Risk Assessment and Value Enhancement (RAVE) system	• Operational performance • People management • Macroeconomic conditions • Social and environmental impact • Occupational Safety and Health Performance

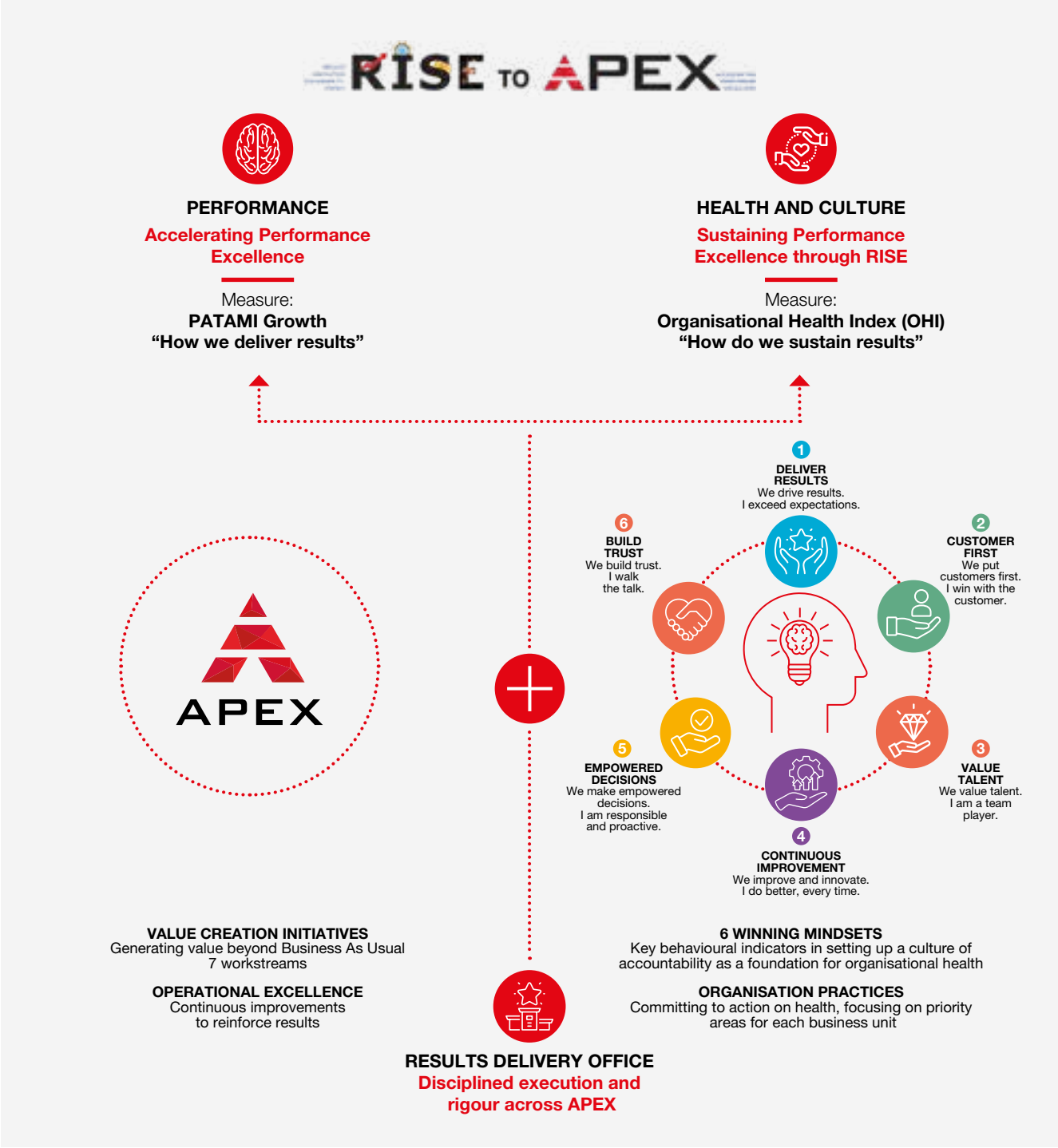
RISE TO APEX

Rise to APEX is a strategic transformational programme the Group has implemented since March 2018 to unlock asset value in order to accelerate and achieve sustainable operational excellence through culture and mindset change.

APEX sets recurring results-driven initiatives to propel the Group towards operational excellence across seven workstreams.

Six Winning Mindsets: Deliver Results, Customer First, Value Talent, Build Trust, Continuous Improvement, and Empowered Decision, specified within RISE, helps to unify and align the Group towards the APEX results-driven programme.

RISE to APEX is thus a vital engine of corporate transformation that will establish SDP as a leading palm oil player in the world.



KEY ACTIVITIES DURING THE YEAR

The global threat of the COVID-19 pandemic and the acute labour shortage over the past two years have presented significant challenges in our pursuit of the Value Creation delivery targets. To mitigate the impact of these challenges, a fresh round of innovation ideation sessions were carried out to unearth new value creation initiatives.

Various virtual engagement sessions including webinars, workshops and lab sessions were conducted across our operations during the year. These platforms allowed all levels in the operations to review, deliberate and brainstorm new ideas and initiatives to generate greater efficiencies and cost savings across our operations.

These additional sessions helped shape 186 new initiatives. FY2021 also saw 49 more initiatives progressed into completion and cash-in-bank stages (L4 & L5), which contributed a 7% value increase to the stages.

Head Office

Celebrating Our Achievements
To recognise and celebrate our achievements in our Transformation Journey, our Group Managing Director, Mohamad Helmy Othman Basha, launched the RISE to APEX webinar in June 2021 which was attended by over 500 participants mainly from Upstream Operations from Malaysia, Indonesia, Papua New Guinea and the Solomon Islands.

At the webinar, Upstream Regions from the four countries submitted 3-minute videos featuring achievements of their Value Creation (VC) initiatives for a contest, also for knowledge and experience sharing. The panel of judges comprised SDP Senior Management. Participants at the webinar were also given the opportunity to vote for their favourite videos via a live-voting session.

The videos are very positive testaments to the commitment by our Upstream Regions to RISE to APEX by delivering results and continuous improvements. They also serve to reaffirm our commitment towards our Project APEX VC targets by FY2022.

Engaging regional teams in Malaysia
Virtual engagement sessions were held on VC initiatives for Sabah and Sarawak Regions in September 2021.

A showcase of "Reimagining Plantation Towards Mechanisation" was shared at the sessions. Discussions on the set targets and achievements for business as usual (BAU) and VC were held with the regional teams. Brainstorming sessions were also included to generate ideas to help the regional teams overcome challenges encountered and to help them stay on track towards achieving their targets. FY2021 saw the registration of 14 new initiatives from Upstream Malaysia.

Generating new initiatives for higher performance in Indonesia
Virtual workshops were held between June and August 2021 for all five regions in Minamas Plantation. These were attended by about 150 participants across the regions.

An important outcome of these workshops was the generation of 102 new initiatives to help these regions achieve cost reduction and to contribute to the bottom-line performance of Minamas Plantation.

Value Creation engagements and knowledge sharing in Papua New Guinea and the Solomon Islands
In March 2021, virtual engagements on Value Creation were held for each site and three support departments (Ramu, Milne Bay, Higaturu, Poliamba, Guadacanal Palms & West New Britain, Mill Engineering, Procurement and R&D).

These sessions allowed participants to deliberate and understand newly proposed initiatives, and also to help with impact-sizing. Successful initiatives from Malaysia and Indonesia were also deliberated for replication in Papua New Guinea and the Solomon Islands. Out of these sessions, 37 new initiatives were proposed.

Between August and November 2021, knowledge sharing on NBPOL business improvement plans and strategies were held in Ramu, Higaturu, Milne Bay and Poliamba. These sessions were helpful for the operational teams to identify issues and challenges they encountered and to apply Performance Analysis to develop action plans to improve their Yield, OER and KER performance.

Developing initiative charters through lab sessions in Corporate Head Office
Sime Darby Plantation Agri Bio (SDPAB) held 16 hours of virtual lab sessions over four days in June 2021 to brainstorm ideas to transform and increase SDPAB's profitability by eight times by FY2026. These lab sessions involved 54 participants from Malaysia and Indonesia across 18 operating units and departments.

As a result, 33 initiatives were brainstormed and deliberated which included geographical coverage, resource requirement, products and services diversification, and process modification as well as new businesses.

Project Kinabalu to sharpen business performance and revenues
Project Kinabalu was launched by the Chief Operations Services Officer at SDPAB townhall in December 2021. This kicked off the execution phase of the identified initiatives, a transformation programme for SDPAB to elevate its business performance and revenues.

RISE TO APEX

PROJECT MATTERHORN

Project Matterhorn is a business-wide transformation programme implemented by SDO, the downstream business segment of SDP, to achieve a three-fold growth in PBIT from RM345 million in FY2019 to RM1 billion PBIT in FY2025.

It provides a holistic, strategic framework to help SDO achieve operational transformation to uplift its performance and earnings. This is done by addressing key business levers and enablers including:

1. Performance Improvement Areas
   a. Manufacturing excellence
   b. World class sales and gross profit delivery
   c. Optimising trading opportunities
   d. Turning around poor performers
2. Key Enablers
   a. Information and digital business steering
   b. Managing talent
   c. Branding and communication
   d. Culture of care

Milestone achievements of Project Matterhorn in FY2021

Project Matterhorn is gradually yielding positive outcomes within our operations and bringing us closer to our strategic goals. Some highlights of key milestones achieved during the year include:

i. Matterhorn Value Creation initiatives in L5 stage (Cash-in-bank) delivered 132% of PBIT Target in FY2021

ii. Completed the implementation of 63 Value Creation initiatives (i.e. L4 stage), exceeding the FY2021 L4 progress target by 32%

iii. Rolled out and completed Matterhorn Transformation Sprints Planning Phase at six more SDO business units:
   1. Asia Pacific (APAC) Differentiated Business to Consumer (B2C): SDO Professional and SDO Nutrition
   2. APAC Bulk: SDO Pulau Laut Refinery
   3. APAC Non-Food: SDO Biodiesel and SDO Animal Nutrition
   4. Europe & Africa (E&A): SDO Liverpool

iv. Progressed Transformation Sprints from the Planning Phase to Implementation Wave 1 Phase for six SDO Business Units:
   1. APAC Bulk: SDO Port Klang and SDO Pulau Laut Refinery
   2. APAC Thailand: SDO Morakot and SDO Nonthaburi
   3. E&A: SDO South Africa and SDO Liverpool

v. Registered 147 new Value Creation initiatives across all programmes in FY2021, expanding the overall SDO VC pipeline PBIT by 11%

Legend:

Level 1 (L1) – Ideation & proof of concept

Level 2 (L2) – Evaluation & impact sizing (back of the envelope)

Level 3 (L3) – Bankable plan development

Level 4 (L4) – Execution & completion of last milestone

Level 5 (L5) – Cash-in-bank

RISE to APEX and Project Matterhorn achievements

No.	Initiative	Background	Outcome/Achievements
Upstream			
1	**Malaysia** Precision procurement for fertiliser using Unmanned Autonomous Vehicle (UAV) Census	• The initiative is part of a wider digitisation strategy in SDP. Drones can be used to map estates and real time accurate tree count (SPH) for each of our estate.	• Precise SPH count resulted in cost savings due to optimised volume of inorganic fertiliser purchased.
2	**Indonesia** Switching from diesel as source of electricity generation to obtaining direct electricity supply from Perusahaan Listrik Negara (PLN)	• In FY2021, a total of eight initiatives on PLN were registered in WAVE (initiatives tracking and monitoring system) for some areas at the regions which are already in their full implementation stage. • Another seven PLN initiatives are currently in progress at Kalimantan Selatan Pamukan region. Further cost reduction is expected in FY2022.	• These initiatives have brought cumulative benefits by reducing administrative costs through the reduction of diesel purchase to power the generator sets at Estates and Mills.
3	**Indonesia** Optimisation of labour resources with the mechanisation and automation of field upkeep, harvesting & transport processes.	• The initiative to rationalise labour requirement has been carried out at all five regions in Indonesia since 2018.	• As of December 2021, Minamas achieved the desired man-to-land ratio without compromising on productivity. • The rationalisation and mechanisation exercise has helped to reduce overall labour cost in FY2021 and has also enabled Minamas Plantation to achieve the current operative workers man-to-land ratio of 1:10.5 ha.

No.	Initiative	Background	Outcome/Achievements
Upstream			
4	**PNG/SI** Higaturu – Increase OER of Sangara Oil Mill	• Objective was to increase OER achievement of Sangara Oil Mill to 23% by improving crop freshness, ripeness standards and reducing oil losses.	• Sangara Oil Mill has consistently recorded OER above 23% since FY2020 by addressing key performance levers. **Year** / **Actual OER %** FY2019 (before) / 22.69% FY2020 / 23.68% FY2021 / 23.56%
Downstream			
5	CPO washing and pre-stripper at SDO Liverpool, United Kingdom	• Enabled SDO Liverpool to retain its customer base and market share in Europe for CPO-based refined products which were affected by the new 3-MCPD legislation for food safety. • Further differentiate and grow SDO Liverpool's high value-added palm-based products portfolio. • Improve SDO Liverpool's existing plant throughput and capacity by ceasing double processing in the deodoriser for Glycidyl Esters (GE) reduction to the maximum 1 ppm level.	• The project was completed (fully operational) in November 2021 despite facing significant COVID-related challenges to construction cost and timelines. • Savings from ceasing the need to purchase refined palm oil (RBDPO) at a premium to meet the latest food safety requirements (3-MCPD and GE). • Improved plant capacity allowed us to secure potential customers or volumes that had to be turned away in the past.
Renewables			
6	Large Scale Solar Farm Project in Byram Div., Tali Ayer Estate	• A new revenue source for SDP by leasing approximately 28 ha in Byram Division of Tali Ayer Estate, Bagan Serai, Perak to PLB Green Solar Sdn Bhd for 20 MW large-scale solar photovoltaic plant. The lease period is for a period of 21 years.	• The project has contributed additional income from the rental (since December 2017) and revenue sharing (since November 2018).
7	Chersonese – Biogas Project Build, Own, Operate, Transfer Feed-in Tariff (BOOT FiT)	• A biogas initiative which, other than methane emission capture and flare, involves the generation of electricity from captured methane. • SDP partnered Cenergi (BOOT Partner) for a Feed-in Tariff Biogas Project at Chersonese Oil Mill. • The project Commercial Operation Date (COD) was on 20 August 2020.	• In FY2021, the project has contributed rental income and POME sales. Revenue sharing to be realised in FY2022.
Research & Development			
8	Sime Darby Plantation Seeds & Agricultural Services (SDPSAS) Full Legitimacy Testing (SFLT)	• To ensure SDPSAS seeds are of highest quality and purity for SDP estates. • To brand with high quality and genetically tested seeds for external customers and increase profitability.	• In FY2021, the project has contributed additional income from seed sales.

GROUP FINANCIAL REVIEW

REVIEW OF OPERATIONS

In the financial year ended 31 December 2021 (FY2021) the already tight labour situation was exacerbated by continued border restrictions put in place by governments, and protracted negotiations between Malaysia and the source countries.

The shortfall of workers in Upstream Malaysia operations against the full complement stood at approximately 8,300 as at 31 December 2021, stretching harvesting intervals, thus dampening fresh fruit bunch (FFB) production for the year.

Recent changes in government policy are set to ease this constraint in the supply of foreign labour. From 15 February 2022, the Malaysian government lifted the freeze on foreign labour recruitment which has been in place since June 2020.

The Upstream operations in Malaysia were also impacted by inclement weather conditions leading to floods particularly at the end of the year, affecting upkeep, manuring, harvesting and fruit evacuation activities.

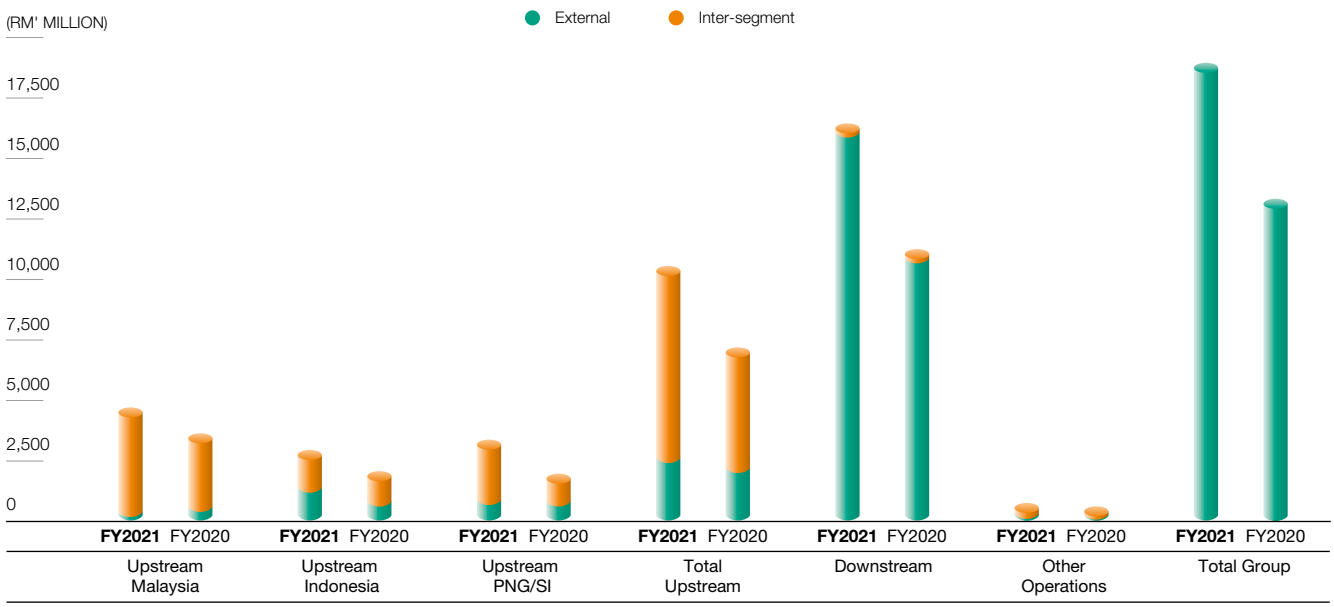
The Group's net profit soared in FY2021 on the back of the higher realised prices in spite of the decline in FFB production for the year. The combined effects of constrained supplies of palm oil and tight crop fundamentals of other edible oils have kept palm prices at exceptional record levels.

The Group remained focussed on managing its cost, optimising capital allocation and monetising non-core assets.

GROUP PROFIT OR LOSS

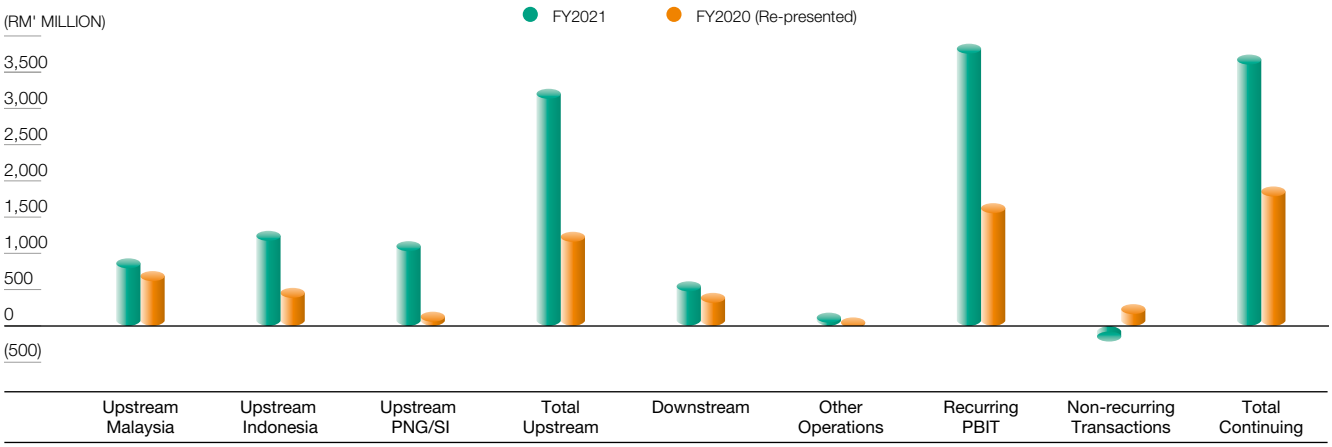
(RM'million)	FY2021	FY2020 (Re-presented)	%
Continuing operations			
Revenue	**18,695**	13,081	43
Recurring profit before interest and tax	**3,825**	1,624	136
Non-recurring transactions	**(149)**	230	
Profit before interest and tax	**3,676**	1,854	98
Finance income	**12**	17	
Finance costs	**(86)**	(116)	(26)
Profit before tax	**3,602**	1,755	105
Tax expense	**(1,109)**	(466)	
Profit after tax	**2,493**	1,289	93
Perpetual Sukuk	**(124)**	(125)	
Non-controlling interests	**(112)**	(53)	
Profit from continuing operations attributable to equity holders of the Company	**2,257**	1,111	103
Discontinued operations			
Profit from discontinued operations attributable to equity holders of the Company	**–**	74	(100)
Profit attributable to equity holders of the Company	**2,257**	1,185	(90)

REVENUE



Revenue from the Group's continuing operations for FY2021 was higher by 43% compared to the previous year, attributable to the significantly higher average CPO and palm kernel (PK) realised selling prices of RM3,711 per mt and RM2,551 per mt respectively (FY2020: CPO RM2,532 per mt; PK RM1,463 per mt), which mitigated the impact of the 2% decline in the fresh fruit bunch (FFB) production to 9.13 million mt (FY2020: 9.28 million mt).

PROFIT BEFORE INTEREST & TAX (PBIT)



For FY2021, the Group posted a strong profit before interest and tax (PBIT) from continuing operations of RM3,676 million, as compared to RM1,854 million recorded in the previous year, due to higher recurring PBIT contributed by both the Upstream and the Downstream segments, which compensated for the loss from non-recurring items in the current year as compared to a net gain last year.

Upstream

For the year ended 31 December 2021, the Upstream segment reported a recurring PBIT of RM3.2 billion, as compared to RM1.2 billion in the previous year. The strong performance was largely due to:

(i) higher average CPO and PK prices realised, which increased by 47% and 74% respectively during the year;

(ii) higher OER which increased to 21.59%; and

(iii) a gain from the retirement benefit plan of RM106 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

FFB production declined 2% year-on-year to 9.1 million mt.

The key production statistics are as follows:

	CPO price realised (RM per mt)			FFB production (mt'000)		
	FY 2021	FY 2020	+/(–)	FY 2021	FY 2020	+/(–)
Segment			%			%
Upstream Malaysia	**3,504**	2,465	42	**4,630**	4,944	(6)
Upstream Indonesia	**3,388**	2,587	31	**2,609**	2,522	3
Upstream PNG/SI	**4,510**	2,606	73	**1,890**	1,812	4
Total	**3,711**	2,532	47	**9,129**	9,278	(2)

	PK price realised (RM per mt)			CPO extraction rate (%)		
	FY 2021	FY 2020	+/(–)	FY 2021	FY 2020	+/(–)
Segment			%			%
Upstream Malaysia	**2,828**	1,583	79	**20.96**	20.91	0.05
Upstream Indonesia	**2,069**	1,226	69	**21.66**	21.61	0.05
Upstream PNG/SI	**–**	–	–	**22.87**	22.50	0.37
Total	**2,551**	1,463	74	**21.59**	21.44	0.15

Downstream

Recurring PBIT from Downstream increased by 42% from RM386 million to RM547 million, attributed to higher sales margins and volumes generated by the Asia Pacific bulk operations which benefitted from favourable price movements and higher exports to destination markets.

Although the European and African refineries reported improved margins amidst higher selling prices, the results were weighed down by lower sales volumes reported during the year.

Other Operations

The Group's other operations include the sale of seeds and fertilisers, the provision of agronomic services and investment holding. A higher recurring PBIT of RM75 million was registered in FY2021compared to RM10 million in the previous year, due mainly to higher share of profits from associates and joint ventures.

Non-recurring transactions

The non-recurring loss of RM149 million mainly comprised impairment charges on immature rubber plantation in Malaysia, and an idle land and a palm oil mill in Papua New Guinea. This was mitigated by gains from the disposal of land in Malaysia.

GROUP FINANCIAL REVIEW

Finance cost

The Group's finance cost of RM86 million was 26% lower than the previous year, a result of a decline in the Group's average borrowing rates by approximately 0.4% per annum and lower borrowing balances in view of a net repayment of borrowings amounting to RM588 million in the current year.

Taxation

For the year ended 31 December 2021, the Group reported a total tax expense of RM1,109 million on the back of a profit before tax from continuing operations of RM3,602 million.

The effective tax rate is higher than the average tax rate of the Group mainly due to withholding tax payable by the Group of RM185 million on dividends remitted from foreign subsidiaries and recognition of deferred tax liabilities of RM72 million on the taxable temporary difference on investments in the subsidiaries being classified as non-current assets held for sale.

The higher effective tax rate was partially mitigated by the gain on government acquisition of land of RM271 million which was not subject to tax and change in statutory income tax rate in Indonesia from 20% to 22% effectively from year of assessment FY2022 resulting in a net increase of deferred tax assets of RM24 million.

The tax expense of the previous year included a reversal of deferred tax assets amounting to RM74 million as a result of a reduction in the corporate tax rates in Indonesia during the year.

Net Earnings

For the year ended 31 December 2021, the Group posted net earnings of RM2.26 billion, almost double the previous year's earnings of RM1.18 billion, which translated into basic earnings per share and return on equity ratio as summarised below:

	Basic earnings		Return on Shareholders' Equity	
	FY2021	FY2020 (Re-presented)	FY2021	FY2020 (Re-presented)
	Sen per share	Sen per share	**%**	%
From continuing operations	**32.6**	16.1	**14.9**	8.1
From discontinued operations	**–**	1.1	**–**	0.6
Total	**32.6**	17.2	**14.9**	8.7

GROUP BORROWING POSITION

RM'million	FY 2021	FY 2020
Total Borrowings	**6,251**	6,682
Bank balances, deposits and cash	**589**	309
Net Debt	**5,662**	6,373
Equity	**17,859**	16,270
Debt/Equity	**35.0%**	41.1%
Net Debt/Equity	**31.7%**	39.2%

The Group's net borrowings as at 31 December 2021 decreased by RM711 million to RM5.66 billion mainly due to a net loan repayment totaling RM588 million and an increase in cash balances of RM280 million, driven by higher cash generated from operations during the year which outweighed impact from adverse foreign exchange currency movements against the ringgit.

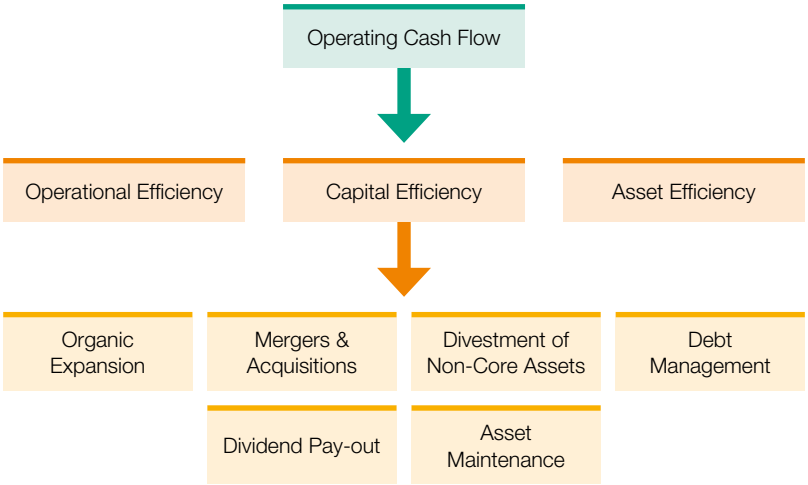
GROUP CASH FLOW

RM'million	FY2021	FY2020 (Re-presented)
Revenue	**18,695**	13,081
EBITDA – total	**5,005**	3,078
EBITDA – recurring	***5,154***	*2,848*
EBITDA – non recurring	***(149)***	*230*
Operating cash flow	**3,483**	2,425
Capital expenditure	**(1,457)**	(1,334)
Proceeds from disposals	**326**	512
Dividend income & others	**14**	14
Finance cost, net of finance income	**(112)**	(146)
Free cash flow	**2,254**	1,471

The Group's free cash flow increased to RM2.25 billion mainly due to higher cash generated from operations during the year and lower finance costs paid, which compensated for the higher spending on capital expenditure and lower proceeds from divestments.

Capital Allocation Framework

The Capital allocation framework underpins the Group's effort to optimise resource allocation amongst competing requirements – particularly operating and capital investments and dividends, with an emphasis on deleveraging to maintain a strong balance sheet. The Group has set a target reduction in gearing to 30% by 2023.



The table below summarises the Group's capital allocation for FY2021.

	RM'million
Funds from operations	**3,710**
Uses of funds:	
Capital expenditure	**1,457**
Dividends & perpetual sukuk distribution	**1,130**
Reduction in net debt	**986**
Additional investment injection	**139**
	3,710

Funds from operations is defined as free cash flow plus capital expenditure.

During the year ended 31 December 2021, a total of RM1.46 billion was spent on capital expenditure of which close to RM800 million spent on planting costs, mostly oil palm. As at 31 December 2021, the Group has 78,002 hectares of immature oil palm area.

The Group paid a total of RM1.13 billion in dividends to shareholders of the holding company and minority shareholders of its subsidiaries, and distribution to holders of its perpetual sukuk.

In line with its objective to deleverage, the Group reduced its net debt (including leases) by RM986 million during the year, further paring down its borrowings.

DIVESTMENTS AND DELEVERAGING EXERCISES

Liquidity concerns and restrictions on travel arising from COVID-19 had dampened the Group's divestment activities in the early part of the financial year. Nevertheless, there were indications of renewed interests from potential bidders since then, influenced by the rising CPO market price which continued to break historical highs during the year.

During the financial year under review, the Group completed disposals of the following:

- approximately 192 hectares of land in Malaysia which was put up for sale by tender; and
- approximately 408 hectares of land acquired by the Malaysian government.

In addition, the Group completed the divestment of the Asia Pacific operations of its joint venture Emery Group in November 2021.

The Group is in the midst of divesting amongst others, the following assets which have been classified as assets held for sale:

- the entire shareholdings in the following wholly-owned subsidiaries which are involved in cultivation of oil palm and processing of palm oil and palm kernel in Indonesia:
  - PT Sedjahtera Indo Agro
  - PT Bahari Gembira Ria
  - PT Ladangrumpun Subur Abadi
  - PT Sajang Heulang
- certain plots of land in Malaysia totaling approximately 656 hectares.

The Group continues to place priority on its deleveraging efforts to achieve its target gearing level of 30% by 2023.

GROUP FINANCIAL REVIEW

DIVIDENDS

The Board of Directors of the Company had approved a total dividend payout of 20.28 sen per share for FY2021, the highest payout since its listing in November 2017. The total dividend represented a payout of 60% of the Group's recurring net earnings, exceeding the Group's policy of distributing not less than 50% of the consolidated recurring net earnings as dividends to its shareholders.

The dividends with respect to FY2021 are summarised as follows:

	FY2021		FY2020	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	**7.90**	**546**	2.57	177
Final dividend	**12.38**	**856**	5.42	373
	20.28	**1,402**	7.99	550
Special interim dividend	**–**	**–**	1.45	100
Special final dividend	**–**	**–**	2.13	147
	–	**–**	3.58	247
	20.28	**1,402**	11.57	797

The interim dividend was paid in cash on 12 November 2021. The final dividend will be paid in cash on 17 May 2022.

VALUE DISTRIBUTION

Value created by the Group can be in terms of financial returns, non-financial returns or intangible forms. The Statement of Value Added shows how the value has been created and shared by the Group.

VALUE ADDED

(RM'million)	FY2021	FY2020 (Re-presented)
Turnover	**18,695**	13,081
Direct & Indirect Costs	**(11,424)**	(8,173)
Value Added from Operations	**7,271**	4,908
Other Operating Income	**403**	592
Other Losses	**(135)**	(14)
Share of Results of Joint Ventures	**20**	(12)
Share of Results of Associates	**15**	5
Finance Income	**12**	17
Total Value Added	**7,586**	5,496

(RM'million)	FY2021	FY2020 (Re-presented)
Employees	**2,512**	2,372
Government & Society	**1,168**	491
	3,680	2,864
Providers of Capital		
Dividends to owners of company	**938**	346
Finance Costs	**132**	175
Non-controlling Interests	**112**	53
Perpetual sukuk	**124**	125
	1,306	698
Reinvestment and future growth	**2,600**	1,934
Total Value Distributed	**7,586**	5,496

5-YEAR FINANCIAL HIGHLIGHTS

	GROUP				
(RM'000)	FY 30 June 2018	FP 31 Dec 2018[1]	FY 31 Dec 2019	FY 31 Dec 2020	FY 31 Dec 2021
FINANCIAL RESULTS					
Continuing Operations					
Revenue	14,335,826	6,518,321	12,062,266	13,081,128	**18,695,458**
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	3,857,155	1,214,740	1,615,960	3,077,921	**5,005,271**
Profit before interest and tax*	2,720,921	616,132	409,947	1,853,374	**3,676,507**
Profit before tax*	2,561,894	514,620	255,377	1,754,250	**3,602,660**
Profit after tax*	2,070,347	369,368	278,946	1,288,724	**2,493,276**
Perpetual sukuk	(124,300)	(62,661)	(124,300)	(124,641)	**(124,300)**
Non-controlling interests	(33,624)	(5,626)	(28,952)	(53,352)	**(111,694)**
Profit from continuing operations attributable to equity holders of the Company*	1,912,423	301,081	125,694	1,110,731	**2,257,282**
Discontinued Operations					
(Loss)/profit from discontinued operations attributable to equity holders of the Company*	(184,944)	(57,573)	(325,854)	73,838	**–**
Profit/(loss) attributable to equity holders of the Company	1,727,479	243,508	(200,160)	1,184,569	**2,275,282**
FINANCIAL POSITION					
Share capital	1,100,000	1,100,000	1,506,119	1,506,119	**1,633,790**
Reserves	12,574,687	12,018,449	11,754,854	12,147,381	**13,556,923**
Shareholders' equity	13,674,687	13,118,449	13,260,973	13,653,500	**15,190,713**
Perpetual sukuk	2,230,717	2,231,398	2,231,398	2,231,398	**2,231,398**
Non-controlling interests	408,398	396,078	368,351	384,850	**436,641**
Total equity	16,313,802	15,745,925	15,860,722	16,269,748	**17,858,752**
Borrowings	6,489,398	7,296,914	7,744,927	6,682,203	**6,250,676**
Liabilities associated with assets held for sale	45,993	21,133	35,735	17,699	**151,399**
Other liabilities	4,642,482	5,562,330	4,866,338	5,351,001	**6,077,496**
Total equity and liabilities	27,491,675	28,626,302	28,507,722	28,320,651	**30,338,323**
Non-current assets*	22,517,962	23,583,606	23,541,567	23,476,819	**23,266,995**
Current assets excluding cash	4,391,511	4,426,979	4,012,270	4,369,523	**5,803,398**
Assets held for sale*	218,964	124,675	522,538	165,280	**678,533**
Cash	363,238	491,042	431,347	309,029	**589,397**
Total assets	27,491,675	28,626,302	28,507,722	28,320,651	**30,338,323**
FINANCIAL RATIOS					
Operating margin (%)*	19.2	9.4	3.4	14.2	**19.5**
Return on shareholders' equity (%)	12.6	3.7[2]	(1.5)	8.7	**14.9**
Debt/Equity (%)	39.8	46.3	48.8	41.1	**35.0**
Debt/EBITDA (times)*	1.7	6.0	4.8	2.2	**1.2**
SHARE INFORMATION					
Basic earnings per share (sen)	25.4	3.6	(2.9)	17.2	**32.6**
Net assets per share attributable to owners of the Company (RM)	2.0	1.9	1.9	2.0	**2.2**
Net dividend per share (sen)[3]	17.5	1.7	1.0	11.6	**20.3**

Notes:

1 A six-month financial period.

2 The ratio is annualised.

3 Based on number of ordinary shares in issue of 6,800,839,377 as at 30 June 2018 and 31 December 2018, and 6,884,575,283 as at 31 December 2019 and 31 December 2020, and 6,915,714,601 as at 31 December 2021.

* The financial line items for periods prior to the financial year ended 31 December 2021 have been re-presented for reclassification of an equity investment from Non-current Asset Held for Sale to Joint Venture during the financial year. Please refer to Note 21 and 32 of the Audited Consolidated Financial Statements for the financial year ended 31 December 2021.

OUR PERFORMANCE BY SECTOR

UPSTREAM

Innovation and operational excellence are the engines that drive our Upstream business, with our people as the bedrock of our organisation.

Best Estate –
Giligili, Milne Bay Estate
Highest Yield Per Hectare

31.30 mt/ha

Best Mill –
Mamba Mill, Higaturu
Highest Oil Extraction Rate

25.02%

ABOUT OUR UPSTREAM OPERATIONS

Leading sustainability standards in the industry

SDP's upstream business operates 239 plantation estates and 70 palm oil mills in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands. This totals 744,630 hectares of landbank. Our extensive operations include developing, cultivating and managing oil palm, rubber, sugarcane and coconut plantations, milling fresh fruit bunch (FFB) into crude palm oil (CPO) and palm kernel (PK) as well as processing rubber and sugar cane for sale. We also rear cattle for beef production.

As the largest Certified Sustainable Palm Oil (CSPO) producer in the world, we continue to be an industry leader in setting best practices and standards in many key areas including protecting the environment and conserving biodiversity as well as upholding human rights.

Innovation and operational excellence are the engines that drive our Upstream business, with our people as the bedrock of our organisation. Hence, ensuring the safety and well-being of our people and upholding human rights are the fundamental priorities of our business.

KEY PERFORMANCE CONTRIBUTORS IN FY2021

The Group's oil extraction rate (OER) performance for the year was supported by higher OER recorded by New Britain Palm Oil Ltd (NBPOL) by 0.37% year-on-year.

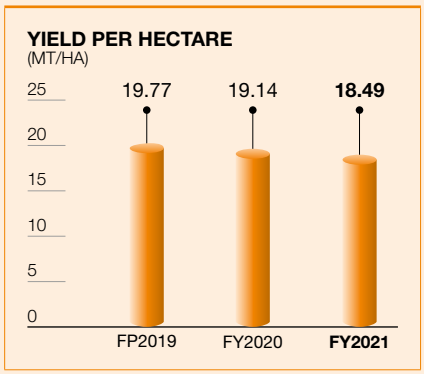
Upstream Indonesia and NBPOL recorded higher yields of 1% and 2.7% respectively compared to the year before. However, due to the shortage of harvesters, Upstream Malaysia's low yields contributed to the overall low yield recorded by SDP.

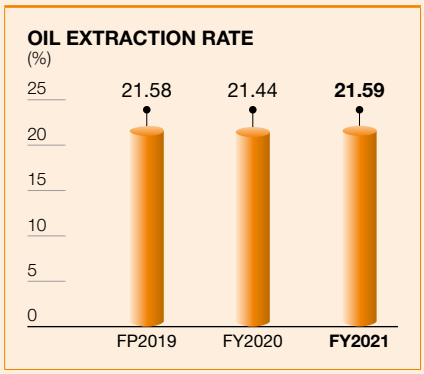
With higher vaccination rates, Governments in the countries we operate in have taken steps to ease movement and border controls. These measures helped to facilitate the movement of labour, easing the constraints we have been facing since the global pandemic hit.

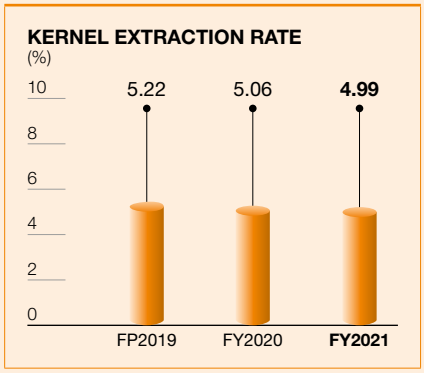
We are also reaping the benefits of expanding initiatives to mechanise, automate and digitalise our operations since these initiatives contribute to higher work efficiency and productivity.

FINANCIAL AND NON-FINANCIAL PERFORMANCE

The Division produced a strong set of financial results this year, registering a recurring PBIT of RM3,203 million, more than double the RM1,228 million recorded last year, largely driven by higher CPO and PK realised prices. OER improved by 0.15% to 21.59% in 2021, whilst the FFB production declined by 2% to 9.13 million mt primarily impacted by the continued labour shortage and adverse weather conditions in Malaysia.







Innovation and operational excellence are the engines that drive our Upstream business.

OUR PERFORMANCE BY SECTOR
UPSTREAM

KEY HIGHLIGHTS OF THE YEAR

Supported COVID-19 Vaccination Efforts

SDP supported the Malaysian government in its efforts to increase COVID-19 vaccination rate. In FY2021, we helped set up vaccination centre (PPVIN) near our operations and workers' residences. Foreign workers are allowed to walk in for vaccines without an appointment. Additionally, we embarked on a public education drive to help our workers understand the process and benefits of voluntary vaccination and assisted them to get booster shots subsequently.

We also extended support to government agencies in our overseas operations to help them fight COVID-19. In Indonesia, we distributed food aid and care packs to communities as well as medical vehicles to the government for emergencies and to access remote facilities. In Papua New Guinea and Solomon Islands, we provided Antigen Rapid Test Kits to their health authorities.

Provided assistance to our foreign workers

We provided support to our foreign workers by facilitating their return to their home countries. Meanwhile, the Malaysian government is in discussions with relevant authorities in India, Bangladesh and Indonesia for supply of workers. This will help to relieve the labour crunch that we are currently facing.

Mechanising our plantation operations

Given the tight labour supply situation at our plantations, we continued to explore and implement automation, mechanisation and digitalisation solutions at our plantations to make work more productive and less arduous for workers in Malaysia.

Localising the Malaysian workforce

In tandem with our initiatives to automate work processes at our plantations, we also aim to change the commonly held perception by Malaysians that working in estates is 'dirty, dangerous and difficult'. Through these initiatives, we plan to increase the number of locals employed in our estates.

Making significant strides in GenomeSelect™ replanting exercise

We replanted 3,780 hectares of our estates with high-yielding GenomeSelect™ seeds this year. This move puts us on track to achieving our target to use these seeds for all replanting exercise by 2023.

▲ We continued to expand automation, mechanisation and digitalisation solutions at our plantations to make work more productive.

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
Indonesia Blue Company Performance Rating Programme (PROPER) Award 2021	Indonesia's Ministry of Environment and Forestry (KLHK)
Malaysia Gold Award for International Innovation Category at Malaysian Technology Expo 2022 (Bradwall Estate)	Malaysian Productivity Corporation (MPC)
Papua New Guinea Most Compliant Employer Award	NASFUND superannuation
Solomon Islands Business Excellence Awards (SI Prime Minister's Business Excellence Award Contribution to Sustainable Development and Community Award)	Solomon Islands Business Excellence Awards

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Adverse weather conditions Heavy rainfall and flooding affected the quality and quantity of fruit and oil production.	Strict adherence to the Agriculture Reference Manual by all operating units to maximise and sustain the potential yield.	No tree stress observed during the year. Floods were reported in a few estates in Selangor, Pahang and Johore, in Q4 but were successfully mitigated with very minimal crop loss.
Labour shortage Severe labour shortage due to border closures to contain global pandemic. This impacted productivity and performance.	Attract and hire locals to support operations especially in Malaysia. We participated in the recalibration of foreign workers in Sabah and Sarawak. Automate and mechanise our operations to reduce dependence on manual labour.	Hired a total of 3,010 locals in Malaysia up to 31 December 2021. More activities are being mechanised using new machines. Achieved the expected man-to-land ratio 1:15.3 as of end FY2021.
Withhold Release Order (WRO) The WRO issued by the United States Customs & Border Protection (USCBP), alleging that some of SDP's palm oil products are produced using forced or indentured labour including convicts, is still in effect. The finding is primarily aimed at Sime Darby Plantation Berhad's Malaysian operations. This has impact on SDP's reputation and business.	Engage USCBP and relevant stakeholders to address allegations. Appoint an external consultant to conduct a comprehensive review of SDP's labour practices across Malaysian operations. Engage customers and all relevant stakeholders to keep them appraised of the situation.	Submit an update report to the USCBP, together with the independent assessment report in an effort to lift the ban. Continuous engagements with all key stakeholders, including publications of the update report and summary of the independent assessment report.

WAY FORWARD

Given the business climate and environment, we envisage that we will continue to face challenges ahead.

Adverse climate conditions such as heavy rain and the tight labour situation in the past year have led to volatile and generally high CPO and PK prices. Cheaper alternatives such as soy and sunflower oils have become the preferred options for top importers like India.

The effects of adverse weather conditions such as flooding can also damage our facilities and infrastructure and disrupt our operations. Hence, we will have to look into measures to address these challenges.

We will also have to continue to seek solutions to address the tight labour situation that is persisting because of border restrictions put in place by the Malaysian government to contain the global pandemic.

So far, SDP accelerated the implementation of automation and mechanisation in our operations. Acquiring new and better machines as well as leveraging technologies will also help us reduce our reliance on manual labour and enhance productivity at our estates. Concurrently, these measures will also address the negative perception regarding work at estates thus attracting more locals to work at our plantations.

▲ Leveraging technologies to help us reduce our reliance on manual labour.

OUR PERFORMANCE BY SECTOR
UPSTREAM

3-YEAR OPERATIONAL REVIEW

	FY2019 (January 2019 – December 2019)				
	Malaysia	Indonesia	PNG & SI	Liberia	Total
FFB Production (in mt)	5,101,675	2,663,105	1,814,399	100,303	**9,679,482**
OP Hectarage (in ha)					
– Mature hectares	244,615	152,469	80,803	10,137	**488,024**
– Immature hectares	54,735	41,336	9,808	143	**106,022**
– Total planted hectares	299,350	193,805	90,611	10,280	**594,046**
Yield per Hectare (in mt/ha)	20.96	17.14	22.44	9.90	**19.77**
FFB Processed (in mt)					
– Own	5,101,384	2,663,105	1,814,399	100,303	**9,679,191**
– Outside	811,768	670,754	527,970	214	**2,010,706**
– Total	5,913,152	3,333,859	2,342,369	100,517	**11,689,897**
Mill Production					
– Crude Palm Oil (in mt)	1,252,236	730,908	517,598	22,468	**2,523,210**
– Palm Kernel (in mt)	307,666	160,996	135,409	5,749	**609,820**
– Oil Extraction Rate (%)	21.18	21.92	22.10	22.35	**21.58**
– Kernel Extraction Rate (%)	5.20	4.83	5.78	5.72	**5.22**
Rubber					
– Planted hectare (in ha)	12,606	1,924		121	**14,651**
– Rubber production (in kg)	7,402,829				**7,402,829**
– Yield per Hectare (kg/ha)	1,422				**1,422**
Coconut					
– Planted hectare (in ha)					
Sugar Cane					
– Planted hectare (in ha)			5,613		**5,613**
– Cane yield (mt/ha)			29.36		**29.36**
Beef Production					
– Total herd as at December (in heads)			24,625		**24,625**
– Average deadweight (kg/head)			265		**265**
Total Landbank / Concession	343,254	287,460	146,098	220,000	**996,812**

FY2020 (January 2020 – December 2020)				FY2021 (January 2021 – December 2021)			
Malaysia	Indonesia	PNG & SI	Total	Malaysia	Indonesia	PNG & SI	Total
4,944,336	2,521,544	1,811,748	**9,277,628**	4,630,138	2,609,306	1,889,565	**9,129,009**
246,895	158,158	84,340	**489,393**	256,381	159,874	85,451	**501,706**
52,070	35,173	6,703	**93,946**	40,612	31,950	5,440	**78,002**
298,965	193,331	91,044	**583,339**	296,993	191,825	90,890	**579,708**
20.14	16.29	21.48	**19.14**	18.54	16.47	22.06	**18.49**
4,942,093	2,521,544	1,811,748	**9,275,385**	4,626,249	2,608,159	1,889,565	**9,123,973**
673,367	529,776	540,275	**1,743,419**	717,966	590,217	557,174	**1,865,357**
5,615,460	3,051,320	2,352,023	**11,018,804**	5,344,215	3,198,376	2,446,739	**10,989,330**
1,174,059	659,450	529,201	**2,362,710**	1,119,997	692,818	559,686	**2,372,501**
284,593	138,648	133,870	**557,111**	265,305	144,253	139,166	**548,724**
20.91	21.61	22.50	**21.44**	20.96	21.66	22.87	**21.59**
5.07	4.54	5.69	**5.06**	4.96	4.51	5.69	**4.99**
12,229			**12,229**	12,013			**12,013**
6,107,678			**6,107,678**	3,840,036			**3,840,036**
1,220			**1,220**	800			**800**
				139			**139**
		5,637	**5,637**			5,637	**5,637**
		37.37	**37.37**			40.74	**40.74**
		27,006	**27,006**			27,499	**27,499**
		280	**280**			280	**280**
342,408	256,247	146,646	**745,301**	341,815	256,169	146,646	**744,630**

OUR PERFORMANCE BY SECTOR

SIME DARBY OILS

We strived to optimise Sime Darby Plantation Berhad's (SDP) performance by capitalising on in-house trading capabilities and garnering higher premiums from the physical sales of certified fully segregated and mass balance oils, as well as providing high quality products and services.

Total Annual Capacity (mt)
3.7 mil

Country Presence
12

Number of Refineries
11

ABOUT SIME DARBY OILS

Sime Darby Oils (SDO) is SDP's Downstream business. We serve global customers with operations spanning 12 countries.

SDO delivers bespoke solutions, producing superior, refined oils and fats products tailor-made to suit the needs of our customers. Our product offerings include edible oils, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives.

In line with our philosophy of "Realising possibilities, together", SDO also forges partnerships to bring top-quality and enriching products to our customers.

Our operation includes 11 refineries with a total capacity of 3.7 million metric tonnes (mt) per year and total bulking installation capacity of 278,900 mt; four kernel crushing plants (KCP) with total annual capacity of 405,000 mt; one biodiesel plant with production capacity of 120,000 mt per annum; one soya crushing plant with production capacity of 132,000 mt per annum as well as two copra mills in Papua New Guinea with production capacity of 42,000 mt.

KEY PERFORMANCE CONTRIBUTORS IN FY2021

Strong bulk and trading performance

We strived to optimise SDP's performance by capitalising on in-house trading capabilities and garnering higher premiums from the physical sales of certified fully segregated and mass balance oils, as well as providing high quality products and services. We also achieved better trading decisions and outcomes through the support of enhanced trading and risk management systems.

Growth in customised products

Our product development team actively develops products that both optimise the performance of our current offerings along with innovations that change how we think of quality and functionality, to help our customers succeed. Such developments helped improved our earnings due to better contributions from sales of higher value-added products.

Business transformation

We rolled out Project Matterhorn, a programme designed to transform our operations to achieve operational excellence, focusing on key areas such as quality, sustainability, innovation and digitalisation. These initiatives and activities paved a path towards becoming a "World Class" enterprise.

SDO PRODUCTS SHOWCASE

SDO is a reputable manufacturer of quality food products, biodiesel and animal feed. Our solid track record is backed by our deep knowledge of the markets as well as our sophisticated and advanced R&D capabilities.

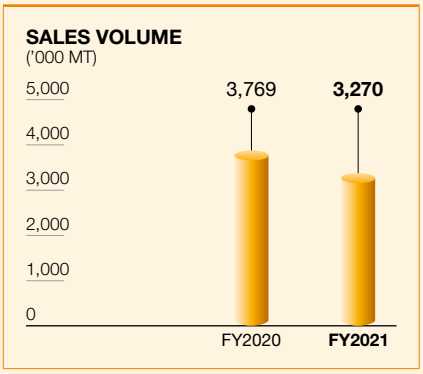
Our products are sustainably produced, and we offer the security and cost efficiency of a fully integrated, traceable value-chain.

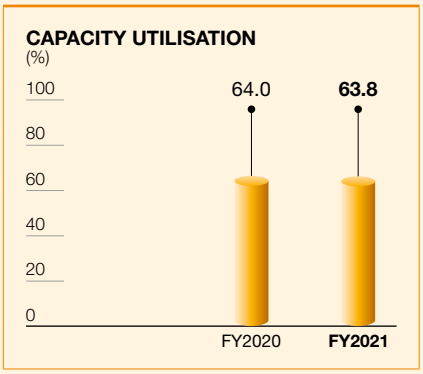
With our proven capabilities and expertise, SDO has developed a pipeline of innovative quality products that are created to meet the needs of customers worldwide.

FINANCIAL AND NON FINANCIAL PERFORMANCE

The Downstream segment reported a PBIT of RM547 million, higher than the RM386 million in the previous year, driven by improvements in the Asia Pacific bulk operations. The bulk operations recorded higher sales margins and volumes, benefitting from favourable market conditions and customer mix.

Despite the lower sales volumes in the current period, the European and African refineries have reported improved margins amidst higher selling prices.





Our operation includes 11 refineries with a total capacity of 3.7 million metric tonne (mt) per year.

OUR PERFORMANCE BY SECTOR
SIME DARBY OILS

KEY HIGHLIGHTS FOR THE YEAR

New product development portal launched

A new Product Development Portal was created as a platform for our global product development specialists and scientists, together with the commercial teams to develop new products, focusing on human nutrition and wellness as well as animal nutrition products.

The portal tracks our pipeline of products from conceptualisation to commercialisation to ensure that we support the growth of SDO now and into the future.

Towards a culture of safety

SDO commenced its Safety Leadership journey in March 2021 with the launch of the Safety Leadership Charter and SDO Culture of Care Charter.

These initiatives are part of the overarching objective of "Culture Transformation" to inculcate a "Winning Culture" among our employees. We plan to achieve this by bridging our corporate core values with "Culture of Care" behaviours and practices among our employees.

Integrated digital branding campaigns

During the height of the pandemic, SDO successfully launched a number of activities and campaigns through its digital platforms such as internal emails, SharePoint, website and social media.

Collaborative activities held and higher level of communications and engagements, have helped bridge the physical distance amongst SDO employees around the world.

We have also established our presence in the digital space by profiling SDO's Managing Director, Mohd Haris Mohd Arshad, as a credible leader in the oils and fats industry. Meanwhile, we promoted the SDO brand on LinkedIn by creating strategically curated content on the platform.

Through these activities and campaigns, SDO manages to weave meaningful stories in expanding our brand reach to convince, connect and convert potential partners in collaborative global initiatives. Subsequently, securing the brand's credibility in the market.

▲ We plan to deliver products that will help us make inroads into areas such as Health and Nutrition, Wellness, plant-based products

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
SDO Morakot	
Superbrands Thailand 2021 Award	The Superbrands
The No.1 Brand Thailand 2021 For Cooking Oil	Marketeer Magazine
Top Outstanding Brand 2021 – Kantar Brand Footprint Award	Kantar
Thai Food and Drug Administration Quality Award 2021	Thai Food and Drug Administration

Improved overall brand perception

SDO fared well in a customer survey to measure SDO's brand perception among our customers. We achieved an overall score of 83.04% – an increase of 0.94% from FY2020.

OUR PRODUCTS

KEY CHALLENGES AND STRATEGIES

Risks	Strategies	Results
Supply chain disruption Reduced supply of palm oil from our Upstream operations because of adverse weather conditions and labour shortage had an impact on the palm oil-related products we are producing.	• Secure long-term supply from third parties.	• SDO achieved record breaking performance in FY2021.
Issuance of Withhold Release Order (WRO) by the U.S. Customs and Border Protection (USCBP) Reputational risk due to the WRO by the USCBP on "palm oil," including all crude palm oil and palm kernel oil and derivative products, made wholly or in part with palm oil traceable to SDP.	• Conduct independent third-party labour assessment to lift USCBP WRO/Finding. • Engage with key customers and stakeholders on progress of actions to address USCBP/WRO issues to maintain transparency and trust in the process.	• Disruption of exports to the US which represents a small percentage of total direct sales. • Some customers have stopped supplies from SDP Malaysia due to supply chain links to the US.

WAY FORWARD

SDO plans to continue building on the strength of our proven track record and capabilities to deliver customised, quality solutions to our global customers.

Keeping a keen eye on global megatrends and key market trends, we plan to introduce products that will help us make inroads into areas such as Health and Nutrition, Wellness, plant-based products as well as Animal Nutrition.

To realise our aspirations, we plan to commercialise our Human Nutrition and Wellness, and Animal Nutrition products. Our goal is to create value-added products and expand our portfolio into new ingredients.

In our innovation pipeline, we will focus on food security, food safety and sustainability. We plan to develop technologies that will enable us to deliver differentiated products, bearing our stamp of quality and performance, across different seasons and climates.

To address food safety concerns, we will improve process controls and process innovation as well as implement Environmental, Social and Governance (ESG) initiatives.

In enhancing the Group's leadership position within the ESG space, we continually aim to set best practices and standards. In line with that, we are working to achieve greater transparency in our carbon emission levels through closer monitoring and measurements. Through these efforts, we are laying the groundwork towards realising a net zero future.

People are one of the most important assets. Hence, we strive to operate with the values enshrined in SDO's Culture of Care charters.

To that end, we will conduct a culture gap analyses to determine aspects of the organisation and processes that require change. We will prioritise the critical areas of concern for improvements to achieve the most positive impact in culture transformation.

▲ Our goal is to create value-added products and expand our portfolio into new ingredients.

OUR PERFORMANCE BY SECTOR

RENEWABLES

Number of Biogas Plants
12

Carbon Emission Reduction
21.6%

SDPRE utilises Oil Palm mill waste and converted the methane gas to energy for export to the electricity grid contributing towards Malaysia's renewable energy, aligned with the principle of circular economy.

ABOUT OUR RENEWABLES BUSINESS

Sime Darby Plantation Renewable Energy Sdn Bhd (SDPRE) is a subsidiary of SDP set up in 2014 to support the Group's green initiatives. Its mandate includes establishing ventures to co-develop biogas plants as well as other renewable energy initiatives such as solar and biomass.

The subsidiary processes and returns some bio waste generated by palm oil production to the soil, hence, reducing the use of chemical fertilisers. These bio wastes include palm fibre, sludge oil, palm oil mill effluent (POME), empty fruit bunches and kernel shells.

SDPRE is also exploring other ways of deriving value from these by-products.

ACHIEVEMENTS

Biogas

SDP completed construction of three biogas power plants in FY2021. These have helped the Group make further progress to reduce carbon emissions from 18% to 21.6%.

To date, the total carbon emission reduction achieved by SDP through biogas initiatives is equivalent to planting 27.4 million carbon capture trees.

The Group also initiated construction of seven biogas plants in FY2021 which are expected to be completed in 2022. These will support SDP's goal to reduce carbon emissions further.

Solar

SDP completed installing PV (photovoltaic) systems, which transform solar light into reusable energy, at six premises. Currently operating under the Net Energy Metering (NEM) scheme, these include installations at four Regional Offices – Northern (NTR), Central East (CER), Central West (CWR) and Southern (STR); Sime Darby Oils (SDO) Biodiesel with capacity of 345 kWp; Sime Darby Plantation Academy in Carey Island with a capacity of 165 kWp.

At least three more premises will be installed with the solar PV systems under the NEM and Self-Consumption (SELCO) scheme with a total capacity of 2.5 MW. These premises are located at Plantation Tower, Ara Damansara with a capacity of 437 kWp under the NEM scheme, Centre

of Sustainability (COS) and R&D Centre, Carey Island with a capacity of 548 kWp under the NEM scheme, and SDO Kernel Crushing Plant (KCP) with a capacity of 1.5 MW under the SELCO scheme.

SDP, through SDPRE, marked its first participation as a Registered Solar PV Investor (RPVI) in the solar energy market with the installation of a 306 kWp solar PV system at our R&D Center in Banting under the NEM scheme. The installation is expected to be completed by Q2 2022 and will operate for 21 years. Under the RPVI programme, SDPRE will be able to invest for SDP to own cleaner assets and further reduce its carbon emissions.

A Large Scale Solar (LSS1) plant with 20 MW capacity was also installed and commenced operation in Tali Ayer Estate, Penang.

- Commissioned and started operations in 2018.
- Generated stable rental and revenue share income from 2019.

To support Malaysia's ambition to reduce its carbon emissions, SDP tenanted land to third parties to develop large-scale solar plants under the Large Scale Solar scheme managed by the Energy Commission of Malaysia.

Three sites are expected to commence operation by the end of 2022, with all 12 sites expected to be operational by 2023.

With the implementation of all PV systems at SDP's premises, the total carbon emission reduction achieved by SDP is equivalent to planting 6,500 carbon capture trees.

KEY HIGHLIGHTS

Solar

A 20 MW Large Scale Solar plant under LSS1 is currently in operation at Tali Ayer Estate, Penang. Additionally, construction for a 336 MW LSS4 plants will commence in 2022.

A total of 4 MW solar capacity will be in operation under the Net Energy Metering (NEM) and Self Consumption (SELCO) schemes at SDP's offices and refineries by end 2022.

We have also been actively identifying feasible SDP premises to install solar PV systems. Upon completion of LSS4 plants, the total capacity of SDP's assets will be 360 MW. This capacity, operated by SDP and other business partners operating on SDP's land translates to the capability to generate power supply to up to 126,000 households.

We also explored the feasibility for battery energy storage and off-grid solar systems in the market.

SDP intends to adopt the LSS1 approach for our upcoming LSS programme, and also participate as a power plant developer.

The Group is also identifying feasible solar models under the New Energy Despatch Arrangements (NEDA), and Green Third Party Contract (GTPC) scheme for adoption in order to reduce our carbon footprint.

Biogas

Currently, SDP has 12 biogas plants which contributed to reducing the Group's carbon emissions by 21.6%.

Eight of these operational biogas power plants in Malaysia have the capacity to power up an estimated 14,900 households.

SDPRE plans to develop two new biogas plants with the largest grid-connected POME biogas developer in Malaysia, Cenergi RE Sdn Bhd. The Group signed a Term Sheet with the company in October 2021 to co-develop the plants in SDP's Malaysian operations at the Sg. Dingin and Kok Foh Palm Oil Mill.

SDP is also designing and tendering for two new biogas projects in East Malaysia and one in Indonesia.

Biomass

COVID-19 restrictions hampered progress in this sector as the team continued to explore the feasibility of using EFB, PKS and Biochar to further reduce carbon emission.

KEY CHALLENGES AND STRATEGIES

Risks	Strategies	Results
Right capabilities and partnerships SDPRE's performance is strongly reliant on our selected partners' execution capabilities and their appetite for risk.	Forge meaningful partnerships that will enable SDP to absorb and integrate best practices before venturing into more aggressive partnerships or environments.	Signed commercial agreements with established industry players who have proven expertise. Continued exploring opportunities to diversify SDPRE's network.
Crop fluctuation Low processing trend at oil mill resulting in low production of POME which directly impacts power generation and revenue from biogas power plants.	Evaluate and explore crop diversion initiatives and increase the supply of outside crop.	Improved power generation and revenue from biogas power plants. Continued to sustain good relationships with biogas partners and SDP's stakeholders.
Lower tariff range for bidding In order to adopt a low tariff model, it needs to be attractive for both consumer and developer. Due to several rounds of large RE programmes, the range of tariff is getting lower.	Maximise the capacity of bidding systems when bidding or designing the system to leverage on economies of scale.	SDP will record and own immense capacity of renewable energy plants with feasible tariffs for both developer and consumer.

RESEARCH & DEVELOPMENT

Lab Analyses
213,236

Investments
RM4.40 mil

MS ISO/
IEC 1705 Accreditation
250 tests

Savings
RM0.44 mil

Research & Development's (R&D) mission is to support SDP's drive towards a new phase of change and growth to achieve greater sustainability in our business and the industry.

R&D DIVISION

With 200 years of history, SDP has grown into a fully integrated global plantation company with R&D applications and capabilities that encompass key areas across the value chain, including Plantation Research & Advisory, Biotechnology & Breeding, Processing Technology, Seeds & Agricultural Services, Customised Product Development, Environmental, Safety & Health Improvement and Technical Support.

R&D's mission is to support SDP's drive towards a new phase of change and growth to achieve greater sustainability in our business and the industry.

From industry-leading genetic seed technology to cutting-edge innovations in the field, we are committed to develop, apply and transfer relevant knowledge, research findings and technologies to improve our plantation yields and milling processes, and customise our Downstream products.

Our R&D Infrastructure includes five R&D Centres in Malaysia, Indonesia, and PNG, three Innovation Centres in Malaysia, the Netherlands, South Africa and one fully operational genetic testing facility in Malaysia.

R&D has over 190 scientists & technicians focussed on developing better seedlings with secondary traits for harvesting efficiency and climate resilience as well as developing systems to enhance plantation yields, and product development. These R&D innovations are carried out in seven Centres of Excellence covering the following areas: frying, bakery, confectionary, plant-based, nutrition and wellness, animal nutrition, food safety and process innovation.

OUR R&D UNITS

Our Main Research & Development Units are:

- **Biotechnology & Breeding (BB)**
- **Plantation Research & Advisory (PRA)**
- **Processing Technology**
- **Product Innovation and Development (PID)**
- **Environmental, Safety & Health**
- **Support Services**
- **Sime Darby Plantation Seeds & Agricultural Services (SDPSAS)**
- **Minamas Research Centre (MRC)**
- **New Britain Palm Oil Limited (NBPOL) Research Centre**

KEY FOCUS AREAS

Driven by R&D's mission to support SDP's business transformation and achieve sustainable growth, we have identified key focus areas and priorities for R&D. First, we plan to apply our R&D capabilities to increase yields to meet global demand for vegetable oil without the need to expand into forests.

R&D is also looking to implement the latest cutting-edge technologies to better manage our plantations. Instead of traditional Global Positioning System (GPS) based mapping technologies, we have started employing drones and satellite imaging technologies to rapidly map out our plantations in near-real time. This has helped us to identify diseases and manage outbreaks more effectively. The more precise aerial mapping capabilities of these new technologies have also helped to facilitate more precise decision making.

To further enhance our sustainability practices, R&D is also taking proactive approaches to further reduce carbon, energy, and water footprints in our operations. Introduction of new technologies is on the way to efficiently treat our industrial wastewater where the net carbon footprint can be tremendously reduced.

Continuing to improve the operation's man-to-land ratio in the industry is also in the plans. To this end, we will continue to adopt greater mechanisation, automation and digitalisation in our operations.

Another focus area for R&D is to support SDP's ability to respond to evolving consumer needs and megatrends by offering technical advice and leveraging our capabilities to develop new products and innovative solutions.

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
IKM Excellence Award (2021)	Institut Kimia Malaysia
GeoInnovation Award (2021)	ESRI Malaysia
Industry Advisory Panel for BSc in Remote Sensing (2021)	Universiti Teknologi Malaysia

▲ We plan to apply our R&D capabilities to increase yields to meet global demand for vegetable oil without the need to expand into forests.

OUR PERFORMANCE BY SECTOR
RESEARCH & DEVELOPMENT

HIGHLIGHTS OF GenomeSelect™ IMPLEMENTATION

Description of Key Highlights	Details
A total of 3,780 ha of GenomeSelect™ palms have been planted since its launch in 2016.	GenomeSelect™ palms have been distributed to Peninsular Malaysia, Sarawak and Sabah.
GenomeSelect™ technology has been applied to our seed production units in Indonesia and Papua New Guinea (PNG).	Production and sale of GenomeSelect™ seeds will commence from 2024 outside of Malaysia.
The target of 1.45 million GenomeSelect™ seeds was successfully achieved to increase the planting rate from 1,000 ha per year to 7,500 ha per year in FY2022 as planned.	A total of 1.47 million GenomeSelect™ seeds were produced and delivered to SDP Upstream. The genetic purity of the material was maintained at above 95% using our in-house Deoxyribonucleic acid (DNA) marker testing technology.
R&D has expanded the GenomeSelect™ parent stock to supply sufficient seeds for our Malaysian replanting requirements and extra for commercial sales from 2023 onwards.	The expanded parent stock is mature for GenomeSelect™ production.
The first predicted *Ganoderma*-tolerant GenomeSelect™ material was commercially planted at Tangkak Estate with high *Ganoderma* incidence.	GenomeSelect™ palms were tested using our novel prediction model for *Ganoderma* tolerance which was developed in 2020. Palms with high disease tolerance will be planted at estates with high disease incidence.
Market demand for Calix 600® and Calix Q6™ have increased.	The sale of genetic purity-tested Calix Q6™, which offers unparalleled quality and maximises yield potential of every seed by assuring genetic purity and traceability from correct premium pedigrees, was almost doubled. International market in Thailand and India is expanding.

SIME DARBY PLANTATION SEEDS & AGRICULTURAL SERVICES SDN BHD (SDPSAS)

SDPSAS has produced the first genetically tested seeds branded as Calix Q6™ which is able to minimise yield losses of the fresh fruit bunches (FFBs) and oil extraction rate (OER) attributable to *dura* and *tenera* contamination.

Contaminated seeds are detected using the genetic test (known as legitimacy test), and any non-conforming seed lots are removed from the production line before being processed.

Traditionally, fruit census was only conducted after two to three years of field planting, which is deemed too late and costly for the inferior palms to be replaced.

In FY2021, almost half a million Calix Q6™ seeds were sold in Malaysia and exported to overseas markets, mainly Thailand, India and the Philippines. On top of Cali Q6™, SDPSAS committed to fulfilling SDP estates' requirements in FY2022 with GenomeSelect™ material, and we plan to commercialise GenomeSelect™ material in FY2023.

▲ SDPSAS has produced the first genetically tested seeds to minimise yield losses of fresh fruits bunches.

CONTRIBUTING TOWARDS A MORE SUSTAINABLE OPERATION

R&D has made significant contributions to SDP's sustainability goals through various technological capabilities we have developed. These have resulted in greater operational efficiencies, cost savings and also greatly reduced our reliance on manual labour on the ground.

Plantation Research & Advisory (PRA)

1. **Large-scale mechanised Pest and Disease (P&D) detection & monitoring using drones & compact field machinery**

   R&D developed nine mobile apps to assist the estate with P&D monitoring and management. Each app is designed to target specific pests, e.g. rhinoceros beetle, bagworm, rodent, etc.

   We are currently working with a technology partner to develop capabilities for large-scale detection and management of *Ganoderma* disease monitoring and management purposes.

   R&D is also collaborating with Upstream Mechanisation, Estate Operations and several technology providers to deploy drone point-to-point spraying technology for the control of rhinoceros beetle in immature fields.

2. **Remote sensing & rapid analytics using satellite and aerial imaging for palm geotagging to support growth and yield monitoring and operational efficiencies.**

   PRA through its Precision Agriculture Unit, has provided palm geotagging/ palm counting capabilities using satellite imaging technology & machine learning. This will allow for accurate stand per hectare data gathering.

   This technology has processed about 141,000 ha of plantation area, significantly reducing the need to deploy manual labour for palm counting and contributing to a cost reduction of RM705,000 per year.

   PRA, together with Performance Monitoring Unit (PMU), has conducted 38,000 ha of drone mapping of immature palms and new planting to ensure all new fields are fully planted to maximise their yield potential.

   The Vitality Index Map has also been applied across a total area of 298,000 ha to monitor palm growth and assist agronomist and SDP management in identifying low performing palms for improvement. This technology will also contribute towards better and higher yields.

3. **Automation of manuring process with the adaptation of fertigation & IoT technologies.**

   This initiative reduces resource consumption, manual labour for fertiliser application and greenhouse gas (GHG) emission since solar panels are used to power the system, eliminating the use of diesel-powered tractors for fertiliser applications. The project was initiated in late 2020 with a 100 ha trial site and will be expanded to an additional 100 ha on a second location in 2022.

Processing & Engineering (P&E)

P&E is spearheading various projects relating to palm oil milling and rubber processing factory to enhance productivity and quality. This is achieved through innovation, implementing new technologies and processes to enhance current operations.

To enhance productivity, SDP continues to focus on studying the biochemicals assisted process to improve OER for the palm oil mill.

Our physical measurement study on the effect of the biochemical treated process at one of our palm oil mills in southern Peninsular confirmed that biochemical could assist in improving OER. The trial methodology and findings were verified by SIRIM as part of the process to confirm and validate the results.

1. **Food safety**

   Through multidisciplinary teams working together to address the issue of contaminants in our palm products, we have achieved significant milestones to improve food safety.

   We foresee that Mineral Oil Hydrocarbon and 3-MCPD (3-monochloropropane-1,2-diol or 3-chloropropane-1,2-diol) are contaminants that could potentially be an issue in our industry. This was addressed by the introduction of clean crude palm oil (CPO) production and technical grade oil (TGO) and the implementation of good management practices at the palm oil mill.

2. **Technology and Process Improvement Study**

   From FY2022, our new technology and process improvement study will be centred at our R&D's Tennamaram Experimental Station (TESt) located at Bestari Jaya, Selangor.

   TESt, the experimental station completed in mid-2021, is equipped with 5 ton/hr conventional process for existing palm oil milling study and has the space capacity for expansion and installation of new technology and machinery for comparative studies to be conducted.

   Process automation and digitalisation are also being explored at TESt. Equipped with more than 200 sensors and probes, TESt can be remotely monitored and controlled to improve process efficiency, productivity, quality control, and safety.

   The introduction of new technology to treat waste water which eliminates the conventional biological process, will further enhance SDP's engagement in the circular economy activity, reducing carbon footprint. This supports the company's pledge to reduce its carbon footprint to below 50% by 2030.

3. **Programmes for FY2022**

   Moving forward, P&E will continue to focus on productivity and quality improvements at the palm oil mills through automation and digitalisation of the palm oil mill process.

Advanced Mechanisation Technology: Improving Efficiencies & Productivity

Oil palm estate operation has long depended on manual labour in many aspects of its operations. SDP has invested in digital innovations to automate numerous processes, mechanisation, and data analytics. The objective is to increase efficiency and productivity for better cost savings and to avoid further deforestation.

Due to the challenge of attracting labour to work in our plantations as the work is regarded as being dirty, dangerous and challenging, SDP is investing in innovation to shift from labour intensive practices to achieve greater productivity. Advanced Mechanisation Technology (AMT) team is in place to look into the adoption of new technologies into our production process.

OUR PERFORMANCE BY SECTOR
RESEARCH & DEVELOPMENT

▲ Our operation continues to focus on clean and green processing to address these concerns.

Oils & Fats (O&F)

O&F are currently in the process of applying digitalisation to provide real-time operational data to facilitate faster and informed decision making. This will also enhance traceability at our refineries.

We note that currently, global consumer concerns are trending towards food safety and hygiene. Hence, our operation continues to focus on clean and green processing to address these concerns.

Going forward, O&F will continue to focus on three key strategies namely – improving productivity, increasing revenue streams and meeting food safety requirements. Further progress on the following initiatives can be expected:

- process automation and modernisation in the refineries to further improve efficiency and traceability
- providing healthy oils and fats solutions through balanced fatty acid composition with enhanced product performance.
- enhancing palm oil quality which meets food safety requirements and better product performance.
- adopting novel and more efficient technologies to treat waste water to achieve zero discharge.

Lab Services

R&D Lab Services supports the extensive sample testing needs of SDP as well as the training and advisory needs of SDP's mill operations.

The internal testing capabilities provided by Lab Services contributed RM0.44 million in cost savings for SDP in FY2021. Lab Services continues to provide training for laboratory personnel in mills and conduct regular mill advisory visits to improve their operations.

To support our focus on Food Safety, we increased testing throughput for Mineral Oil Hydrocarbon (MOH) analysis by purchasing a state-of-the-art, automated LC-GC system. We also continued developing new rapid methods driven by Near Infra-Red Spectrometer (NIR) techniques to replace current conventional methods in the laboratories to shorten testing turnaround times and reduce analysis cost.

In FY2022, we plan to increase our capacity to conduct analysis for external customers as a revenue source for SDP.

All laboratories under R&D Lab Services in Carey Island, Tawau and Bintulu continue to implement the new MS ISO/IEC 17025:2017 accreditation system. To date, more than 250 tests have been accredited under this scheme. All the laboratories in Carey Island, Tawau and Bintulu, received the IKM Excellence Award from the Malaysian Institute of Chemistry in 2021.

KEY HIGHLIGHTS FOR THE YEAR

Product Development Portal launched

We launched a Product Development Portal which brings our global product development specialists and scientists together with our operations and commercial teams to capture and nurture new product ideas to deliver value to our customers.

The Product Development Portal also tracks our pipeline of innovation from conception to commercialisation and ensures we support the growth of Sime Darby Oils (SDO) now and into the future.

Developed pipeline of innovative products

Our Product Innovation and Development (PID) team continues to enhance our product offerings to bring greater value to our customers.

Our focus on developing innovative products in human nutrition, health and wellness as well as animal nutrition is yielding concrete results. In FY2021, our scientists and development specialists developed several new formulations that improved the performance of our wellness products and animal nutrition offerings. These are planned for commercial release in FY2022.

Achieved operational efficiencies

We adopted Interactive Technical Application Services (iTAS), a web-based application, in our operations which has translated to time and cost efficiencies. By allowing users to select oil and fats products to predict characteristics of the resulting blends, PID team can narrow down the list of blends online to match a specific set of customer specifications before conducting lab experiments. This also unlocks limitless opportunities for product development since it allows us to compare different products in the market and then develop superior products.

This tool also works in reverse, allowing users to predict the fat blends based on given specifications. This is beneficial for our quality control team as it helps them to identify potential contamination if a product is out of specifications.

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Climate change Climate change could have an unpredictable impact on potential yield and effectiveness of GenomeSelect™ seeds.	Stress-test seeds across different climate scenarios to achieve a consistent set of performance metrics.	Developed drought tolerance planting materials. Continued effort to map areas with water management problems and devise viable solutions to mitigate risk to crop productivity, quality and sustainability.
Palm abnormality Unwanted abnormal traits could present in GenomeSelect™ and Calix 600® materials. Yields could be adversely affected by these abnormal traits.	Commercial planting according to palm family to enhance understanding of genetic and environmental effects on abnormal traits. In addition, this method successfully opened the door for DNA marker discovery for novel agronomic traits.	DNA markers for some abnormal traits were successfully discovered, and we aim to translate these markers into a commercial screening in FY2022 to minimise abnormalities at an acceptable level.

WAY FORWARD

We plan to enhance iTAS by adding more features, including predicting characteristics of interesterified products and setting up an online library of oils and fats data for learning and development.

Sustainability, food security and food safety are key areas that we will focus on our innovation pipeline. As a fully integrated producer, our PID team works across our supply chain to ensure that sustainability, quality and purity are built into our products from the field. We are developing innovative technologies to deliver the highest quality and performance differentiated products across seasons and changing climate.

We are developing a product pipeline that meets global megatrends and key market trends to enable SDO to grow and make an impact in the world. We will continue to develop products that push quality standards and performance higher by working closely with our customers to ensure these products meet the needs of consumers.

The PID specialists will work closely with R&D scientists to further understand the fundamentals of oils and fats, and to incorporate that knowledge into developing better products.

New human nutrition, health and wellness products and also animal nutrition products will be performance of our key ingredients, and we will be looking to expand our portfolio into new ingredients over the coming years.

HUMAN CAPITAL GROWTH

Structured development programmes
118,602
training hours

5,314
Malaysians were employed

Our people practices are an integral part of our journey towards ensuring the sustainability of our business operations. This is in line with the Group's Business Principles which are entrenched in our Code of Business Conduct. We strive to create a conducive work environment and positive experiences for our employees to drive performance excellence and sustainable work culture.

SUSTAINABILITY AT THE CORE OF OUR FRAMEWORK

Our Human Capital Framework, which is anchored on three pillars: creating alignment, quality of execution, and capacity for renewal, forms the foundation of our increased focus on building a culture of sustainability. Whilst we continue to strengthen our people development agenda to enhance the capabilities and skillsets of our employees, we are mindful that it is equally important to cultivate a work environment that embeds a sustainability mindset in our decision-making, processes and practices.

Creating Alignment	Quality of Execution	Capacity for Renewal
Continued clarity on strategic goals through demonstrated leadership to align our vision and shape our performance culture.	Develop employees who are accountable and capable to drive the business of today and create value for tomorrow.	Drive and enable innovation and knowledge-sharing to face future business challenges.
Highlights in FY2021 • Developed Environmental, Social and Governance (ESG) Scorecard to drive and sustain behavioural change • Renewed focus on organisational health and culture, to improve and sustain performance • Implemented employee well-being initiatives to nurture a positive work environment	**Highlights in FY2021** • Strengthening succession pipelines for Mission Critical Positions (MCP) and nurturing high potential talents with a focus on structured development programmes • Providing employment opportunities for Malaysians through Project Lokal • Enabling young graduates to attain the required competencies that enhance employability through the PROTÉGÉ programme	**Highlights in FY2021** • Implemented people management system, NADI, to drive efficiency and effectiveness • Developed an enhanced Competency Framework to provide the knowledge, skills and attributes required for sustainable performance

KEY CONTRIBUTORS TO PERFORMANCE IN 2021

Our focus has been on the alignment and implementation of practices and processes to cultivate a culture of sustainability. The Human Resources (HR) team thus focussed on initiatives to drive change in behaviour and culture as well as strengthen our development programmes to ensure continued succession and talent readiness for business continuity. To address the critical labour needs in our operations, we continued to provide employment opportunities as well as supporting employment opportunities for Malaysians.

Heightened focus on driving change in behaviour and culture

An ESG Scorecard outlining Key Performance Indicators based on initiatives undertaken to address human rights and International Labour Organisation (ILO) requirements was finalised in FY2021 and implemented in January 2022. This ESG scorecard, intended to drive accountability and ensure alignment on ESG requirements in Upstream Malaysia, supplements the Main Financial and Operational Scorecard.

This standalone ESG scorecard is premised on a significantly increased weightage, with greater emphasis on specific labour-related practices and is independently monitored for objectivity.

Organisational Health Index (OHI), which measures and tracks organisational elements that drive performance, continued to gain momentum with more robust execution and monitoring of action plans based on the needs of each business segment. Through engagements with senior leaders from various business segments, the Group focussed on four common management practices, namely, strategic clarity, consultative leadership, talent development as well as rewards and recognition, to drive alignment in culture towards achieving sustainable performance.

Supporting Employee Well-being

Recognising the fatigue and work-life challenges arising from the prolonged COVID-19 pandemic, SDP embarked on a wellness initiative, Nurturing Employee Wellness (NEW). NEW was launched in SDP's Malaysian operations in June 2021 through a collaboration with NALURI, a renowned solutions provider for promoting physical and mental health.

Our employees are provided access to a slew of wellness services, including remote therapy sessions, digital coaching and mentoring, a wellness website providing articles on well-being and financial management, fortnightly community webinars covering a wide range of topics as well as a crisis hotline. NEW also promotes engagement through on-site exercise sessions and health talks at various locations within Malaysia.

As part of its well-being initiative, SDP continued with its Work from Home (WFH) arrangements despite the lifting of movement restrictions to provide greater flexibility to employees in managing their work and family commitments.

▲ SDP renewed focus on organisational health and culture, to improve and sustain performance

OUR PERFORMANCE BY SECTOR
HUMAN CAPITAL GROWTH

Structured development programmes

In FY2021, SDP focussed on strengthening its succession and talent pipeline through structured development programmes. SDP implemented an executive coaching programme for endorsed successors to Mission Critical Positions (MCP), to address their development areas and ensure their readiness for progression.

For its Upstream Malaysia segment, SDP launched the UpLIFT programme (Building Upstream Employee Capability through Upstream Learning Intervention for Transformation) in June 2021, which focusses on refining the leadership and management skills of different levels of management from supervisors to senior managers. A total of 118,602 training hours were recorded for this programme, involving 96 employees in its pilot run.

Sime Darby Oils (SDO), SDP's downstream business segment, focussed on specific development initiatives to meet its 5-year plan to transform SDO into a high performing business by FY2025. These development initiatives include:

- Graduate Accelerated Programme (GAP), a two-year programme, to develop an internal talent pipeline to fill critical managerial roles within SDO. This programme focusses on cohesive leadership and enterprise acumen skills whilst providing talents with an accelerated platform to be developed beyond on-the-job capabilities.
- Manufacturing Value Chain (MVC) Development Programme, to identify and address the skills gap in SDO's manufacturing capability in Malaysia and Thailand. This programme was tailored based on assessments undertaken on the manufacturing value chain in SDO's refineries, where five key components were identified to be the focus areas for development in FY2021.
- Commercial Development Programme, a six-month development programme designed to equip the sales team with the skills to deliver greater performance and results.

Providing employment opportunities and enhancing employability

SDP launched Project Lokal aimed at attracting Malaysians to be part of the palm oil sector, thus reducing dependency on foreign labour. Specific jobs were rebranded, incentive schemes implemented and collaboration with harvesting schools initiated, to attract and retain Malaysian talents.

Through various initiatives, a total of 5,314 Malaysians were employed in FY2021 for various jobs ranging from harvesters, to field and general workers as well as field and mill supervisors and machine specialists.

SDP continued its Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme in collaboration with the Ministry of Entrepreneur Development and Cooperatives (MEDAC). On-the-job as well as soft skills training are being provided to 500 young graduates to enhance their employability and prepare them for the job market.

Driving sustainability and innovation

SDP implemented a business-centric HR platform that empowers self-driven goal management and alignment of people management practices in its Malaysian operations. Aptly named NADI (pulse), the system leverages on the Workday solutions platform. The implementation of this system fosters sustainability in our practices through refined and effective people management processes, eradicating the need for manual paper-based and time-consuming processes. This project was supported by key HR personnel as well as 178 change agents comprising representatives from businesses across Malaysia. This platform will eventually be rolled-out in stages to other countries where the Group operates.

As part of continuous improvement, SDP also developed an enhanced Competency Framework, setting out clear performance expectations for employees and providing insights into the overall expectations of their role. This is to provide strategic clarity and alignment to organisational goals. This framework will be rolled out in FY2022.

OUR CORE FOCUS AREAS AND FORWARD PRIORITIES

	Why Is This Important	Our Progress in FY2021	FY2022 and Forward Priorities
Performance Management	Ensures alignment of organisational goals and strategic objectives. Provides clarity and direction to ensure that employees take ownership and are accountable to achieve performance excellence.	• Development of ESG scorecard, focussed on specific labour-related practices to drive accountability • Improvement in the frequency of performance conversations and feedback • Improvement in quality of performance conversations and feedback between managers and employees, setting a strong foundation for robust and engaging performance management	• Ensure continued communication and engagement on performance expectations relating to ESG Scorecard and other culture change initiatives to instill commitment and accountability • Ensure appropriate consequence management is undertaken for non-performance and non-adherence to the expected human rights standards or ILO requirements to drive accountability • Enhance performance conversations and real-time feedback through NADI • Relaunch the Group's core values with a focus on Excellence, to ensure employee and business growth to achieve outstanding personal and business results. This will be supported by a revised set of leadership competencies to drive common behaviour in SDP

	Why Is This Important	Our Progress in FY2021	FY2022 and Forward Priorities
Employee Well-being	Employee wellness is critical to ensure an engaged and productive workforce.	• Launch of employee wellness programme, NEW, in our Malaysian operations which provides employees access to various services to promote physical and mental health	• Enhance availability of remote services to employees • More robust implementation of on-site health initiatives to promote engagement • Identify potential programmes on financial management and mental health support for our 'workers' category of employees • Explore the possibility of extending wellness support to other countries where the Group operates
Structured Development Programmes	Ensure that SDP's future leaders are equipped with critical leadership and technical skills to be effective and capable leaders.	• Development of 27 endorsed successors through an executive coaching programme to prepare them for the identified roles • Building leadership and managerial capabilities in Upstream Malaysia through the UpLIFT programme • Structured development and intervention initiatives to address development areas to achieve excellent business and operational results in each business segment	• Ensure continued involvement of leaders in developing talents and facilitating robust talent discussions at Talent Councils • Extend executive coaching programmes to endorsed successors of MCPs • Expand UpLIFT programme to other countries that the Group operates in • Identify structured development programmes to ensure every employee is developed to his or her fullest potential. • Implement leadership development programmes for senior management successors and middle management high potential talents • Implement a Rotation Programme to provide in-depth experience and exposure, ongoing mentoring and targeted training across business segments within the Group • Implement programmes to educate the workforce on ILO labour practice requirements
Workers Localisation Initiative	Attract and retain Malaysian talents and reduce dependency on foreign labour to meet the critical business and operational needs within our plantations.	• Rebranding of jobs and implementation of incentive schemes to attract Malaysian talents and improve living standards • Employment of 5,314 Malaysians through various initiatives • Initiated Harvesting School	• Enhance remuneration to attract more Malaysian talents • Implement an elevation programme for qualified employees to move away from traditional jobs and increase their job value • Initiate collaboration with government agencies and learning institutions to engage Malaysian talents • Ensure robust recruitment campaigns
NADI People Management System	NADI, a business-centric, cloud-based HR platform, helps to streamline our people management processes and practices across the Group for better efficiency and effectiveness.	• Successful implementation in SDP's Malaysian operations • Building awareness and encouraging usage of NADI through nationwide change initiatives such as 'Train the Trainers' and NADI User Clinics	• Focus on system stabilisation and enhancements • Develop internal capabilities to maintain the system and provide technical support • Continue to educate and provide training to increase system adoption • Design and deploy system solutions in Indonesia, Thailand, and Singapore

SUSTAINABLE VALUE CREATION

SDP's vision to be an integrated, leading player in the global palm oil industry is underscored by our unwavering commitment to grow a sustainable business to create long-term value. Over the years, our adherence to responsible practices has made its mark in our corporate culture as well as our operations.

Our approach to sustainability embraces and contributes to the United Nations' Sustainable Development Goals (SDGs) by identifying and prioritising relevant goals where we can make the most impactful contributions. Our approach also includes stakeholder engagements and consultations with our customers, investors, experts and civil society organisations.

The three key pillars of SDP's sustainability purpose are: contributing to a better society, minimising environmental harm and delivering sustainable development.

To deliver our commitment to respect human rights, SDP strives to implement fair labour practices, provide a safe and healthy working environment and implement measures to help mitigate the risk of forced labour throughout our entire operations.

SDP continues to be at the forefront of the industry by developing leading practices and standards for climate action including efforts to decarbonise our operations via our renewables businesses, implementing nature-based solutions through reforestation and conservation efforts whilst utilising the best available science to understand key climate related physical risks and to develop and implement mitigation actions.

As far as we can, we will leverage our presence and influence to inspire collective action to achieve maximum impact. SDP is committed to eliminate deforestation from our supply chains as part of our responsible sourcing efforts. We also strive to embed rigorous practices to ensure greater supply chain traceability, and enhanced risk management, monitoring and engagement to ensure compliance to our No Deforestation, No Peat and No Exploitation (NDPE) commitments whilst being as inclusive as possible in our supply chain.

Given the scale of our operations and presence in the industry, we are mindful that we have the scale of influence to make an impact and engender collective action in the industry. Hence, we constantly strive to work with like-minded stakeholders to set new standards and best practices in the industry beyond meeting basic compliance standards.

Through our sustainability goals and initiatives, we aim to make a positive impact on people, the environment, humanity, and the communities we operate in.

KEY SUSTAINABILITY HIGHLIGHTS

In pursuit of our sustainability goals, SDP achieved several milestones and breakthroughs in FY2021.

- During the year, we rolled out several initiatives as part of SDP's continuous efforts to improve and enhance our labour practices in Malaysia. These initiatives further reinforced our commitment to uphold human rights and to eradicate forced labour.
- Our commitment to people and the community provided strong impetus for us to lend our support to governments and health agencies to fight COVID-19. These were in the form of financial and medical equipment support which we gave to health authorities and hospitals across Malaysia, Indonesia, and Papua New Guinea.
- SDP also actively supported the government's COVID-19 vaccination drive by setting up vaccination centres to provide access to our employees and others in the community. This included a drive-through vaccination centre for people with disabilities located at SDP's HQ.
- The safety & health of all our employees remains a key priority. In FY2021, SDP recorded a 13.1% reduction in the frequency of work-related safety and health incidents against FY2020. This rate has been reducing every year for the past five years.
- As part of our efforts to contribute to global action on climate change, we continued to build up green infrastructure in expanding our renewables business. To date, we have 12 operating biogas facilities, one large-scale solar project, and five internal solar systems installed at our operations. We are currently working on developing a roadmap to become a net zero emissions company.
- To date, we have planted 1,892,182 trees since 2008 as part of our reforestation and conservation efforts globally. As of December 2021, a total of 46,892 hectares – two third the size of Singapore – have been identified as HCV and conservation set-aside (CSA) areas.
- On our supply chain, we continue to commit to responsible sourcing. A total of 75% of our supplying mills are delivering and progressing on 'no deforestation' commitments. In FY2021, we achieved 96% traceability to mill and 70% traceability to estate for our global supply chain, and we look to further improve this.
- SDP's sustainability commitments scored 83.4% in Zoological Society of London's (ZSL) Sustainable Palm Oil Transparency Toolkit (SPOTT) assessment; a 0.9% improvement from the previous year This toolkit applies an assessment framework to determine the sustainability of oil palm growers' operations across various categories such as greenhouse gas policies, environmental management and full traceability along their supply chains. This commendable score affirms and underlines SDP's strong commitment to achieve sustainable growth for the future.

More details can be found in the Sustainability Report at page 5.

Biogas Facilities Operational

12

Trees Planted

1,892,182

We aim to make a positive impact on people, the environment, humanity, and the communities we operate in.

SUSTAINABLE VALUE CREATION

OUR KEY FOCUS AREAS

Climate Action	Human Rights	Responsible Sourcing
Transition Towards a Climate Positive Business	**Helping People Thrive**	**Building Climate Resilient Supply Chains**
We are making efforts to minimise our environmental impact through decarbonisation of our operations and supply chain, as well as making a positive impact on the environment. Understanding the need for and importance of conserving the natural environment, we implemented environmental management practices in our operations that are targeted at reforestation and enhancing biodiversity.	We are committed to helping people thrive and ensuring their well-being. One of our central commitments is to respect, support and uphold the fundamental human rights of those in and around our operations.	We believe that traceability is critical in halting deforestation. Tracking supply back to its source will make it possible to identify where problems exist. In order to achieve this across the industry, all stakeholders in the supply chain must share this vision, collaborate and cooperate to implement a system that is regulated. Working together, we can ensure a fully sustainable palm oil industry.
Protecting the Environment • Carbon Reduction • Renewable Energy • Emissions Management • Fire & Haze Management • Waste & Water Management **Enhancing the Environment** • Reforestation and Restoration • Peatland Conservation • Land Use Management	• Decent Working and Living Environment • Safety & Health • Ethical Recruitment • Diversity and Inclusion • Community Development • Children Rights • Grievance Mechanisms	• Traceability • Supply Chain Monitoring and NDPE Compliance • Supplier Risk Management • Supplier Engagement • Smallholder Inclusion

ADDRESSING THE CLIMATE CRISIS

Over the years, we have developed advanced approaches to respond to the climate crisis. SDP has implemented clear operational guidelines for our operations and our supply chains to minimise and avoid greenhouse gas (GHG) emissions. These have been identified through developments within the industry and SDP's own research. This year, we have better aligned our annual disclosures to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

CLIMATE GOVERNANCE

- The Board takes an active role in looking into climate change related matters of the Group through the Board Sustainability Committee (SC). The SC supports the Board's oversight of SDP's sustainability objectives, policies, and practices which includes climate-related strategies and programmes.
- The Group Managing Director (GMD) is accountable for sustainability related matters for the entire Group, including climate change. This is then cascaded down to the respective members of the Plantation Leadership Committee (PLC). The PLC is chaired by the GMD. ESG related metrics are included as part of the GMD's corporate scorecard where one of the Key Performance Indicators measures SDP's performance against an external sustainability benchmark. These metrics include SDP's climate change commitments and progress in decarbonisation.

More details can be found in the Sustainability Committee Report at page 101, and the Sustainability Report – Governance page 113.

STRATEGY

- Our climate change related strategies focus on efforts to decarbonise our operations and supply chains, whilst future-proofing our operations to withstand the effects of climate change:
  - Investments to minimise operational emissions, which include methane capture, solar, operational efficiencies, and other renewables projects to decarbonise our operations.
  - Implementing Nature-Based Solutions, which include SDP's efforts around conservation and reforestation within our concession areas.
  - Eliminating deforestation within our supply chain, which include improving the transparency of our supply chain, and the monitoring and management of No Deforestation, No Peat and No Exploitation (NDPE) compliance by suppliers and smallholders.
  - Focusing on Yield, where SDP's strategy as a Group has shifted to focus on increased productivity and the expansion of Downstream businesses rather than Upstream landbank expansion.

More details of SDP's strategy and progress can be found in the Sustainability Report, Addressing the Climate Crisis, page 65.

RISK MANAGEMENT

- The Group's Enterprise Risk Management Framework includes the assessment of internal and external climate related risks and are reported to the Board Risk Management Committee. Key climate-related risks are:
  - Physical Risks: These include the risk of rising sea levels, changing weather patterns, and increases in temperature. Data from the latest IPCC Assessment Report in FY2021 provides scientific data that the R&D team has used to assess potential impacts in the medium to longer term. Responses to these risks include the implementation of mitigation action in coastal areas which are prone to flooding and further efforts from R&D in developing more climate resilient planting materials. In the longer term, further studies are to be conducted to assess the suitability of these high-risk areas for future replanting cycles, and renewal of long-term leases.
  - Transition Risks: These include increased regulatory and customer requirements with rising expectations globally for climate action. The trajectory of this may potentially lead to stronger climate-related requirements which SDP's will need to compliance with in the short to medium term. SDP is taking extensive efforts to decarbonise our operations to mitigate the potential impact of these emerging requirements. These include the implementation of renewables, eliminating deforestation from our supply chain and implementation of nature based solutions.

More details can be found in the Group Risk Management Framework, page 107 and the Sustainability Report – Addressing the Climate Crisis, page 65.

▲ SDP is implementing nature-based solutions and pursuing conservation and reforestation efforts within our concession areas.

METRICS AND TARGETS

- SDP has now set a target to achieve 50% emissions reduction by 2030, which has increased from the previous target of 40%. We have been monitoring and reporting on Scope 1 & 2 operational emissions annually since 2012, and our decarbonisation progress in meeting targets are disclosed publicly. In 2021, SDP's Scope 1&2 operational emissions amounted to 2.81mt CO_2e.

More details of the SDP's climate change metrics and targets can be found in the Sustainability Report – Addressing the Climate Crisis, page 65.

SDP's disclosures aligned with the TCFD recommendations are embedded throughout the Annual Report and the Sustainability Report. The table below outlines the key TCFD recommendations, and how disclosures are positioned to meet those recommendations. Key areas which are currently under development include quantitative scenario planning and Scope 3 disclosures, which we target to be able to start disclosing by 2023.

		TCFD Recommendation Areas										
		Governance		Strategy			Risk Management			Metrics and Targets		
	Section in the reports where the disclosures in alignment with the TCFD recommendations are covered	**Board Oversight**	**Management's Role**	**Risk and Opportunities**	**Impact on Business**	**Scenario Analysis**	**Risk Identification**	**Risk Management**	**Risk Integration**	**Metrics**	**Details Scope 1 & 2**	**Targets**
Annual Report	Chairman's Statement (page 12)	✓										
	GMD's Questions and Answers (page 18)		✓									
	Sustainable Value Creation (page 76)			✓	✓		✓	✓	✓	✓		
	Group Risk Management Framework (page 107)			✓			✓	✓	✓			
	Sustainability Committee Report (page 101)	✓	✓									
Sustainability Report	GMD's Statement (page 3)		✓		✓							✓
	Targets & Progress (page 7)											✓
	Addressing the Climate Crisis (page 65)			✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sustainability Governance (page 113)	✓	✓									
	Greenhouse Gas Emissions (page 75)									✓	✓	✓

BOARD OF DIRECTORS

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN DATUK SERI DR HAJI MEGAT KHAS

Chairman, Non-Independent Non-Executive Director

DATE OF APPOINTMENT:
1 July 2020

NATIONALITY:
Malaysian

AGE:
77

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Chairman of Asian Pac Holdings Berhad
Chairman of SEG International Berhad
Chairman of Farm Fresh Berhad

Public Companies:
President of Federation of Public Listed Companies Berhad

AREAS OF EXPERTISE:
Legal and Governance

RELEVANT EXPERIENCE:
Tan Sri Megat brings with him a wealth of experience in both the private and public sectors which spans five decades. He was a former director of PETRONAS, Chairman of Tradewinds Corporation Berhad, member of National Economic Consultative Council 2 and President of Malaysian Institute of Corporate Governance.

Through his extensive knowledge and understanding of national policy as well as social, legislative and governance frameworks, Tan Sri Megat provides leadership in setting high governance standards across the Group.

INDUSTRY BACKGROUND
- Property development
- Public administration
- Banking institutions
- Plantation

MOHAMAD HELMY OTHMAN BASHA

Group Managing Director

DATE OF APPOINTMENT:
1 July 2019

NATIONALITY:
Malaysian

AGE:
55

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies: None

AREAS OF EXPERTISE:
Plantation, Management and Finance

RELEVANT EXPERIENCE:
Encik Mohamad Helmy was a former Chief Executive Officer of Highlands & Lowlands Berhad and Guthrie Ropel Berhad. He also held various senior leadership positions in Sime Darby Plantation Berhad's (SDP) Upstream business and Kumpulan Guthrie Berhad. Encik Helmy's multidisciplinary experience and knowledge are invaluable to the Group as he steers SDP's global business towards its vision of becoming a leader in business and environmental sustainability.

INDUSTRY BACKGROUND
- Plantation
- Property development
- Oil & Gas

DATUK ZAITON MOHD HASSAN

Senior Independent Non-Executive Director

G N S

DATE OF APPOINTMENT:
24 February 2016 (Appointed as Senior Independent Non-Executive Director of SDP on 14 July 2017)

NATIONALITY:
Malaysian

AGE:
65

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Sunway Berhad

Public Companies: None

AREAS OF EXPERTISE:
Banking and Finance

RELEVANT EXPERIENCE:
Datuk Zaiton has over 44 years of leadership experience in accountancy, banking and finance in PricewaterhouseCoopers, Bank Pembangunan Malaysia Berhad, Malayan Banking Berhad and Malaysian Rating Corporation Berhad. Backed by her extensive experience, Datuk Zaiton plays a pivotal role in establishing strong frameworks and best practices for robust financial governance as well as effective financial and risk management for the Group.

INDUSTRY BACKGROUND
- Banking
- Fund management
- Rating agency

Board Committees

G Governance & Audit Committee
N Nomination & Remuneration Committee
R Risk Management Committee
S Sustainability Committee
B Board Tender Committee
◯ Denotes Committee Chairman

DATO' HALIPAH ESA
Independent Non-Executive Director

N B S

DATE OF APPOINTMENT:
1 September 2020

NATIONALITY:
Malaysian

AGE:
72

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
S P Setia Berhad

Public Companies:
None

AREAS OF EXPERTISE:
Economics and Public Administration

RELEVANT EXPERIENCE:
Dato' Halipah has served as a consultant to the World Bank and United Nations Development Programme. She has also held various senior public administration roles in the Economic Planning Unit of the Prime Minister's Department and Ministry of Finance. Dato' Halipah contributes a dynamic and wide-lens view of public policy which helps to broaden SDP's strategic perspectives on social issues.

INDUSTRY BACKGROUND
- Economic development planning & budgeting
- Public administration & Intergovernmental institutions
- Property development
- Port & Shipping
- Education & Training

ZAINAL ABIDIN JAMAL
Non-Independent
Non-Executive Director

R B S

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
67

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies:
Chairman of PADU Corporation
(Limited by Guarantee)

AREAS OF EXPERTISE:
Legal, Business and Regulatory Affairs

RELEVANT EXPERIENCE:
Encik Zainal Abidin is an Advocate & Solicitor specialising in corporate and securities law. He is also Chairman of PADU Corporation, (a company limited by guarantee) of the Ministry of Education, which oversees the implementation of the Malaysian Education Blueprint 2013 – 2025. He is also a member of the Shariah Advisory Council of Bank Negara Malaysia. With his experience in both plantation and commercial matters, Encik Zainal Abidin provides invaluable insights to the Group in reviewing legal matters, risk assessments related to business cases as well as general risk management policies and strategies.

INDUSTRY BACKGROUND
- Plantation
- Legal services/Alternative Dispute Resolution
- Banking & Finance
- Education
- Construction/Infrastructure development
- Property development

DATO' HENRY SACKVILLE BARLOW
Independent Non-Executive Director

S N

DATE OF APPOINTMENT:
5 April 2019

NATIONALITY:
British

AGE:
77

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies: None

AREAS OF EXPERTISE:
Finance, Plantation and Sustainability

RELEVANT EXPERIENCE:
Dato' Barlow is Joint Chair of the Grievance Committee of the Roundtable on Sustainable Palm Oil (RSPO) and former Joint Chairman of the RSPO Biodiversity Technical Committee. Dato' Barlow's wide-ranging leadership experience of over 50 years in the plantation industry is an asset as he contributes keen insights on plantation management and sustainability issues to the Group.

INDUSTRY BACKGROUND
- Plantation
- Banking

BOARD OF DIRECTORS

DATO' MOHD NIZAM ZAINORDIN

Non-Independent
Non-Executive Director

G N

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
58

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies:
Pengurusan Pelaburan ASN Berhad

AREAS OF EXPERTISE:
Finance and Investment Management

RELEVANT EXPERIENCE:
Dato' Mohd Nizam has over 25 years of regional fund management experience across various senior roles in Permodalan Nasional Berhad. He contributes invaluable financial expertise to the Group in implementing strong financial governance as well as ensuring a consistent enterprise-wide approach to the Group's investment and capital allocation strategy.

INDUSTRY BACKGROUND
- Fund management

DATUK MOHD ANWAR YAHYA

Independent Non-Executive Director

G R

DATE OF APPOINTMENT:
10 May 2021

NATIONALITY:
Malaysian

AGE:
67

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Fraser & Neave Holdings Berhad

Public Companies:
Maybank Islamic Berhad
Amanah Saham Nasional Berhad
PADU Corporation (Limited by Guarantee)

AREAS OF EXPERTISE:
Accounting and Finance

RELEVANT EXPERIENCE:
Datuk Mohd Anwar has more than 43 years of experience in accounting and finance. He also held various financial and business advisory roles in PricewaterhouseCoopers that span over a wide range of industries. With his extensive industry experience ranging from real estate to utilities and financial services, he contributes his expertise to the Group in the establishment of strong frameworks and best practices for robust financial governance as well as effective financial and risk management.

INDUSTRY BACKGROUND
- Accounting and Finance
- Debt Restructuring, Merger & Acquisition and Specialist Valuation
- Public Sector – Policy and Strategy
- Plantation

TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS

Non-Independent
Non-Executive Director

S

DATE OF APPOINTMENT:
1 January 2020

NATIONALITY:
Malaysian

AGE:
52

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
IHH Healthcare Berhad
Bumi Armada Berhad

Public Companies:
Malaysia Aviation Group Berhad
Malaysia Airlines Berhad
Prudential BSN Takaful Berhad
Malaysia Venture Capital Management Berhad

AREAS OF EXPERTISE:
Sustainability, Enterprise Digitalisation & Transformation, Corporate Strategy and Fund Management

RELEVANT EXPERIENCE:
Tunku Alizakri brings close to 30 years of experience at senior management and board roles in multiple sectors and industries. He was previously the Chief Executive Officer of the Employees Provident Fund of Malaysia, a post he held from 2018 to 2021.

Tunku Alizakri's passion and expertise in sustainability and enterprise digitalisation transformation contribute significantly to the Group's sustainability roadmap implementation as well as the management of sustainability and cyber risks.

INDUSTRY BACKGROUND
- Retirement fund
- Financial industry
- Central banking
- Social security, healthcare, media and telecommunications
- Property development
- Plantation and Oil & Gas

Board Committees

G Governance & Audit Committee
N Nomination & Remuneration Committee
R Risk Management Committee
S Sustainability Committee
B Board Tender Committee
◯ Denotes Committee Chairman

TAN TING MIN
Independent Non-Executive Director

G R B

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
53

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
IJM Corporation Berhad

Public Companies: None

AREAS OF EXPERTISE:
Equity Research and Investment Analysis

RELEVANT EXPERIENCE:
Ms Tan Ting Min has close to 25 years of experience in equity research and investment with specific focus on regional plantation sector and Malaysia investment strategy. Ms Tan brings a comprehensive depth of sector-specific expertise and macroeconomic insights to the leadership team on investment strategy, asset allocation, investor engagement and assessment of key risks related to operations and business transactions.

Ms Tan is the Board's representative in SDP's wholly-owned subsidiaries, Sime Darby Oils International Limited and New Britain Palm Oil Limited.

INDUSTRY BACKGROUND
- Equity research
- Securities investment
- Plantation

LOU LEONG KOK
Independent Non-Executive Director

R

DATE OF APPOINTMENT:
1 December 2017

NATIONALITY:
Singaporean

AGE:
67

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies: None

AREAS OF EXPERTISE:
Trading and Investment Management

RELEVANT EXPERIENCE:
Mr Lou Leong Kok has extensive industry experience in the edible oil sector. He spent over 41 years of his career managing investments and businesses of edible oil and grains trading, shipping, storage terminals and biofuel manufacturing. He also has an advisory role in a leading physical palm brokerage. With his experience and expertise, Mr Lou plays a prominent role in the Group's operational excellence initiatives and strategic growth agenda. He also provides insights on the monitoring of trading activities and assessment of key associated risks, particularly in downstream operations.

INDUSTRY BACKGROUND
- Edible oils
- Trading & Investment
- Storage terminals & Logistics
- Biofuel manufacturing

Additional Information

1. Save as disclosed below, none of the Directors has any family relationship with and is not related to any director and/or major shareholder of SDP, nor has any personal pecuniary interest in any business arrangement involving the Company:
   (i) The nominee Directors of Permodalan Nasional Berhad are as follows:
   - Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas;
   - Encik Zainal Abidin Jamal; and
   - Dato' Mohd Nizam Zainordin.

   (ii) Tunku Alizakri Raja Muhammad Alias is a nominee Director of the Employees Provident Fund Board.
   (iii) Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas is a shareholder of SDP holding 10,025 ordinary shares.
2. None of the Directors has any conviction for offences within the past five years, nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year other than traffic offences, if any.
3. None of the Directors has any conflict of interest with SDP.
4. None of the Directors hold more than five directorships in listed issuers.
5. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2021 are set out in the Corporate Governance Overview Statement on page 87.

For further information on the biographies of each Director, qualifications and past experience, please visit SDP's website at www.simedarbyplantation.com

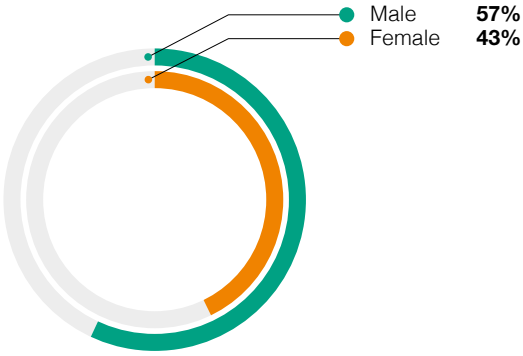
LEADERSHIP TEAM

1. **MOHAMAD HELMY OTHMAN BASHA**
   Group Managing Director
2. **MOHD HARIS MOHD ARSHAD**
   Managing Director, Sime Darby Oils
3. **RENAKA RAMACHANDRAN**
   Chief Financial Officer
4. **ZULKIFLI ZAINAL ABIDIN**
   Chief Human Resources Officer
5. **DR SHARIMAN ALWANI MOHAMED NORDIN**
   Chief Strategy & Innovation Officer
6. **DR HARIKRISHNA KULAVEERASINGAM**
   Chief Research & Development Officer
7. **ADI WIRA ABD RAZAK**
   Chief Operations Services Officer
   Chief Executive Officer, Upstream Indonesia
8. **AZRIN NASHIHA ABDUL AZIZ**
   Group Secretary
9. **LEELA BARROCK**
   Chief Communications Officer
10. **LEE AI LENG**
    Group General Counsel
11. **SUHAILAH MOHAMED ABDULLA**
    Chief Integrity & Assurance Officer
12. **GAJANI NAYAGI SEEVENESERAJAH**
    Chief Risk Officer
13. **RASHYID REDZA ANWARUDIN**
    Head, Group Sustainability
14. **ADITYA TULI**
    Chief Digital Officer

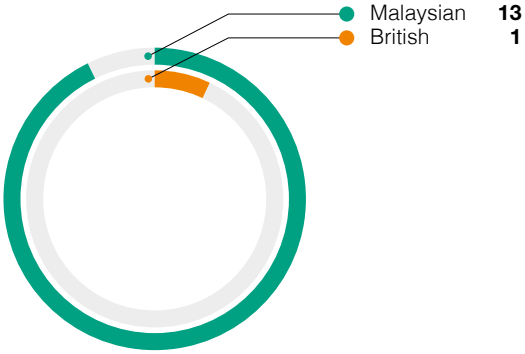
Additional Information

Adi Wira Abd Razak has been appointed as the Chief Executive Officer, Upstream Indonesia effective from 1 April 2022.

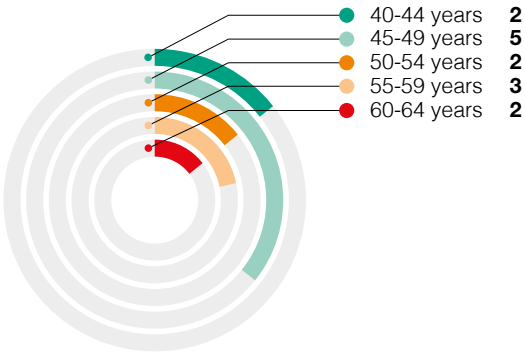
GENDER



NATIONALITY



AGE



The profiles of the Leadership Team are available online in the Our Leaders section at www.simedarbyplantation.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Effective Corporate Governance (CG) emphasises our commitment to responsible business practices in protecting shareholder value and the sustainable growth of the Group. We recognise the importance of setting an appropriate tone at the top to ensure that ethical standards of behaviour cascade and are entrenched throughout the Group at all levels. Our Core Values are embedded across the Group and they underpin our business model and strategy of delivering long-term shareholder value.

As a testament to our commitment to ethical conduct, the Board of Sime Darby Plantation Berhad (SDP) embraces the enhanced corporate governance disclosures as set out in the following:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the Listing Requirements);
- Companies Act 2016 (Malaysia);
- Corporate Governance Guide – 4th Edition issued by Bursa Malaysia Berhad; and
- Malaysian Code on Corporate Governance (MCCG) 2021.

The Company complied substantially with the practices outlined in the MCCG 2021 for the period under review.

The overall status of application of the MCCG 2021 is disclosed in our Corporate Governance Report 2021, which is also available on SDP's website under the Stock and Shareholder Information section at www.simedarbyplantation.com

This statement is made in accordance with a resolution of the Board of Directors dated 22 April 2022.

CORPORATE GOVERNANCE FRAMEWORK

Our CG framework is based on the following principles:

- To promote greater transparency, accountability and responsiveness.
- To balance the operating autonomy of the various Group Companies with appropriate checks and balances and performance benchmarks.
- To cultivate ethical business conduct and instil desired behaviour based on the Group's espoused Core Values and Business Principles as set out in the Code of Business Conduct (COBC).

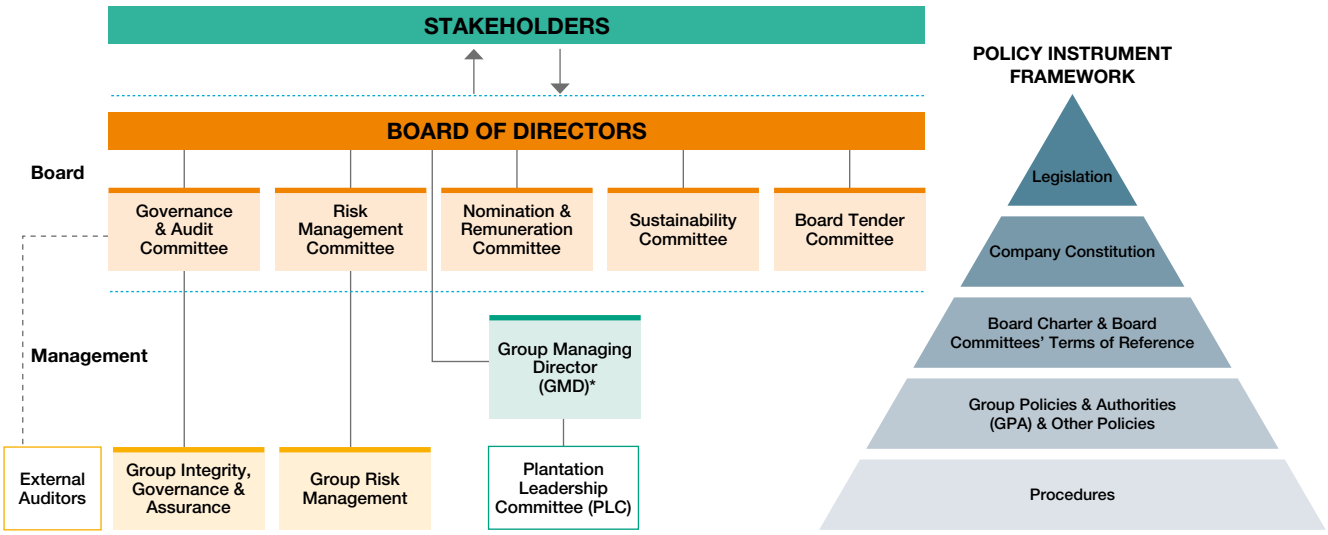
The diagram below illustrates our Group's governance structure:

The Board's primary remit is to provide direction to help shape the Group's strategy and ensure that it is being executed effectively within a well-controlled structure, that risks are mitigated and the Group is compliant with the requisite rules and regulations.

The Board also believes in the alignment between shareholder's value and wider stakeholder's interest. To ensure appropriate checks and balances on our sustainable development journey, the Board commits to providing credible and comprehensive reporting, which epitomises our commitment to engage and carry out effective communications with stakeholders.

The Board Committees are established to assist the Board in discharging its statutory and fiduciary responsibilities. This includes ensuring independent oversight of risk management and internal controls. The Board Committees remain up to date and focussed on their relevant areas, thus enabling the Board to take a broader perspective, looking at enterprise-level issues such as strategy and governance.

The TOR of each Board Committee is available on SDP's website under the Corporate Governance section at www.simedarbyplantation.com



Note: * The GMD is also an Executive Director of the Board

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES

Our Board Charter sets out the Board's strategic intent and outlines the roles and powers that the Board reserves explicitly for itself, and those which it delegates to Management. In so doing, it also sets the tone of the various Board Committees.

The roles and responsibilities of the Board, the Chairman, Directors, Senior Independent Non-Executive Director and the Group Managing Director (GMD) are provided in the Board Charter which is available on SDP's website under the Corporate Governance section at www.simedarbyplantation.com.

BOARD MEETINGS & ATTENDANCE

Board and Board Committee Meetings **2021**

166 total hours

73	25	10	16	38	4
Board (including Board Retreat)	GAC	NRC	RMC	SC	BTC

Notes:
GAC – Governance & Audit Committee
NRC – Nomination & Remuneration Committee
RMC – Risk Management Committee
SC – Sustainability Committee
BTC – Board Tender Committee

Details of the key activities of the Board are set out on page 88. The key activities of each Board Committee are set out within the relevant Committee reports from pages 93 to 105.

Board and Board Committee Meetings **2020**

97 total hours

33	23	7	18	11	5
Board (including Board Retreat)	GAC	NRC	RMC	SC	BTC

The breakdown of Directors' attendances at the Board and Board Committee Meetings in FY2021 are set out below:

		Meeting Attendance#					
Directors	**Designation/ Independence**	**Board**	**GAC**	**NRC**	**RMC**	**SC**	**BTC**
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	Chairman, Non-Independent	13/13					
Datuk Zaiton Mohd Hassan	Senior Independent	13/13	6/6	4/4	2/3	11/12	
Dato' Halipah Esa	Independent	13/13		4/4		12/12	4/4
Zainal Abidin Jamal	Non-Independent	13/13			6/6	14/15	3/4
Dato' Henry Sackville Barlow	Independent	13/13	3/3	4/4		15/15	
Dato' Mohd Nizam Zainordin	Non-Independent	13/13	6/6	4/4			
Datuk Mohd Anwar Yahya[1]	Independent	8/8	3/3		3/3		
Tunku Alizakri Raja Muhammad Alias	Non-Independent	13/13				15/15	
Tan Ting Min	Independent	13/13	6/6		6/6		4/4
John Lou Leong Kok	Independent	13/13			6/6		
Mohamad Helmy Othman Basha	Group Managing Director	13/13					

Notes:
Reflects the number of meetings held during the time the Director held office.
1 An Independent Director, Datuk Mohd Anwar Yahya, was appointed on 10 May 2021. Datuk Mohd Anwar was also appointed as member of the GAC and RMC on 20 May 2021.

Key Matters Considered by the Board	
COVID-19	In 2021, COVID-19 continued to impact the way we do business across our operations. The Board is cognisant of its role in preserving value for our shareholders, even in times of pandemic. The pandemic, and its potential impacts, were at the forefront of the Board's mind when deliberating and considering proposals as well as constant monitoring of developments surrounding the pandemic. More importantly, the Company ensured that our employees' health and welfare, jobs, wages, and related benefits were secured and not severely impacted by the pandemic. *Further details on COVID-19 are available on page 19 of the Sustainability Report 2021.*
Respecting Human Rights	The Board made strong commitments to human rights and increased its oversight in the area during the year. Out of the 13 Board Meetings held in 2021, the Board deliberated on efforts to resolve the United States Customs and Border Protection (USCBP) Withhold Release Order (WRO) and Finding in 11 meetings with three meetings convened specifically to focus on the issue. To further support the Board, the Sustainability Committee (SC) was tasked with overseeing the progress of the corrective action plans developed and implemented at SDP's Malaysian operations in accordance with the 11 International Labour Organisation (ILO) Forced Labour Indicators. The Board also approved the adoption of an additional terms of reference of the SC in relation to the Assessment of Labour Practices in accordance with the ILO Forced Labour Indicators. The terms of reference defined the additional functions/responsibilities of the SC. In fulfilling the additional function, the SC increased its frequency of meetings in FY2021 to include fortnightly special meetings to deliberate on the matter extensively. The Board is pleased to update that significant effort and improvements have been implemented by Management to enhance policies, procedures and labour practices. *Further details on the USCBP WRO and Finding can be found in the Sustainability Committee Report on page 101 and in the Annual Report on page 23.*
Setting Strategy	The Group strategy is focussed on creating sustainable value. The Board remains committed to creating a shared future for our people and our stakeholders. Strategy setting continued as a core focus of the Board with the Group strategy, plans and budgets being matters reserved for the Board. Amidst the COVID-19 pandemic and the USCBP WRO and Finding, the Board and Management strived to create maximum shared value by delivering on its purpose and ensuring the relevance and sustainability of the Group's business model.

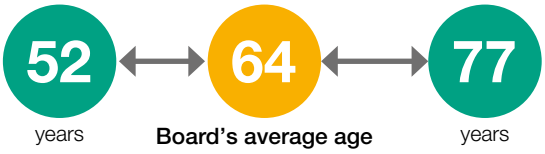
Focus Areas
Areas that the Board had reviewed and discussed with Management include:

Strategy and Business Plan	• The Board, together with the Plantation Leadership Committee members, discussed the strategic direction of the Company in the Board Retreat held in September 2021. The Retreat focussed on key areas including ways to redefine business through innovation; leadership in Environmental, Social and Governance (ESG); charting SDP's next growth area in Renewable Energy; and strategy on alternative land use. • A session by the GMD on strategy and business plan was held at the start of each quarterly Board meeting to provide an overview of the Group's strategic progress and current operating environment. • The Board deliberated on the overall Sime Darby Oils corporate structure and its restructuring plans including capital expenditure for expansions and divestment proposal.
Finance and Business Performance	• The Board had in-depth deliberations on the financial and business performance of the Group.
Governance, Risk and Compliance	• During FY2021, the Board reviewed changes in and considered the adoption of key policies, procedures and delegated authority limits of the Group such as the Group Policies & Authorities, the COBC handbook, and the Anti-Corruption Compliance Framework. *Further details on Governance, Risk and Compliance can be found in the Governance & Audit Committee Report on page 93, the Risk Management Committee Report on page 105, and in the Statement on Risk Management and Internal Control on page 106.*

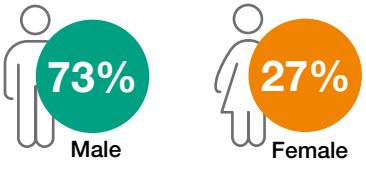
BOARD COMPOSITION, DYNAMICS AND EFFECTIVENESS

Board Composition and Dynamics

Age Diversity as at 1 April 2022



Gender



Nationality/Ethnicity

Balance of Independent and Non-Independent Directors

The profiles of the Board of Directors are on pages 80 to 83 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD, BOARD COMMITTEES AND DIRECTORS' EFFECTIVENESS

Board & Directors' Effectiveness Evaluation

The Nomination & Remuneration Committee (NRC) carries out the Board & Directors' Effectiveness Evaluation (BDEE) exercise on an annual basis. An independent external consultant was engaged to facilitate the BDEE for the financial year ended 31 December 2020. The BDEE 2020 included questionnaires and interviews with all the Directors and selected Senior Management.

For 2021, the NRC reviewed the actions taken based on the results of the BDEE 2020 and conducted the BDEE 2021 internally through an internal questionnaire evaluation based on the agreed assessment criteria. The BDEE 2021 questionnaires comprised the Board, Board Committee, and Directors' Self and Peer Evaluations.

The findings of the BDEE 2021 were presented to the Board in April 2022 for review. The results of the BDEE 2021 reflected a generally satisfactory performance by the Board and Board Committees. All Directors have responded that they are fit and proper. The Board had also agreed on appropriate action plans to address the key findings of the BDEE 2021 in order to further enhance the Board's effectiveness.

Details of the key findings and focus areas of the BDEE 2021 are disclosed in the Corporate Governance Report 2021 available on SDP's website under the Stock and Shareholder Information section at www.simedarbyplantation.com

Board Committees' Effectiveness in accordance with its Terms of Reference (TOR)

The Board has reviewed the effectiveness of all Board Committees in carrying out their duties as set out in the respective Committees' TOR. The Board is satisfied that all Board Committees have effectively discharged their duties in accordance with their TOR.

CORPORATE CULTURE & VALUES

- The COBC guides the standards of behaviour expected of all Directors and employees of the Group, and where applicable, Counterparties and Business Partners.
- Our commitment to excellence extends beyond our organisation. In this regard, our Vendor COBC guides our vendors on the required standards of behaviour when conducting work for the Group and mirrors our Group's Core Values and Business Principles. By signing the Vendor Integrity Pledge, our vendors agree to comply with our standards of behaviour, including but not limited to labour & human rights, sustainability, health, safety & environment and ethics & management practices (including regulations on anti-bribery, fraud and corruption).
- Our Anti-Corruption Management System is a manifestation of our zero-tolerance policy against all forms of bribery and corruption and demonstrates the Group's commitment to combat corruption in furtherance of our Core Values and Business Principles.
- Our Grievance and Whistleblowing channels provide an avenue for the reporting of genuine concerns without fear of retaliation and reprisals. Any employee, stakeholder or member of the public can lodge their concerns via the Company's internally managed Whistleblowing Channel or externally managed grievance helplines.

PROFESSIONAL DEVELOPMENT AND CONTINUOUS EDUCATION

Newly appointed Directors participate in an on-boarding session designed to familiarise them with the Group's strategies and businesses, operational and financial performances, challenges, and organisational structure. New Directors are also provided with field visits and on-ground briefings for a better understanding of the Group operations.

All Directors are encourage to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge, and to ensure Directors keep abreast with new developments and legislation affecting the business. Our Directors regularly undertake professional development and upskilling programmes to enable them to perform their duties effectively. All Directors have completed the Mandatory Accreditation Programme (MAP).

For more details on the Directors' Training and Continuous Education Programme, please refer to the profiles of the Board of Directors on SDP's website under the Our Leaders section at www.simedarbyplantation.com

BOARD REMUNERATION

The Directors' remuneration policy is reviewed regularly to ensure that the remuneration framework is benchmarked against companies comparable to us in size and nature of business. This is to also ensure that the compensation of the Chairman and Directors are at least in the 75th percentile and 50th percentile of appropriate peer groups, respectively.

It is imperative that the Directors are remunerated competitively based on their roles and responsibilities to attract the right talent and calibre taking into account the performance of the Company, business direction, growth and aspirations.

The salient elements of the Directors' remuneration policy and a summary of the Executive Director's remuneration package are described in Practice 8.1 of the Corporate Governance Report 2021 available on SDP's website under Stock and Shareholder Information section at www.simedarbyplantation.com

Remuneration in the form of fees for FY2021 for the Non-Executive Directors of the Board and as members of the Board Committees is shown below:

Board/Board Committee	Chairman (RM/Year)	Member (RM/Year)	Meeting Allowance (RM/Meeting)
Board	600,000	240,000	1,500
Governance & Audit Committee	80,000	50,000	1,000
Nomination & Remuneration Committee	60,000	35,000	1,000
Risk Management Committee	60,000	35,000	1,000
Sustainability Committee	60,000	35,000	1,000
Board Tender Committee	60,000	35,000	1,000

Remuneration & Material Benefits of Our Directors

The NRC considered and recommended the remuneration of our Directors, which includes salaries and bonuses for the Executive Director and Director's fees, meeting allowances, and benefits for the Non-Executive Directors which were subsequently approved by our Board. Our shareholders approved the fees and benefits payable to the Non-Executive Directors at a general meeting of the Company.

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Group level for FY2021 are as follows:

		Directors' Fees[1]			Meeting Allowance[1]					Directors' Fees & Allowance[3]	
(RM'000)	Salary & Other Remuneration	As Directors	As Board Committee Members	Total Directors' Fees	As Directors	As Board Committee Members	Total Meeting Allowance	Benefits-in-kind[2]	Sub-Total	Subsidiaries of SDP	Grand Total
Executive Director											
Mohamad Helmy Othman Basha	4,169	N/A[6]	N/A[6]	N/A[6]	N/A[6]	N/A[6]	N/A[6]	50	4,219	0	4,219
Non-Executive Directors											
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas[4]		600	0	600	19	0	19	103	722	0	722
Datuk Zaiton Mohd Hassan	N/A[6]	240	150	390	19	23	42	3	435	0	435
Dato' Halipah Esa		240	116	356	19	20	39	2	397	0	397
Zainal Abidin Jamal		240	155	395	20	23	43	11	449	89	538
Dato' Henry Sackville Barlow		240	114	354	20	22	42	2	398	127	525
Dato' Mohd Nizam Zainordin		240	85	325	20	10	30	1	356	68	424
Datuk Mohd Anwar Yahya		155	53	208	12	6	18	8	234	0	234
Tunku Alizakri Raja Muhammad Alias		240	35	275	19	15	34	1	310	0	310
Tan Ting Min		240	120	360	20	16	36	3	399	189	588
Lou Leong Kok[5]		240	35	275	20	6	26	1	302	0	302
Total for Non-Executive Directors		**2,675**	**863**	**3,538**	**188**	**141**	**329**	**135**	**4,002**	**473**	**4,475**
Grand Total	**4,169**	**2,675**	**863**	**3,538**	**188**	**141**	**329**	**185**	**8,221**	**473**	**8,694**

Notes:

1 Paid by SDP

2 Benefits-in kind include Healthcare, Insurance and Mobile Phone

3 Paid by Subsidiary Companies of SDP

4 Company car, petrol and driver for Non-Executive Chairman

5 Non-Resident Director

6 N/A – Not Applicable

The NRC also reviewed and recommended to the Board a formal and transparent remuneration policy and framework for senior management of the Company and the Group, drawing on external consultants' advice as necessary. The remuneration of senior management has been benchmarked against the industry and is aligned with the market.

At the Annual General Meeting (AGM) 2021, the shareholders had approved the Remuneration Framework for the Non-Executive Directors which took effect in the financial year ended 2021. The review introduced meeting allowances and alignment of fees for resident and non-resident Non-Executive Directors of the Company.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

GOVERNANCE & AUDIT COMMITTEE (GAC)

The Company's Senior Independent Non-Executive Director, Datuk Zaiton Mohd Hassan, is the Chairman of the GAC. The GAC comprises three Independent Non-Executive Directors and one Non-Independent Director.

The GAC's TOR encapsulates its mandate which, among others, defines its purpose, composition, appointment, authority, functions and duties. In FY2021, the GAC convened six meetings, during which, significant matters relating to financial reporting, internal and external audits, as well as governance and related party transactions, among others, were discussed.

In effectively discharging its oversight roles on governance and internal controls, the GAC is assisted by the Chief Integrity & Assurance Officer (CIAO) who leads the Group's in-house internal audit (assurance) and integrity and governance functions.

The activities of the GAC as well as its roles are provided in the Governance & Audit Committee Report on pages 93 to 97 of this Annual Report and Section A of the Corporate Governance Report 2021 available on SDP's website under Corporate Governance section at www.simedarbyplantation.com.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has delegated its responsibilities of overseeing the effectiveness of risk management and internal control systems to the RMC and GAC. The RMC and GAC advise the Board on principal risks facing our business, accordingly.

Details of the Risk Management and Internal Control Framework are disclosed in the "Statement on Risk Management and Internal Control" on pages 106 to 111 of this Annual Report and Section A of the Corporate Governance Report 2021 available on SDP's website under Corporate Governance section at www.simedarbyplantation.com.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

The Board believes in transparent, regular, and effective communication with stakeholders to build trust, and facilitate understanding in the relationship between the Company and its stakeholder.

Timely and Quality Disclosure

The Board is committed to ensuring that all communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements. The AGM offers an opportunity to our shareholders to raise questions pertaining to the Company's performance directly to the Board, GMD and Senior Leaders.

The Company's corporate website is our key communication channel. It includes our corporate profile, all announcements made to Bursa Malaysia Securities Berhad, summary of the key matters discussed at the AGM, the latest press releases, financial results, new changes in shareholding, presentations to investors, analyst's briefings, corporate news and contact details to enable the public to forward queries.

The corporate website is updated periodically to provide current, informative and comprehensive information about the Group. In January 2022, we launched our revamped corporate website.

Integrated Reporting

Our Annual Report for FY2021 is prepared in accordance with the Global Reporting Initiative Standards: Core Option and the International <IR> Framework. All financial statements have been prepared according to the requirements of the Companies Act 2016 (Malaysia) and the Malaysian Financial Reporting Standards (MFRS), and audited by our external auditor, PricewaterhouseCoopers PLT.

CONDUCT OF GENERAL MEETINGS

Notice of the AGM in hardcopy is dispatched to shareholders or sent via electronic means at least 28 days prior to the AGM. The Notice is also advertised in English Malaysian newspaper and available on our website. The Notice provides a designated website link where relevant AGM materials and the Annual Report may be downloaded. Shareholders have the right to request a hardcopy of our Annual Report through the designated channel.

The AGM 2022 will be conducted virtually and shareholders will be able to view via live-streaming. Voting at the AGM will be conducted by poll by way of electronic voting (e-voting) via Remote Participation and Voting (RPV) facilities. Questions to the Board can be submitted in advance as well as through the real-time submission of typed texts during the proceedings of the AGM. The AGM provides an opportunity to the Directors and Senior Leaders to share the Company's progress and performance.

More detailed information on the AGM is available online in the Stock and Shareholder Information section at www.simedarbyplantation.com

GOVERNANCE & AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

There were changes in the composition of the Governance & Audit Committee (GAC) in FY2021 whereby Dato' Henry Sackville Barlow relinquished his position in the Committee and Datuk Mohd Anwar Yahya was appointed a GAC member on 20 May 2021. Details of the GAC members, their appointment date and attendance at GAC meetings are provided in the Corporate Governance Overview Statement on pages 86 to 92.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all the GAC members are Non-Executive Directors, with the majority being Independent Directors. Datuk Zaiton Mohd Hassan serves as the Chairman of the GAC, thus satisfying the requirement of a separation of powers between the Chairman of the Board and the Chairman of the GAC as prescribed by the Malaysian Code on Corporate Governance (MCCG) 2021. None of the GAC members is a former key audit partner of the Group.

The GAC members bring diversity in knowledge and skills to the Group in effectively discharging their duties. Among the four members of the GAC, Datuk Zaiton Mohd Hassan, Dato' Mohd Nizam and Datuk Mohd Anwar Yahya are qualified accountants. Additionally, Ms Tan Ting Min is an experienced equity strategist who has covered the plantation sector for close to 25 years. Their collective experiences and capabilities satisfy the need for the GAC to be financially literate and have sufficient understanding of the Group's activities.

The Group Managing Director, Chief Financial Officer, Managing Director of Sime Darby Oils, Chief Operations Services Officer, Chief Integrity & Assurance Officer (CIAO), and Chief Risk Officer are invited to attend meetings of the GAC to appropriately brief and furnish members of the GAC with pertinent information and clarifications to relevant items on the agenda. The external auditor, PricewaterhouseCoopers PLT (PwC), also attends the meetings to brief the GAC on matters relating to external audit for the current financial year and provide updates on past audit matters.

ROLES OF THE COMMITTEE

Key areas under the purview of the GAC include financial reporting and performance oversight, the Group's in-house internal audit (assurance) and integrity & governance functions, dealings with external auditors, related party transactions, share issuance schemes, as well as controls and governance oversight.

Detailed Terms of Reference (TOR) for the Committee is available on SDP's website under Corporate Governance section at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLAN

The GAC received updates on key governance matters, audit initiatives and issues across the Group at each of its quarterly meetings. The GAC also reviewed significant matters including financial reporting issues, significant judgements made by Management, material and unusual events or transactions, and how these matters were addressed. The summary of key matters discussed by the GAC during the year is shown below:

Significant Initiatives/Issues	Matters Considered	Outcomes
Impairment for immature rubber plantations	An impairment review was conducted on the Group's rubber plantations in Malaysia. Based on the assessment performed, an impairment charge representing the entire carrying amount of the immature rubber plantations was recognised. The value-in-use of the immature rubber plantations was based on a discounted cash flow projection over a period of 25 years, which is the remaining useful life of the rubber trees. PwC had evaluated the reasonableness of the key assumptions applied, engaged valuation experts in re-computing the discount rate to be applied, and assessed the sensitivity analysis performed by Management. They concurred on the reasonableness of the impairment charge recorded.	The GAC agreed with Management's assessment that appropriate disclosures on the impairment charge and key assumptions applied will be made in the FY2021 financial statements of the Group.
Impairment assessment on the carrying value of goodwill arising from the New Britain Palm Oil Limited (NBPOL) acquisition	The carrying value of goodwill arising from the NBPOL acquisition was allocated to two of SDP's cash generating units (CGU), namely NBPOL Group and Minamas Group, since Minamas Group operations are expected to benefit from the synergies of the acquisition of NBPOL. Management performed an impairment assessment of the CGU based on value-in-use (VIU) determined using the discounted cash flow projection for each CGU. Management also performed a range of sensitivity analyses, the results of which showed that an individual change of the key assumptions provides sufficient headroom on the VIU to recover the carrying value of the net assets (including the allocated goodwill) in Minamas Group. PwC reviewed and concurred with Management's assessment.	The GAC agreed with Management's assessment and view that no impairment charge is required for FY2021 as the recoverable amount exceeded NBPOL's carrying value. The GAC further concurred that appropriate disclosures of key assumptions and sensitivities are made in the Group's financial statements for FY2021.

Significant Initiatives/Issues	Matters Considered	Outcomes
Application of hedge accounting for the downstream operations in Malaysia	The Group adopts cash flow hedge accounting to hedge its forecasted sales of CPO and bulk refined oils to minimise the volatility to its profit or loss as any unrealised gain or loss arising from the futures contracts fair value will now be recognised within hedging reserve. The amounts within hedging reserve will be released to the profit or loss to match the revenue recognised upon delivery of the goods to the end customers.	The GAC reviewed the effective and ineffective hedges undertaken by the Group and the impact on the Group's profit and loss and noted that PwC reviewed the hedge documentation prepared by Management and checked the accounting treatment on the cash flow hedges applied by Management and did not note any exception.
Investment in Emery Group	Following the completion of sale of Emery Asia Pacific (Emery AP) in November 2021, Management concluded that the MFRS 5 classification of "Non-current Assets Held for Sale and Discontinued Operations" will no longer be applicable as only a component of the Emery Group was disposed and reflected the reclassification of Emery Group to Investment in Joint Venture in accordance with the MFRS 5 principles. In accordance with the requirements of MFRS 136 "Impairment of Assets", Management had subsequently assessed and concluded that there is no impairment indicator identified for the investment in the Emery Group. PwC reviewed and concurred with Management's assessment that the investment in Emery Group has been reinstated as investment in joint venture at the appropriate carrying amount.	The GAC considered and concurred with Management's reclassification of Emery Group and the appropriateness of the carrying amount and agreed that PwC review the disclosures made for the Emery Group in the FY2021 financial statements.

SUMMARY OF ACTIVITIES

During the year under review, the GAC discharged its functions and carried out its duties as set out in its TOR. The summary of key activities undertaken by the GAC during the year under review is provided below:

1. Financial Reporting

- At its quarterly meetings, the GAC reviewed the quarterly financial results and related announcements and press statements, prior to submission to the Board for approval.
- The GAC reviewed the annual audited financial statements of the Company and the Group, and the accompanying Directors' Report to ensure that the financial statements were drawn up pursuant to the requirements of MFRS and provisions of the Companies Act 2016 in Malaysia, for recommendation to the Board for approval.
- At its quarterly meetings, the GAC focussed on changes to the accounting policies and practices, significant judgement and estimates, summary of uncorrected misstatements, foreign currency exposures and liquidity risk, divestment of non-performing and non-core assets, independence of auditors, control deficiencies and information technology.
- The GAC considered areas of significant audit risks on the Group's consolidated financial statements, including the following:
  - Risk of fraud in revenue recognition
  - Risk of fraud due to management override of control
- The GAC also considered management assessments, impact analysis and financial disclosures relating to significant audit matters and transactions during the financial year, including:
  - Adoption and application of new accounting standards and policies
  - Impairment assessment on assets and goodwill
  - Tax and legal matters
  - Changes in regulations and law
  - Subsequent events
- The GAC deliberated on the proposed dividends for recommendation to the Board for approval.

2. External Audit

- The GAC held quarterly private meetings with the external auditors, PwC, without the presence of Management (except for the Group Secretary) during the year under review to discuss any matters PwC may wish to present and to ensure that there were no restrictions in the scope and discharge of their audit activities.
- At its quarterly meetings held throughout FY2021, the GAC reviewed the results and issues arising from PwC's audit, including the Key Audit Matters and the update on Management's responses and resolution actions on issues highlighted in the PwC report.
- On 13 August 2021, the GAC reviewed and approved PwC's Group Audit Plan which outlined the audit strategy and approach for FY2021 and had also recommended for the Board's approval the proposed global audit fees payable to the Group's external auditors for FY2021.

- The annual assessment of PwC's performance (i.e. suitability, objectivity and independence) was completed on 20 April 2022 and conducted in accordance with the Group's policy on External Auditor Appointment & Selection and in consideration of PwC's presentation of its Transparency Report 2021. PwC and all members of its engagement team have confirmed their independence in accordance with the Firm's requirement and with the provisions of the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants in its Report to the GAC. Accordingly, the GAC has recommended the reappointment of PwC to the Board.

3. Internal Audit

- The GAC held quarterly sessions with the CIAO, without the presence of Management (except for the Group Secretary) to discuss any matters the CIAO may wish to present and to ensure that there were no restrictions on the discharge of the Group's internal audit activities. As the Group has a combined internal audit (assurance) and integrity & governance functions under the CIAO's purview, matters relating to integrity & governance activities were also included in the private discussions.
- On 13 August 2021, the GAC was updated on the outcome of the External Quality Assessment Review (QAR) conducted on Group Corporate Assurance (GCA) which assessed its conformance to the International Professional Practices Framework (IPPF) as per the requirement to conduct an External Assessment (Standard 1312), including an assessment of the current data analytics team and their capabilities in providing support to the assurance team.
- On 17 November 2020, the GAC reviewed the GCA Plan for FY2021 (the Plan) and ensured adequacy of its scope and coverage of the Group's activities based on GCA's risk-based audit methodology and adoption of agile auditing principles. In approving the Plan, the GAC considered the adequacy of GCA's resources and competencies to execute it.
- At every quarterly meeting held throughout FY2021, the GAC reviewed the internal audit reports presented by GCA. GCA also presented the status of audits as compared to the Plan and its resource adequacy in fulfilling the Plan.
- At every quarterly meeting, the GAC also reviewed the minutes of meetings of Minamas' Governance & Audit Committee and the minutes of meetings of NBPOL's Audit Committee for oversight of the state of internal control systems of those key subsidiaries. The minutes of meetings of Sime Darby Oil's Governance & Audit Committee were reviewed in May and November 2021.
- The Group Integrity, Governance & Assurance's (GIGA) Key Performance Indicators (KPI) for FY2021 were approved by the GAC on 17 November 2020. Subsequently, the performance appraisal of the CIAO following GIGA's FY2021 KPI was deliberated and approved by the GAC on 15 February 2022.
- In line with the provisions of the Corporate Assurance Charter, on an annual basis, the GAC assessed the purpose, authority, and responsibility of GCA, to ensure that these remain adequate to enable GCA to accomplish its objectives.

4. Integrity & Governance

- The GAC Chairman updated the Board on key matters deliberated at GAC meetings and the activities undertaken by the GAC. This is a standing agenda item at the quarterly meetings of the Board. Minutes of the GAC meetings are circulated to the Board for noting.
- On 17 November 2020, the GAC reviewed and approved the Group Integrity & Governance Plan for FY2021, which outlined the Group's integrity and governance initiatives/key activities and the corresponding resources required to support the achievement of the Group Compliance (GCO) Plan.
- On 13 August 2021, the results of the External QAR conducted on the integrity and governance functions, and the recommendations therein, were shared with the GAC.
- On 16 November 2021, the GAC reviewed and recommended for the Board's approval, revisions to the Code of Business Conduct (COBC) handbook and Anti-Corruption Compliance Framework, which were enhanced as part of the Group's Anti-Corruption Compliance Programme.
- The GAC also approved the signing of the Corporate Integrity Pledge (CIP) 2.0 on 16 November 2021, which is a key initiative under the Corporate Integrity System Malaysia (CISM) framework and signifies the reinforcement of SDP's commitment to fighting corruption.
- On 16 November 2021, the GAC reviewed and recommended revisions to the Group Policies & Authorities, for the Board's approval.
- On a quarterly basis, the GAC is apprised of the status of the Group's Anti-Corruption Compliance Programme, including a review of the Anti-Corruption Management System (ACMS) on 13 August 2021, in tandem with the certification requirements of the ISO 37001:2006 (Anti-Bribery Management System). The GAC was kept abreast of the ethics awareness programmes carried out across the Group.
- The GAC endorsed for the approval of the Board, the biannual submission of the "Integrity & Governance Core Function Report" to the Malaysian Anti-Corruption Commission (MACC) on 16 August 2021 and 15 February 2022, for the periods of January to June 2021 and July to December 2021, respectively.
- The GAC reviewed the statistics of whistleblowing complaints received through the Group's various whistleblowing channels and the manner in which the complaints were addressed. Results of whistleblowing investigations were monitored every quarter to ensure that independent investigation of the allegations had been conducted and appropriate follow-up actions taken.
- The Group's regulatory compliance across prioritised compliance areas was monitored on a quarterly basis by the GAC, through the GCO Report that included the results of self-attestation by Management to known non-compliance incidents and actions taken to resolve them.
- At every quarterly meeting held throughout FY2021, the GAC reviewed the Whistleblowing and Non-Whistleblowing investigation reports issued by Group Fraud & Corruption Risk Management (GFCRM).

- In line with the provisions of the Integrity & Governance Charter, on an annual basis, the GAC assessed the purpose, authority and responsibility of the integrity & governance function to ensure that these remain adequate to enable it to accomplish its objectives.

5. Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs)

- The GAC approved the revised Internal Guidelines on Related Party Transactions on 18 May 2021.
- The GAC reviewed the related party disclosures of the Group in compliance with the MFRS 124, the Listing Requirements, the Malaysian Companies Act 2016, and the Group's internal guidelines, on a quarterly basis. The GAC reviewed the RPTs/RRPTs at all quarterly meetings held during FY2021.

6. Annual Report

On 20 April 2022, the GAC reviewed and endorsed the following documents for inclusion in the Group's Annual Report 2021, for the Board's approval:

(a) The Corporate Governance Report;

(b) The Corporate Governance Overview Statement;

(c) The Governance & Audit Committee Report; and

(d) The Statement on Risk Management and Internal Control.

7. Other Matters

The GAC reviewed and recommended the amendments to its TOR to the Board for approval. The GAC also reviewed the Gap Assessment on Commodity Trading and Risk Management Report, Progress Report by Validation Task Force on the review of governance processes and status on cyber security actions and remediation.

As a standing agenda, the following reports are presented to the GAC on a quarterly basis for noting purposes:

(a) Report on hedges and open positions;

(b) Appointments of financial advisors for non-audit services; and

(c) Investment Tracking Report.

GROUP INTEGRITY, GOVERNANCE & ASSURANCE

1. Overview

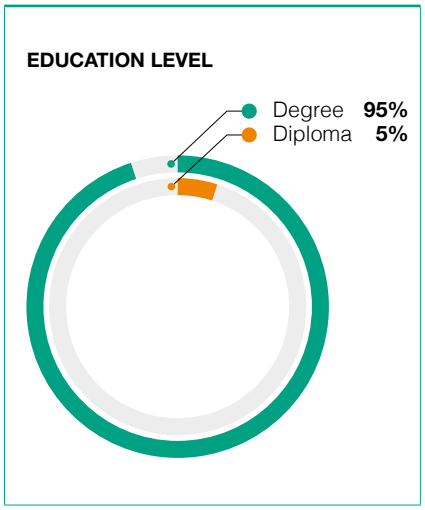
The GIGA function comprises GCA and Group Integrity & Governance (GIG[1]). GIGA is an independent function, headed by the CIAO, Suhailah Mohamed Abdulla and reports directly and functionally to the GAC and administratively to the Group Managing Director. Suhailah is a Certified Fraud Examiner, a Certified Integrity Officer, a Certified Internal Auditor by the Global Institute of Internal Auditors and holds a Certification in Control Self-Assessment conferred by the same Institute. She is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants, and a Chartered Member of the Institute of Internal Auditors. Suhailah has more than 25 years of experience in audit, governance, risk, and compliance within a wide array of industries.

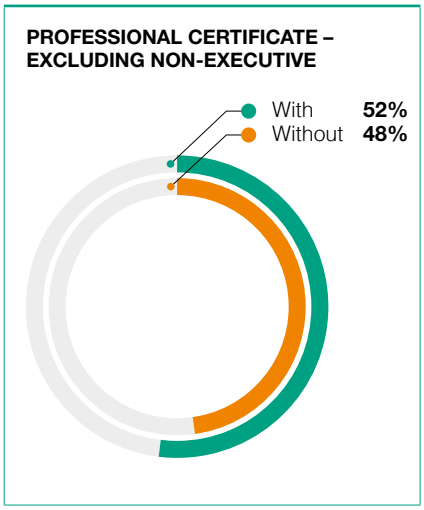
GIGA is manned by 74 personnel as detailed out below:

Offices/Regions	Executives	Non-Executives	Total
Malaysia	43*	1	44
Indonesia	26@	0	26
Papua New Guinea	4&	0	4
Total	**73**	**1**	**74**

Notes:
* CIAO, 3 Practice Management, 26 GCA, 7 GCO and 7 GFCRM personnel
@ 25 GCA and 1 GCO personnel
& 4 GCA personnel

Types of Certificates	With	Without
Degree or Higher	70	–
Diploma	4	–
Professional Certificate – *(including in progress & excluding Non-Executive)*	38	35





1 GIG comprises GCO and GFCRM as its sub-functions.

2. Group Corporate Assurance

GCA's principal responsibility is to undertake regular and systematic reviews for the Group to evaluate and improve the effectiveness of risk management, control and governance processes as defined in the Corporate Assurance Charter.

GCA activities are governed by the Global Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the IPPF. In addition to the periodic Internal QAR undertaken by GCA, external QAR was also performed in June 2021 to ensure that the assurance activities are performed as per the IPPF. The result of the external QAR was presented to the GAC and arising from this assessment, the recommendations put forward were addressed timely by GCA. In maintaining independence and objectivity, GCA ensures that its internal auditors are free from any relationship or conflict of interest when performing their duties.

The independent internal audit and advisory services for the Group during FY2021 were conducted by GCA and certain audits were assisted via co-sourcing arrangements with external service providers. In ascertaining adequate internal audit coverage throughout the Group's operations, GCA is supported by Regional Heads in GCA Malaysia, GCA Indonesia and GCA Papua New Guinea and a Head of GCA IT & Analytics, who all report to the CIAO. GCA IT & Analytics runs an in-house data analytics unit to further optimise the use of analytics throughout the audit lifecycle. Operational costs incurred by GCA for FY2021 amounted to approximately RM10.9 million, which consisted mainly of staff costs and professional fees.

In line with the Group's Strategic Plan, GCA supports the Group by providing assurance within the following key focus areas:

GCA's Key Audit Coverage

- Procurement
- Inventory management
- Project management
- Post investment review
- Sales and marketing
- Estate and Mill operations
- CAPEX management
- Logistics management
- Credit management
- Financial controls
- Replanting
- Trading
- Workers management
- Seed production and breeding
- IT General and Application Controls
- IT Project Governance & Management

Apart from the above assurance coverage, GCA regularly monitors the implementation progress of recommended action plans by Management to ensure timely resolution of audit findings/issues in addressing any risk and control gaps.

3. Group Integrity & Governance

GIG oversees the functions of whistleblowing (complaints management), investigations (detection & verification), integrity enhancement, and governance for the Group. As per GCA, in June 2021, an External QAR was performed on the GIG function and the result of the exercise was presented to the GAC on 13 August 2021.

- **Group Compliance**

  GCO provides compliance assurance and advisory support to ensure that the Group's operations are conducted in accordance with regulatory requirements, internal policies, and procedures, COBC and standards of good business practice. The GCO Framework is based on the ISO 19600:2014 – Compliance Management System and sets out the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving compliance management throughout the Group.

  Details of key activities undertaken by GCO pertaining to policy instruments, COBC, Control Self-Assessment, Anti-Corruption Compliance and Whistleblowing are provided in the Statement on Risk Management and Internal Control on pages 106 to 111.

- **Group Fraud & Corruption Risk Management**

  GFCRM detects and responds to fraud and corruption incidents/risks by conducting special reviews and investigations of complaints received through the whistleblowing channel at the request of the GAC and Management. During the year under review, GFCRM also initiated a fraud and corruption risk assessment for Upstream Malaysia operations and implemented fraud and corruption detection strategies and mechanisms for the same.

This Report is made in accordance with the resolution of the Board of Directors dated 22 April 2022.

NOMINATION & REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Details of the composition of the Nomination & Remuneration Committee (NRC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on page 87.

The NRC comprises Non-Executive Directors (NED) with a majority being Independent Directors and includes the Senior Independent NED. The composition of the NRC complies with the requirements of both the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements) and the Malaysian Code on Corporate Governance (MCCG) 2021.

Meetings of the NRC are attended by the Group Managing Director (GMD). Other members of Senior Management are invited to meetings of the NRC when necessary to support detailed discussion on matters relevant to the agenda of the meeting.

ROLES OF THE COMMITTEE

The NRC assists the Board in reviewing the size and balance of the Board for appropriate mix of skills, experience, knowledge and responsibilities of directors, succession planning, human capital development and the remuneration framework for the directors, management and employees.

The Committee's Terms of Reference (TOR) was last reviewed on 17 August 2021 in line with the update to the MCCG 2021 by the Securities Commission Malaysia.

Detailed TOR for the Committee are available on Sime Darby Plantation Berhad's (SDP) website under the Corporate Governance section at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS

During FY2021, the NRC undertook the following key activities:

Nomination Function

Key Activities	Matters Considered and Outcome
Nomination, appointment and re-election of Directors	The NRC deliberated on potential candidates for appointment as Independent NED to the Board. In recommending the most suitable candidate to the Board, the NRC has applied and considered the appropriate selection criteria which include having the required experience, ability to commit time as well as diversity aspects in line with the Board Composition Policy. The Board appointed Datuk Mohd Anwar Yahya as an Independent NED of SDP on 10 May 2021. *The profile of Datuk Mohd Anwar is on page 82 of this Annual Report. Further details on the Nomination and Recruitment Process are provided on page 99 of this Annual Report.* The NRC recommended the re-election of Directors retiring at the 2021 Annual General Meeting (AGM). *Further details on the re-election of Directors are provided on page 100 of this Annual Report.*
Board & Directors' Effectiveness Evaluation (BDEE)	The BDEE 2020 has been facilitated by an independent third party. The BDEE 2020 included questionnaires and interviews with all the Directors and selected Senior Management. The findings of the BDEE 2020 were presented to the Board and included areas of strength and areas to focus for FY2021. For FY2021, the NRC had reviewed the actions taken based on the results of the BDEE 2020. The NRC also agreed on the assessment criteria for the BDEE 2021 as well as to undertake BDEE 2021 through an internal questionnaire-based evaluation. *Detailed information on the BDEE 2021 including the assessment criteria and the findings are disclosed in Practice 6.1 of the Corporate Governance Report available on SDP's website under the Stock and Shareholder Information section at www.simedarbyplantation.com*
Directors' Training Needs Assessment	The assessment identified training areas, including suggested training programmes, to focus on for FY2022. *Further details on the Directors' Training Needs Assessment are provided on page 100 of this Annual Report.*
Major Subsidiary Companies	Reviewed the Governance Structure between SDP and its Major Subsidiary Companies. The review was to ensure that the governance framework would continue to remain robust so as to have accountability and drive better decision making, while providing a system of checks and balances and creating long-term sustainable value for the SDP Group. The NRC was also updated on the governance process of appointing directors to the Boards of Major Subsidiaries. The governance process was used by the NRC in the appointment of directors on the Boards of Major Subsidiaries.

Remuneration Function

Key Activities	Matters Considered and Outcome
Board Remuneration	The Shareholders have, at the SDP AGM in 2021, approved the proposed changes to the Remuneration Framework which took effect from FY2021. Recommended the remuneration for the NEDs of the SDP Group of Companies. *Detailed disclosure on the remuneration of individual Directors of SDP on a named basis is provided in the Corporate Governance Overview Statement on page 91.*
Group Managing Director Performance Scorecard, Evaluation and Remuneration	Reviewed the performance of the GMD and recommended to the Board for approval, the salary increment and bonus proposal for the GMD, as well as the GMD's scorecard for FY2022.
Senior Management Remuneration	Recommended to the Board for approval, the salary increment and bonus proposals for the Direct Reports to the GMD.

NOMINATION AND RECRUITMENT PROCESS

The NRC drives the recruitment process for new Directors. In considering candidates as potential Directors, the NRC applies and considers the following selection criteria:

- Required skills, knowledge, expertise and experience
- Time commitment, character, professionalism and integrity
- Ability to work cohesively with other members of the Board
- Specialist knowledge or technical skills in line with the Group's strategy
- Diversity in age, gender and experience/background.

Candidates are also required to confirm that they are able to devote sufficient time to their roles at the Company and the Group, taking into consideration the number of their listed company board(s) and other commitments.

Overview of the Nomination and Recruitment Process

Nomination

Candidates are identified through independent sources and/or recommendations based on the selection criteria.

Where relevant, the NRC will seek third party feedback on identified candidates.

Selection

NRC discusses and recommends shortlisted candidate(s) to the Board.

Deliberation and Approval

Shortlisted candidates to attend engagement session with the Board.

The Board deliberates and approves the appointment of the selected candidate(s).

Onboarding

Selected candidate accepts appointment and undergoes onboarding programme.

The Group Secretary ensures, upon appointment, all necessary information is obtained from the Directors, both for the Company's internal records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

NOMINATION & REMUNERATION COMMITTEE REPORT

RE-ELECTION OF DIRECTORS

The NRC reviews and ensures that Directors retire and are re-elected in accordance with the relevant laws and regulations and the Company's Constitution, including ensuring that the Directors have had satisfactory evaluation of their performance and contribution to the Board.

The Board has recommended the re-election of Tan Ting Min and Mohamad Helmy Othman Basha who will be retiring pursuant to Rule 103 of the Company's Constitution at the forthcoming AGM.

The profile of the above Directors are on pages 80 and 83 of this Annual Report.

The Board has accepted the intention of Zainal Abidin Jamal and Lou Leong Kok not to seek re-election at the forthcoming AGM. Hence, Zainal Abidin Jamal and Lou Leong Kok will retain office until the conclusion of the forthcoming AGM in accordance with Rule 103 of the Constitution.

BOARD COMPOSITION AND DIVERSITY

The Board Composition Policy sets the aspirational aims of the Board on the desired level of diversity in the Boardroom that will reflect the diverse nature of the Company's operations and support the achievement of the Company's strategic objectives.

The Board's progress towards achieving targets set out in the Policy is as shown below.

- **Gender Diversity**

  The Board will maintain at least two women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board.

- **Age Diversity**

  The Board will work towards having a generationally-diverse Board so as to have a balance between maturity and experience. The age diversity of the Board can be found on page 89.

- **Ethnic Diversity**

  The Board will work towards diversifying the ethnic composition of the Board as and when vacancies arise and suitable candidates are identified.

- **Independence of Directors**

  The Board comprises a majority of Independent Directors, with six out of 11 Directors being independent. None of the six Independent Directors has served on the Board for more than nine years.

  The Board is of the view that the Independent Directors have brought independent and objective judgment in the Board's deliberations and decisions.

The NRC is responsible for the implementation of the Board Composition Policy and for monitoring progress towards the achievement of the Board's objectives.

The salient features of the Board Composition Policy are available online in the Corporate Governance section at www.simedarbyplantation.com

DIRECTORS' TRAINING NEEDS ASSESSMENT

The Directors' Training Needs Assessment conducted in FY2021 sought views from all Directors on the areas of training to focus for FY2022. Areas of interest indicated, amongst others, include Strategy, Environmental, Social and Governance (including climate related risks/opportunities), Digitalisation, Cybersecurity and Information Technology Strategy, and Merger & Acquisition and Corporate Restructuring.

Training programmes related to the areas of interest will continuously be monitored and shared with/recommended to the Board.

For more details on the training and continuous education programmes attended by each Director, please refer to the profiles of the Board of Directors on SDP's website under the Our Leaders section at www.simedarbyplantation.com

SUSTAINABILITY COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Details of the composition of the Sustainability Committee (SC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on page 87.

The Committee was supported by Dr Simon Lord, Sustainability Advisor throughout the financial year ended 31 December 2021. Dr Lord assisted the Committee by identifying emerging sustainability trends and their implications to SDP, as well as reviewing and advising on the Company's progress towards meeting its sustainability commitments and stakeholders' expectations.

Dr Lord attended fourteen out of fifteen meetings during the financial year.

ROLES OF THE COMMITTEE

The SC is committed to ensuring that the Group operates in line with its sustainability objectives, which is to contribute to a better society, combat climate change and deliver sustainable development.

Detailed Terms of Reference of the Committee is available on SDP's website under Corporate Governance section at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The SC deliberates in detail on the sustainability performance of, and material sustainability issues impacting SDP's own operations and its global supply chain. Throughout the reporting period, the Committee received updates on key sustainability initiatives and issues across the Group at each Committee meeting. The Committee's focus includes:

Significant Initiatives/Issues	Matters Considered	Outcomes
Ensuring Highest Respect for Human Rights within the Organisation	• SDP has strong commitments in respecting human rights. The SC has increased the frequency of its meetings in FY2021 to include fortnightly special meetings to discuss efforts to resolve the United States Customs and Border Protection (USCBP) Withhold Release Order (WRO) and Finding. Key matters related to this area which were deliberated extensively during these meetings included: – Monitoring the progress and outcomes of all assessments conducted by third parties around ILO Forced Labour indicators throughout the Malaysian operations. – Enhancements of the Group's policies, procedures, and practices in tackling forced labour issues in Malaysia. – Monitoring progress of rollouts of enhancements and new programmes around forced labour issues. – Recruitment fee remediation payments for active and inactive workers, which include the setting up of the Sinking Fund Governance Committee. – Monitoring the effectiveness of the management of workers' grievances through all the grievance channels made available.	• Significant effort and improvements have been implemented by Management to enhance policies, procedures and practices around forced labour in Malaysia. The Group is well positioned to engage with the USCBP to resolve the WRO and Finding and take a leadership position around fair labour practices in the industry. *Details of these improvements can be found in the Annual Report on page 24*

SUSTAINABILITY COMMITTEE REPORT

Significant Initiatives/Issues	Matters Considered	Outcomes
Responding to Climate Change	• Recent developments at a global scale have resulted in increased scrutiny and demand for climate action from all parties, and this is an area which the Committee has deliberated extensively with Management within the year. • The Group's progress in responding to climate change is monitored by the SC, which included: – Monitoring and reviewing the progress of implementation of the Group's renewables business and its contribution towards the Group's overall efforts to decarbonise its operations. – Monitoring and reviewing the progress of implementation of Nature Based Solutions throughout the Group, which includes reforestation initiatives and collaborations with third parties. – Reviewing internal studies on physical climate change risks, such as sea level rise and changing weather patterns, and deliberating their associated impacts to the Group's operations and potential mitigation actions needed. – Deliberation of reports and presentation of third-party advisors around climate change, which includes potential transition risks as an outcome of COP26, and opportunities for the Group to explore new areas such as regenerative agriculture. – Review and deliberation of existing climate change related disclosures and discussions around enhancements of the Group's disclosures to be in line with emerging practices, such as the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).	• To date, the Group has 12 operational biogas plants, contributing to almost 500,000 MTCO2e reduction in carbon emissions. • One large-scale solar project and five internal solar systems have also been implemented and are operational, which contributes to the Group's overall decarbonisation efforts. • Multiple reforestation projects have also been kicked off throughout the Group's landbank to contribute to the Group's response to climate change. • The Group is also now exploring options on how the Company can be a Net Zero organisation. This year's annual disclosures are moving towards alignment with the recommendations of the TCFD. *Further details of SDP's climate change response and efforts can be found in the Sustainability Report at page 23*
Enhancing Occupational Safety and Health (OSH) Performance	• Safety and health remain a key concern, and the SC has deliberated extensively on the OSH performance of the Group. Key areas covered during the SC meetings included: – Monitoring the Group's OSH performance indicators and mitigation actions undertaken by Management to further enhance practices on the operations. – All fatality cases throughout the reporting period are also reported to the SC, where outcomes of investigation and corrective actions taken are reviewed. – Monitoring Management's efforts to contain the spread of the COVID-19 pandemic and on-going efforts to vaccinate employees globally to safeguard the health of our employees.	• The frequency of OSH related incidents for the Group have been on a downward trend since 2016. However, Management remains committed to further enhance our OSH practices to meet the Group's overall goal of Zero Harm. • COVID-19 Response Procedures have been rolled out globally, and national vaccination efforts are currently ongoing in all territories where the Group operates. *Further details of SDP's health and safety performance can be found in the Sustainability Report page 55*

Significant Initiatives/Issues	Matters Considered	Outcomes
Ensuring a Sustainable Supply Chain	• There continues to be a high level of scrutiny on global supply chains in the palm oil sector, especially around the issue of deforestation. The Group's progress in managing supply chain sustainability risks is monitored and deliberated in detail during the SC meetings. • Key matters which are covered during the SC meetings include: – Monitoring and reviewing the progress of the Group's efforts to improve transparency and traceability of its global supply chain. These efforts include reviewing efforts to monitor the supply chain performance with utilisation of satellite imagery, 3rd party monitoring, and smallholder inclusion efforts of the Group. – Monitoring and reviewing the progress of the Group's efforts in engagements with suppliers to improve No Deforestation, Peat and Exploitation (NDPE) compliance of all suppliers.	• Overall transparency of the Group's supply chain improved over the years with a 95.7% traceability to mill and 69.8% traceability to plantation achieved in FY2021. On-going efforts are being made by the Group to further engage with suppliers and include smallholders in adopting responsible agriculture practices. *Further details of the Group's efforts in managing supply chain sustainability can be found in the Sustainability Report at page 97*

PRIORITIES FOR FY2022

Moving forward in FY2022, the Group will ensure that it pursues sustainability in a manner that creates value to the organisation. Key areas of focus will continue to include:

- **Enhancing the Group's Practices on Human Rights.** With the significant efforts that have been undertaken by management, the Group is well positioned to engage with the USCBP to resolve the WRO and Finding and demonstrate leadership in fair labour practices within the industry. The learnings from the experience in Malaysia will be replicated, where relevant, to the other territories in which the Group operates. The Committee will also monitor and review extensively the progress of the Group's Occupational Safety and Health performance to ensure improvement towards the goal of Zero Harm.
- **Accelerating the Group's Response to Climate Change.** With rising expectations for organisations to accelerate climate action, the Group will explore how larger climate change ambitions and measures can be taken to accelerate the progress in decarbonising the Group and future-proofing the organisation against physical and transitional climate change risks. Further enhancements around climate change related transparency and disclosures will also be explored to meet rising expectations from stakeholders.
- **Ensure the Group's Supply Chain Risks are Effectively Managed.** With the multiple efforts being undertaken by the Group to manage supply chain risks, the SC will continue to monitor and review the progress of the Group's transparency and compliance to NDPE commitments by suppliers and smallholders. This is crucial as it would enable the Group to include the industry in its responsible agriculture journey, along with ensuring that the Company continues to meet customer and future regulatory requirements.

BOARD TENDER COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Details of the composition of the Board Tender Committee (BTC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on page 87.

ROLES OF THE COMMITTEE

The Committee oversees that the tender process is carried out in a fair, transparent, effective and comprehensive manner adopting the principles of the Group Procurement Policies and Authorities.

Detailed Terms of Reference (TOR) for the Committee is available on SDP's website under the Corporate Governance section at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS

The Group has undertaken the following key activities in the financial year ended 31 December 2021:

- Reviewed the TOR of the Board Tender Committee in alignment with the Malaysian Code on Corporate Governance 2021 and changes made to the TOR of the other Board Committees of SDP.
- Revised the Group Policies & Authorities on procurement.
- Procured alternative materials from various sources to ensure that the requirements of the Group are met in a timely manner in the face of global supply chain disruptions.
- Conducted refresher training on Group Procurement Policies and Authorities for procurement practitioners and users across the Group.
- Developed an e-Learning courseware for the training of procurement practitioners across the Group on the Group Procurement Policies and Authorities. This is to ensure that training is conducted in a sustainable manner and that it is able to reach out to all the stakeholders in a timely manner.
- Standardised specifications, consolidated volume, sourced for alternative materials and adopted the most competitive method of negotiation to secure the best value for the Group.
- Conducted the Vendor Code of Business Conduct (VCOBC) awareness training for all registered vendors to ensure that they comply with the required standards of behaviour when conducting business with the Group.
- Implemented mitigating actions to manage business adversities and challenges arising from the impact of the COVID-19 pandemic.
- Implemented the Bumiputera Entrepreneur Development Programme initiatives in alignment with the government's aspirations to continuously provide opportunities and support to Bumiputera entrepreneurs.

The BTC is committed to ensuring that the Group continues to procure goods and services for key contracts/tenders in a transparent, objective and fair manner, adopting the principles of good governance and at the same time delivering the best value to the Group. The BTC is also committed to ensuring that the procurement of key contracts is conducted in accordance with the process and procedures of the Group Procurement Policies & Authorities. Besides getting the best value for SDP through procurement, cost reduction and cost avoidance have also become a top priority for SDP. During the year, the BTC reviewed and deliberated on the purchase of fertilisers for New Britain Palm Oil Limited, Upstream and Downstream in Malaysia and Indonesia, as well as transportation contracts and the Bumiputera Empowerment Agenda. Moving forward, the BTC is committed to ensuring that SDP continues to pursue sustainable value creation for the SDP Group to benefit all stakeholders.

RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Details of the composition of the Risk Management Committee (RMC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on page 87.

ROLES OF THE COMMITTEE

The primary objective of the Committee is to assist the Board of Directors in discharging its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework (GRMF) includes the necessary policies and mechanisms to manage the overall risk exposures of the Group. The RMC is also tasked with reviewing the adequacy and effectiveness of the GRMF to ensure that it continues to support the vision, mission and strategic objectives of the Group whilst safeguarding stakeholders' interests.

Detailed Terms of Reference of the Committee is available on SDP's website under Corporate Governance section at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS

During FY2021, the RMC has undertaken the following key activities:

- Monitored principal risks affecting the achievement of the Group's strategies & objectives. This included reviewing strategic risk reports on external and emerging risk outlooks as well as country risk assessments for territories in which we operate as well as updates on significant internal risk exposures.
- Reviewed and provided oversight on Group Risk Management's (GRM) activities which included the following:
  - Fortnightly COVID-19 material events and risks updates.
  - Fortnightly key risks perspective newsletters.
  - Deep dive risk assessments on key risk areas.
  - Project, new investment or divestment risk assessments.
  - Risk assessment and refresher workshops to update risk profiles.
  - Development of Business Continuity Plans at Upstream and Downstream operations as well as a refresh of the SDP Head Office Business Continuity Plans.
  - Embedding a risk aware culture throughout the organisation; a series of risk newsletters were sent out by GRM aimed at educating employees of the organisation on active risk management, how it relates to their work and business as well as the risk management methodology of SDP.
- Reviewed risk appetite principles and related exposures.
- Reviewed SDP's cyber security risk and related exposures.
- Reviewed and tracked previously approved investment initiatives.
- Reviewed the financial exposure position of the Group.
- Reviewed the price risk strategy and trading positions of the Group.

Where appropriate, the RMC also leveraged on the work of other Board committees such as the Sustainability Committee and Nomination & Remuneration Committee to assist with ensuring robust oversight of these particular risk exposures.

In the coming year, the RMC will continue to focus on providing oversight over the implementation of the GRMF throughout the Group as well as monitoring the key risk exposures impacting SDP and the result of mitigating actions taken.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present the Statement on Risk Management and Internal Control which outlines the state of risk management and internal control within Sime Darby Plantation Berhad (SDP) for the financial year under review.

RESPONSIBILITIES AND ACCOUNTABILITIES

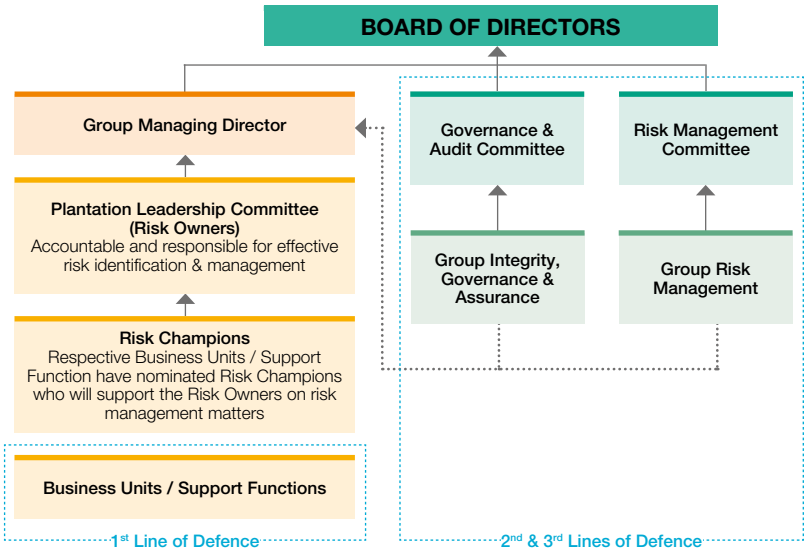
SDP's robust governance structure provides a system of checks and balances to ensure accountability and drive better decision making, while creating long-term sustainable value for our stakeholders. In navigating the unprecedented and uncertain business landscape in 2021, our corporate ecosystem of governance, risk management and internal controls has effectively steered the Group to address these challenges and deliver value to our stakeholders within the realm of accountability, transparency, integrity and ethics.

Further details on the components of our governance structure are detailed in our Corporate Governance Overview Statement on page 86, Governance & Audit Committee Report on pages 93 to 97 and Risk Management Committee Report on page 105.

RISK MANAGEMENT

Risk Management Governance Structure

Our risk management structure encapsulates the governance arrangements on risk management as well as assigns responsibility to relevant levels of Management and operations.

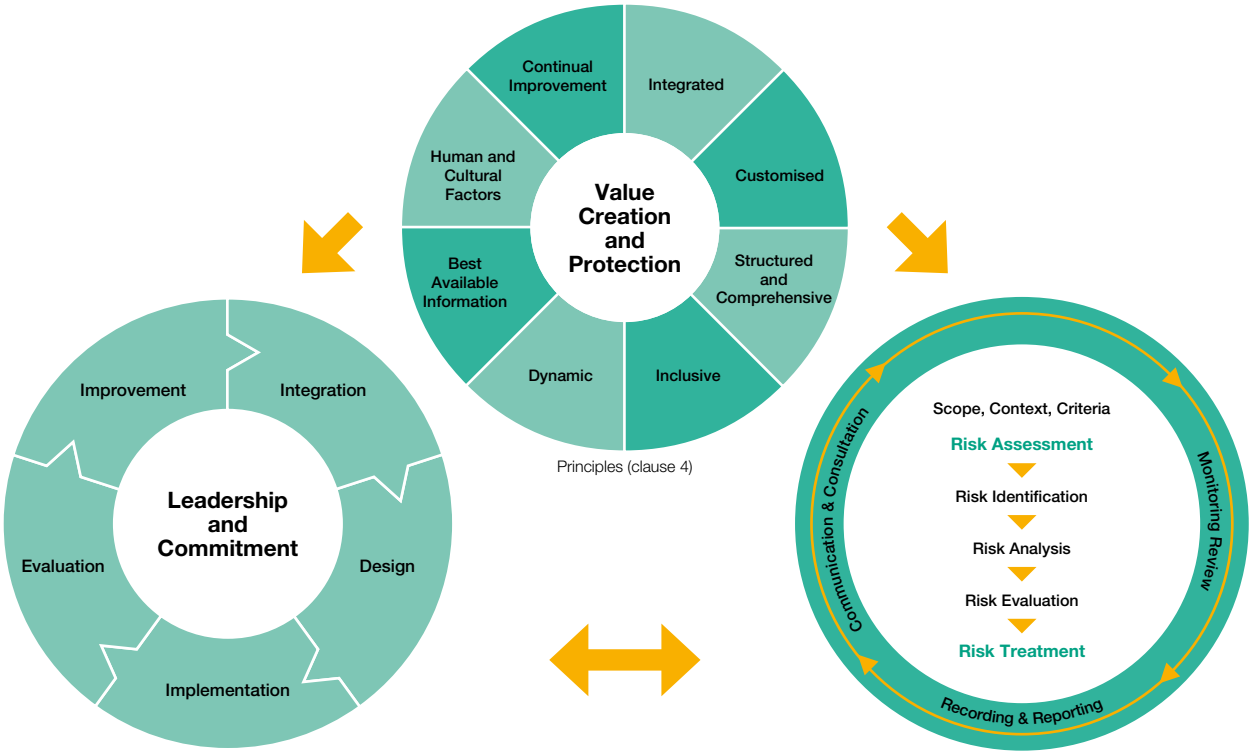


Board of Directors	Responsible for the establishment, oversight and monitoring of the Group Risk Management Framework (GRMF) and reviewing its effectiveness in supporting the mission, vision and strategic objectives of SDP whilst safeguarding shareholders' investments and SDP's assets.
Risk Management Committee (RMC)	Assists the Board in providing the framework and guidance to business units to operate, identify, and report on Group-wide risks. The RMC has a broad mandate to ensure the effective implementation of the objectives and compliance in accordance to GRMF across the Group. The RMC is also responsible for periodically reporting material risk exposures and on the progress and assessment of risk management activities to the Board.
Group Risk Management (GRM)	Responsible for supporting the Board and RMC with oversight over risk management activities including establishment, update and oversight of the GRMF in the Group. GRM integrates risk into key business processes through a formal risk management process to facilitate effective decision making and, embeds risk into the organisational culture to encourage risk awareness across the organisation. The GRM function works closely to partner with the business to achieve organisational objectives by providing expertise, support, monitoring and challenge on risk-related matters. Whilst managing risks ultimately sits with the risk owners/managers, GRM provides advice and facilitation in identifying and monitoring those risks. For further details on the activities of the RMC and GRM, refer to the RMC Report on page 105.

Group Managing Director (GMD) and Plantation Leadership Committee (PLC)	The Board delegates to the GMD the responsibility of ensuring effective implementation, maintenance and adherence of the GRMF throughout the Group. The PLC assists the GMD in ensuring risk management is adequately carried out, particularly in evaluating and making key strategic and operational decisions. The GMD and PLC are responsible for providing leadership and sponsorship to the business operations for the implementation of the GRMF and utilising risk thinking for key decision-making and strategic planning exercises.
Risk Owners and Risk Champions	Heads of business units/ support functions are the designated Risk Owners and are responsible for risk management activities within their sphere of operations. Risk Owners are assisted by Risk Champions in fulfilling their risk management responsibilities and to work with GRM on risk management activities which includes ensuring the timely identification/ updating of risks, controls, issues and action plans within their own units/ projects and for escalation of risks in their units to their respective Heads (Risk Owners), as well as GRM.

Group Risk Management Framework

Our Group Risk Management Framework is aligned with ISO31000:2018 standard on risk management which promotes three (3) facets of risk management as depicted in the diagram below:

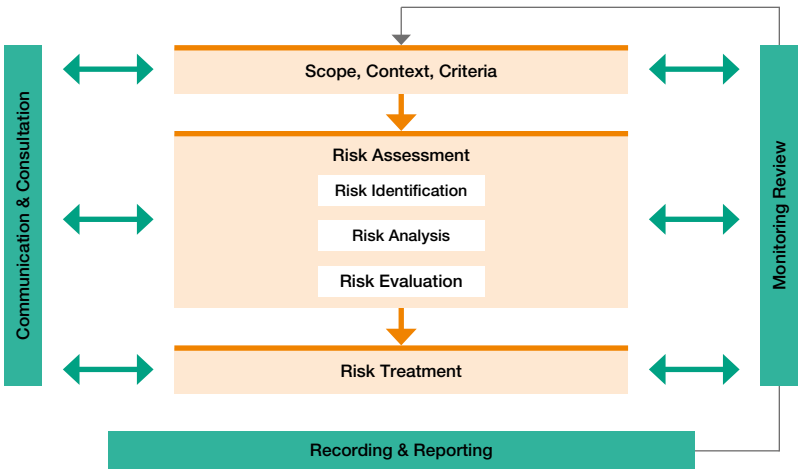


Risk management is part of the organisation's structure, processes, objectives, strategies and activities. The SDP GRMF is aligned with ISO31000:2018 standard on risk management and COSO 2017 Enterprise Risk Management— Integrating with Strategy and Performance, which clearly underscores our commitment towards enterprise risk management in strategic planning and our will to embed risk management throughout the organisation as part of value creation and protection.

The primary goal of the GRMF is to identify, evaluate and manage risks that would impede the achievement of the Group's long-term and short-term strategies and objectives. Our approach to risk management is aimed at embedding risk awareness in all decision-making and a commitment to managing risk proactively and effectively. This includes identifying and evaluating threats and opportunities early, managing and preventing threats before they materialise and responding effectively if they do and actively pursuing opportunities to capture value within agreed risk tolerances. Our process for identifying, evaluating and managing material business risks is designed to manage rather than eliminate threats where appropriate, accepting a degree of risk to generate returns.

The GRMF involves identification of risk and mitigating measures in both strategy-setting and in driving performance. Our integrated approach is two (2) pronged, i.e. a top down strategic view which is complemented by bottom up operational risk assessments, whilst taking cognisance of the external environment in which we operate. These risk assessments are complemented by risk deep dive on key risk areas, strategic country risk analyses and fortnightly risk outlooks as well as risk assessments for key projects and investments undertaken by the Group to proactively anticipate and mitigate risk events while facilitating the understanding

and management of risk at various levels of the business. The steps in which risk management is performed as stated in our GRMF are as follows:



The role of leaders and their responsibilities are emphasised in the GRMF to ensure that risk management is an essential part of our business. The responsibility for identifying, evaluating and managing risks lies with all employees and business leaders and they operate within the Group-wide framework to manage risks within approved limits and guided by approved risk appetite statements. In pursuit of our strategic objectives, it is imperative that there is a balance between risk and growth to ensure that the pursuit of opportunities and its associated risks are likely to have a level of reward that commensurate to the risk.

Risk Appetite
Risk appetite refers to the amount of risk an organisation is prepared to accept in pursuit of its strategic objectives. For SDP, a risk appetite framework is established to provide guidance on how we conduct business to achieve business objectives within the boundaries of the Group's risk appetite, business ethics and good governance. Consideration of risk and what is an acceptable level of risk is part of strategy-setting and decision-making. When the Group decides on its objectives and its strategic goals, it considers the risk involved and its appetite for such risk, as a basis for making those decisions.

Risk Appetite Framework
Provides guidance on how we conduct business to achieve business objectives within the boundaries of the Group's risk appetite, business ethics and good governance.

SDP's approach to risk appetite is explicitly and implicitly defined via various Board approved / endorsed documents for example:

- Strategy blueprints
- Investment guidelines
- Limits of Authority
- Group Policies & Procedures
- Group Procurement Policies & Authorities
- Risk Parameters (likelihood and impact)
- Code of Business Conduct
- Responsible Agriculture Charter (RAC)
- Human Rights Charter (HRC)
- Responsible Sourcing Guideline (RSG)
- Responsible Recruitment Procedure (RRP)

Risk appetite statements have been developed in alignment to the risk appetite framework and approved by the Board, via the RMC. Refer to page 105 for more details on the Group's risk appetite statements.

Risk Reporting
The GRMF provides for consistent review and reporting. On a quarterly basis, formal risk reports are developed and presented to the PLC and RMC. Any potential risks identified are escalated as appropriate, with mitigation actions put in place to manage such risks. Significant risks affecting the business as well as periodic external and emerging risk outlooks are presented to the RMC. Additionally, due to the evolving nature of risk events in the external environment in which we operate, a fortnightly key risks perspective newsletter on external and emerging risks is circulated to the Board and Management.

Group Business Continuity Framework

Our Business Continuity Framework is aligned with ISO22301:2019 standard on business continuity management systems. It covers end-to-end guidance to assist with managing a crisis event with the main objectives as follows:

- to safeguard life, property and environment;
- to minimise the loss of assets, revenue and impact upon customers;
- to continue to provide products and services during adverse conditions; and
- to facilitate timely recovery of critical business functions.

SDP Business Continuity Framework

Process	Emergency and Crisis Management		Recovery and Restoration Management	
Document	Emergency Preparedness and Response (EPR) Procedures	Crisis Communications Plan (CCP)	Disaster Recovery Plan (DRP)	Business Continuity Plan (BCP)
Nature of Document	Documents procedures to manage potential and actual emergency situations with Environment, Safety and Health implications	Documents procedures to manage communication when a crisis is imminent or has happened	Documents procedures to recover and protect business IT infrastructure and systems to support business operations	Documents procedures to recover and restore business operations to normality
Objective of Document	Safety and health of people are maintained	Communications occurs effectively	IT applications/data protected	People relocation and effective resumption of operations

The Group is committed to safeguarding the interests of all stakeholders in times of disaster and/or emergency. This entails the implementation of business continuity processes towards ensuring that the Group is able to continue operations with minimal impact to stakeholders in the event of disruption.

INTERNAL CONTROL FRAMEWORK

At SDP, the following key controls were implemented to assist the Board in maintaining a sound system of internal controls in the Group.

Policy Instruments

Our policy instruments refer to the following policies, procedures and guidelines which serve as a backbone in achieving best practices and streamlining internal processes.

Board Charter	Sets out the Board's strategic intent and outlines the Board's roles and powers which it reserves for itself, and those which it delegates to Management
Terms of Reference of the respective Board Committees	Set the tone of the various Board Committees with regard to their purpose, scope, responsibility, and accountability
Group Policies & Authorities (GPAs)	Define the lines of responsibility, accountability, and authority limits and represent a formal delegation of the Board's powers and functions to Management. The GPAs are designed to empower Management to achieve business objectives within the boundaries of business ethics and governance, and covers functional policies, ethics and conduct, protection of Group assets, key processes, and Limits of Authority.
Policies, procedures and guidelines	Support the achievement of the principles stipulated in the GPAs, all of which, are mandatory to be complied with by Directors and employees of the Group.

All policy instruments are reviewed and revised, as appropriate, on a periodic basis to ensure that they are relevant to the current operating environment and reflect intended practices. To enhance the understanding and awareness among employees of their obligations within the Group's governance framework, these policy instruments are accessible via the Group intranet and socialised via video briefings and graphics.

Code of Business Conduct

Our Code of Business Conduct (COBC) is made available in all key languages in the jurisdictions within which the Group operates and continues to guide our employees on the standards of behaviour expected of them and upholding our Core Values of Integrity, Respect & Responsibility, Enterprise and Excellence.

INTEGRITY

RESPECT & RESPONSIBILITY

ENTERPRISE

EXCELLENCE

The COBC is accessible on the Group's corporate website and intranet and its understanding among employees is reinforce via a combination of physical and video briefings as well as collaterals, quizzes, surveys and infographics. All Directors and employees are required to sign an attestation to acknowledge compliance with the COBC and their understanding of the rules, principles and policies outlined in the COBC.

Business Planning and Reporting

Our annual business planning process entails the development of a Group Strategy Blueprint comprising our business objectives, strategies, action plans and corresponding Group Budget. Both the Group Strategy Blueprint and the Group Budget are subjected to rigorous deliberation with key stakeholders prior to approval by the Board. Our performance is monitored by the Board and Management, whereby corrective actions are taken to address deviation from plans.

Human Capital

Performance Management

In its effort to realise its vision of becoming a leading organisation, the Group's Performance Management Framework has been revised with effect from FY2021 to incorporate enhancements which aims at driving employees' motivation by identifying and rewarding top performers and improving the objectivity of the evaluation. The resulting KPIs are aligned across businesses, functions and levels; striving towards shared common goals of driving business objectives, while strongly upholding core governance principles.

People Development

For further details on the people development activities of the Group, refer to the Human Capital Growth Report on page 72.

Compliance

Internal Audit

Our internal audits provide independent, objective and risk-based assurance and consulting services designed to add value and improve the operations in the Group by assessing whether risk management, control and governance processes are designed and operating sustainably and effectively. Where control limitations are noted, corrective actions are proposed for Management's consideration and thereafter monitored for implementation. The implementation of data analytics and continuous control monitoring harness the potential of real-time auditing towards improving the control environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Control Self-Assessment
Our Control Self-Assessment (CSA) process accords line Management with full responsibility and accountability for effective risk management and controls implementation within their operations. Selected validation promotes the integrity of the process while focussed workshops provide the avenue to deliberate and agree on control enhancements.

Fraud & Corruption Risk Management
Our Fraud & Corruption Risk Management function detects and responds to fraud and corruption incidents/risks by conducting special and investigative reviews at the request of the GAC, Management and/or complaints formally received through the whistleblowing and grievance channels or based on red flags identified through other forms of reviews. The implementation of fraud and corruption risk assessment as well as fraud and corruption detection strategies assist to minimise the incidence of fraud and corruption in the Group.

Anti-Corruption
SDP had obtained the ISO 37001:2016 Anti-Bribery Management System certification in October 2020 as part of our commitment in combatting corruption. The certification had successfully undergone its first surveillance audit in September 2021, a testament to the continuous and rigorous anti-corruption efforts undertaken across the Group.

Key principles from the system are encapsulated within our Anti-Corruption Compliance Framework which takes cognisance of the Group's global operating footprint. Where applicable, the requirements of this Framework are extended to our counterparties and business partners in ensuring that anti-corruption and bribery initiatives are applied throughout our supply chain in promoting a corruption-free business environment. Our stance on our Commitment in Combatting Corruption is made publicly available via our Anti-Corruption Policy Statement on our corporate website.

Whistleblowing
Our whistleblowing process embodies the Group's commitment to maintain an open and supportive working environment in which stakeholders are able to report instances of wrongdoings on the part of any of our employees, Management, Directors and vendors, on a confidential basis without fear of retaliation. All reports made in good faith will be investigated, regardless of the length of service, position/title, relationship or connection of the alleged parties to the Group. The whistleblowing complaints can be lodged via various channels (website, e-mail, telephone, WhatsApp, postal box) throughout our global operations and are managed via an independent function to ensure transparency and confidentiality of the process.

The whistleblowing channel complements additional third party grievance channels established which provide avenues for workers to report on working conditions, recruitment, safety and other issues in line with our Human Rights Charter.

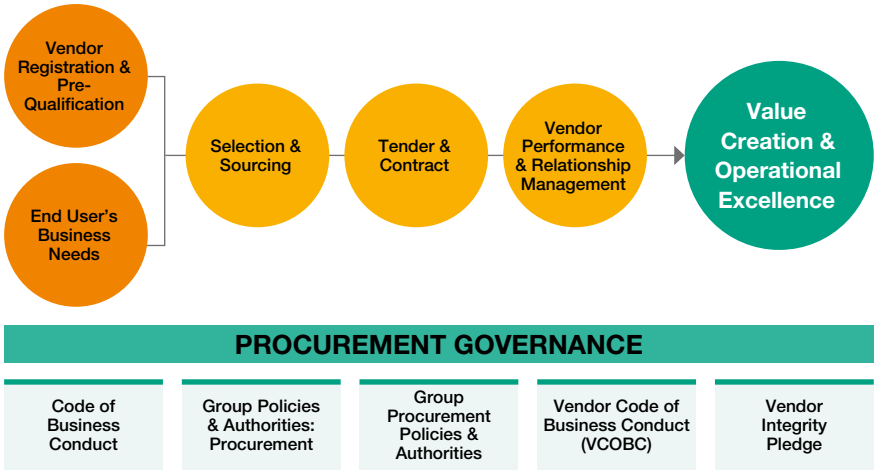
Vendor Management

Strong procurement governance is key to achieving SDP's operational excellence and this is sustained by upholding our procurement principles and complying with the established procurement policies and procedures. The Group's commitment to excellence extends beyond our organisation through our close working relationship with our vendors to ensure that our values and principles are adopted in every aspect of our business operations, as depicted in our procurement governance landscape below:

Our Vendor Code of Business Conduct (VCOBC) provides guidance to our vendors on the required standards of behaviour when conducting work for the Group, especially in relation to labour & human rights, sustainability, health, safety & environment, and ethics & management practices.

Vendors intending to conduct any business transaction(s) with the Group are required to sign the Vendor Integrity Pledge, as a formal affirmation of the vendor's commitment to comply with the VCOBC and all applicable laws or regulations, and not engage in bribery, corruption or fraud. Vendors are required to undergo the registration process and subsequently be pre-qualified for the Group to establish a quality and comprehensive vendor list. A further evaluation may be conducted to assess the vendors' specific technical capabilities depending on the business needs. Continuous performance evaluations will be carried out to ensure that these vendors continue to meet the business requirements of the Group.

Communication and Reporting
Our relevant policies and procedures on stakeholder engagement ensure that we proactively engage and effectively manage the dissemination of information to key stakeholders of the Group. Disclosures, which include quarterly and annual financial statements, announcements made to Bursa Malaysia Securities Berhad (Bursa Securities), and corporate presentations are made in accordance to regulatory requirements and are published on our website on a timely basis.



Technology

Information Systems

Our Enterprise Resource Planning (ERP) system enables transactions to be captured, compiled, analysed, and reported in a timely and accurate manner. This is in line with the need to maintain a secure, effective and reliable IT environment to support the Group's business operations. In this regard, information systems in the Group are automated and provide Management with data, analysis, variations, exceptions and other inputs relevant to the Group's performance.

The information system platform in the Group also operates based on a set of IT policies and procedures intended to protect the use of the Group's information and resources. These include IT governance and authority, information security policies, identity and access management standards, project management framework, service management, and guidelines on the use of computer facilities.

Cybersecurity

The Group maintains its cybersecurity hygiene by managing cybersecurity risks to safeguard data privacy and cyber threat prevention. Key activities include:

- Implementing enterprise cybersecurity technologies, tools and processes throughout the Group to mitigate the impact of external and internal cyber threats;
- Conducting periodic reviews, updates and assessments to policies and procedures to ensure these remain current with the evolving cybersecurity landscape and threats; and
- Ensuring employees receive cybersecurity education via periodic training, newsletters, surveys and security alerts, as well as participation in cybersecurity campaigns, tests and initiatives.

Digital Transformation

SDP's digital transformation has continued in FY2021, closely guided by the Digital Blueprint which charts the Group's cultural shift towards being digital-ready to build our resilience and to ensure our long-term competitiveness. Projects and initiatives continue to be identified towards achieving our Digital Vision. Beyond new technologies, SDP's digital efforts are also geared towards building an agile SDP that can respond to the challenges and unique opportunities across all our businesses.

Sustainability

Our sustainability purpose is to contribute to a better society, minimise environmental harm and deliver sustainable development. All of our efforts around sustainability are guided by the UN SDGs. All employees are responsible to ensure the promotion and adoption of responsible and ethical practices in all operational and decision making processes.

Our sustainability purpose also aims to address a wide range of stakeholder expectations which includes, amongst others, how we respond to climate change, conservation & biodiversity, labour practices, responsible sourcing, safety and health smallholder inclusion.

Responsible Agriculture

Our Responsible Agriculture Charter articulates our commitments to no deforestation, no new development on peat, and no exploitation of the rights of indigenous peoples, workers and local communities.

Human Rights

Our Human Rights Charter articulates our responsibility to respect, support and uphold fundamental human rights as expressed, amongst others, in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. This also includes our commitment to provide a safe and healthy working environment in all our operations.

In response to the ban by the United States Customs and Border Protection, a Continuous Improvement Plan directly focussed on the International Labour Organisation (ILO) Forced Labour Indicators was developed with the purpose of embracing new norms, acquiring knowledge and effecting culture change. This entailed the establishment of various work streams on grievance channels, occupational safety and health, workers housing, social dialogues, estate matters, wages, with targeted outcomes and key performance indicators to address specific Forced Labour Indicators.

Supply Chain Sustainability

Our Responsible Sourcing Guideline extends our sustainability commitments throughout our supply chain. We are guided by working with our suppliers to Draw the Line on Deforestation policy statement which articulates our approach to engage with our suppliers to meet No Deforestation, No Peat and No Exploitation (NDPE) standards.

For further details on our sustainability practices, refer to the Sustainability Committee Report on pages 101 to 103.

MATERIAL JOINT VENTURES AND ASSOCIATES

The disclosures in this statement exclude the risk management and internal control practices of the Group's Joint Ventures and Associates. The Group's interests in these entities are safeguarded through the appointment of members of the Group's Senior Management team to the Board of Directors and, in certain cases, the management or operational committees of these entities.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As per the requirement of Paragraph 15.23 of the Main Market Listing Requirements (MMLR) of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control (SORMIC). Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide (AAPG) 3 (Revised: February 2018) issued by the Malaysian Institute of Accountants. The AAPG 3 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board of Directors and the Management thereon.

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard the shareholders' investments and the Group's assets.

The Board has received reasonable assurance from the GMD and the Chief Financial Officer that the Group's risk management and internal control systems, in all material aspects, are operating adequately and effectively. This statement is made in compliance with Paragraph 15.26(b) of the MMLR of Bursa Securities and Principle B of the Malaysian Code on Corporate Governance 2017 issued by Securities Commission Malaysia, and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

This statement is made in accordance with a resolution of the Board dated 22 April 2022.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Sime Darby Plantation Berhad Group. As required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 31 December 2021, as presented on pages 119 to 247, have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

The Directors consider that in preparing the financial statements, the Group and the Company have used the appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates. The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and cash flows for the financial year.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and the Company to enable the Directors to ensure that the financial statements comply with the Companies Act 2016. The Directors have the general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 22 April 2022.

BOARD APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements for the financial year ended 31 December 2021 are set out on pages 119 to 247. The preparation thereof was supervised by the Chief Financial Officer and approved by the Board of Directors on 22 April 2022.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2021

The Directors have pleasure in presenting the Directors' Report ("Report") together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and marketing of specialty fats and edible oils, rubber and other palm oil related products and investment holding.

The principal activities of the Group consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and blending, marketing and distribution of specialty fats, edible oils, rubber, coconut oil and other palm oil related products, production and sales of sugar and beef, and the involvement in other agriculture related business as disclosed in Note 49 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit before tax	3,602,660	2,833,950
Tax expense	(1,109,384)	(165,494)
Profit for the financial year	2,493,276	2,668,456
Profit for the financial year attributable to:		
– equity holders of the Company		
– from continuing operations	2,257,282	2,544,156
– Perpetual Sukuk holders		
– from continuing operations	124,300	124,300
– non-controlling interests		
– from continuing operations	111,694	–
	2,493,276	2,668,456

DIVIDENDS

Since the end of the previous financial year, the Company has paid the following dividends:

	RM'000
In respect of financial year ended 31 December 2020:	
– Final dividend of RM5.42 sen per share, paid in cash on 12 May 2021	373,144
– Special final dividend of RM2.13 sen per share, paid on 3 June 2021	146,642
In respect of financial year ended 31 December 2021:	
– Interim dividend of 7.90 sen per share, paid in cash on 12 November 2021	546,341
	1,066,127

A final dividend of 12.38 sen per share, amounting to RM856.2 million in respect of the financial year ended 31 December 2021, has been declared on 18 February 2022 and will be paid on 17 May 2022. The entitlement date for the dividend payment is 28 April 2022.

A special final dividend of 2.13 sen per share, amounting to RM146.6 million in respect of the financial year ended 31 December 2020 ("Special Final Dividend"), was paid on 3 June 2021, of which RM127.7 million was satisfied by the issuance of 31,139,318 new ordinary shares pursuant to the Dividend Reinvestment Plan ("DRP") and cash of RM18.9 million.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL, PERPETUAL SUKUK AND DEBENTURES

Save for the following, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year.

On 3 June 2021, the Company issued and allotted 31,139,318 new ordinary shares pursuant to the DRP for the special final dividend at RM4.10 per new ordinary share. Following the allotment of new SDP shares, the Company's issued and paid-up capital has increased from 6,884,575,283 ordinary shares to 6,915,714,601 ordinary shares.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to date of this Report are:

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas
Mohamad Helmy Othman Basha
Datuk Zaiton Mohd Hassan
Dato' Halipah Esa
Zainal Abidin Jamal
Dato' Henry Sackville Barlow
Dato' Mohd Nizam Zainordin
Datuk Mohd Anwar Yahya (Appointed on 10 May 2021)
Tunku Alizakri Raja Muhammad Alias
Tan Ting Min
Lou Leong Kok

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 11 to the financial statements.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, as disclosed in Directors' Interests in Shares.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest except for any benefits which may be deemed to have arisen from the transactions disclosed in Note 11 to the financial statements.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total insurance premium paid for the financial year amounted to RM0.30 million.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the particulars of interests of Directors in office at the end of the financial year in shares in, or debentures of, the Company or the related corporations are as follows:

	Sime Darby Plantation Berhad Number of ordinary shares			
	As at 1 January 2021	Acquired	Disposed	As at 31 December 2021
Direct interest				
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr. Haji Megat Khas	5,000	5,025	-	10,025

Other than as disclosed above, no other Directors in office at the end of the financial year have any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the impairment for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate impairment had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to realise in the ordinary course of business, their values of current assets as shown in the accounting records of the Group and of the Company, have been written down to amounts which they might be expected to realise.

(b) At the date of this Report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the impairment for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) As at the date of this Report:

(i) there are no charges on the assets of the Group or of the Company which have arisen since the end of the financial year to secure the liability of any other person; and

(ii) there are no contingent liabilities in the Group or in the Company which have arisen since the end of the financial year other than those arising in the ordinary course of business.

(d) At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt within the Report or financial statements which would render any amount stated in the financial statements misleading.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transactions or events of a material and unusual nature except that (a) the Group and the Company had recognised impairment charge on its rubber plantation of RM279.0 million and RM223.7 million respectively; and (b) made a provision for remediation of recruitment fees of RM81.9 million and RM66.5 million for the Group and the Company respectively, as disclosed in Notes 16 and 41 to the financial statements.

(ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this Report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this Report is made except for the events disclosed in Notes 50 and 51 to the financial statements.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this Report is as follows (excluding Directors who are also Directors of the Company):

Abdul Jalil Sulaiman
Achmad Sudarsono
Adi Wira Abd Razak
Adrian Mohd Fazrin Bin Mohd Fairoz
Agus Dani Ariyanto
Ahmad Zairil Zainal
Alagendran Maniam
Amir Hisham Hashim
Amir Mohareb
Andrew Timothy Worrall
Ary Tri Prasetyo
Asanee Mallamphut
Asmawatti Othman
Augustinus Kristiono
Azmi Jaafar
Bambang Purwono
Benjamin McKeeman Oakley
Bryan Dyer
Budi Darmono
Budi Suyanto
Burhan Chahyadi
Chim Foong May
Chen Kim Yin @ Chen Chou Foong
Craig Gibsone
Datu Haji Abdul Rashid Mohd Azis
Datuk Franki Anthony Dass
David Manoa Toua
Denny Wicaksana
Djoko Martopo
Dorab Erach Mistry
Dr. K. Harikrishna Dr. K. Kulaveerasingam
Dr. Luc Bonneau
Dr Hirzun Mohd Yusof
Dr. Shariman Alwani Mohamed Nordin
Dr. Stephen Nelson
Drs. Jakob Tobing MPA
Ea Djulaeha
Edi Febriyanto
Elaim Tangirongo
Eliza Mohamed
Ernie Gangloff
Farid
Fazli Salikin
Francois van Hoydonck
Gajani Nayagi Seeveneserajah
Godfrey Shiletikwa Urasa
Handi Kusnandar
Hersoebeno Brotowinoto
Ir Khirul Nizam Shamsudin
Ir Mohd Yusrizal Mohd Yusof
Ir. Safwani
Johari Meor Ngah
Jonathan Pennefather
Khaizarudin Awaludin
Kevin Hoh Wei Chung
Lakon Anak Igey
Lee Ai Leng
Lee Chong Yee
Lim Ban Yeow
Lisnawati Ibrahim
Marie-Claude Priscille Koenig
Mersal Abang Rosli
Martine Cundasawmy
Michael Barkhuysen
Michelle Chang Yuet Ling
Mohamed Abd Samad
Mohd Azlan Shah Mohd Zain
Mohammad Japri Giman
Mohd Amri Baharuddin
Mohd Hafiz Hamzah
Mohd Hamdi Abd Karim
Mohd Haris Mohd Arshad
Mohd Khiri Abd Wahab
Mohd Zamri Pardi
Muhammud Nurazli Razali
Nono Suharsono
Noor Azam Bin Mohd Nasir
Noor Haizal Noordin
Nurwanto
Osamu Watanabe
(Alternate Director to Shogo Yoshida)
Philip KO Kunjappy
Prof. Peter Caligari
R Krishna Moorthy Ramasamy
Raphael Yuen Kong Yian
Rashyid Redza Anwarudin
Renaka Ramachandran
Robert Anak Tugang
Robert Nilkare
Roslin Azmy Hassan
Ruari MacWilliam
Sallim Abdul Kadir
Sandeep Bhan
Shahrakbah Yacob
Shahrizan Aini Shamsul Khalil
Shah Nizam Yasin Shah
Shogo Yoshida
Sujoto
Syah Nizam
Syed Said Syed Saggaf
Tan Sri Datuk Dr. Yusof Basiran
Tan Sri Datuk Amar Haji Bujang
Tan Sri Datuk Amar (Dr) Haji Abdul Aziz
Dato Haji Husain
Mohammed Bujang Mohammed Nor
Datuk Haji Abang Abdul Wahap Bin
Haji Abang Julai
(Alternate Director to Tan Sri Datuk
Amar Haji Bujang Mohammed
Bujang Mohammed Nor)
Vavan Safwan Isman
Vistra NC B.V.
Wan Fauzan Shah Wan Ismail
Winardi Nooryanto
Yogesh Kotak
Yustinus Lambang Setyo Putro
Zulkifli Nasution
Zuhairi Zubir
Zulkifli Zainal Abidin

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2021

SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 49 to the financial statements.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Permodalan Nasional Berhad as its immediate holding company and Yayasan Pelaburan Bumiputra as its ultimate holding company. Both companies are incorporated in Malaysia.

AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2021 are disclosed in Note 6(f) to the financial statements.

The Group and the Company do not indemnify the auditors of the Company for losses in the event of legal actions brought against the auditors for alleged wrongful acts by the auditors.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept the re-appointment as auditors.

This Report was approved by the Board of Directors on 22 April 2022.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN DATUK SERI DR HAJI MEGAT KHAS
DIRECTOR

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
22 April 2022

STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 31 December 2021

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000
Continuing operations					
Revenue	5	**18,695,458**	13,081,128	**9,187,140**	3,769,886
Operating expenses	6	**(15,321,865)**	(11,798,490)	**(6,422,409)**	(3,411,988)
Other operating income	7	**403,296**	591,585	**339,342**	446,855
Other gains and losses	8	**(135,164)**	(14,175)	**(189,492)**	169,288
Operating profit		**3,641,725**	1,860,048	**2,914,581**	974,041
Share of results of joint ventures	21(a)	**20,156**	(11,575)	**–**	–
Share of results of associates	22(a)	**14,626**	4,901	**–**	–
Profit before interest and tax		**3,676,507**	1,853,374	**2,914,581**	974,041
Finance income	9	**11,852**	17,294	**16,015**	36,248
Finance costs	10	**(85,699)**	(116,418)	**(96,646)**	(126,357)
Profit before tax		**3,602,660**	1,754,250	**2,833,950**	883,932
Tax expense	12	**(1,109,384)**	(465,526)	**(165,494)**	(139,606)
Profit for the financial year from continuing operations		**2,493,276**	1,288,724	**2,668,456**	744,326
Discontinued operations					
Profit for the financial year from discontinued operations	13	**–**	73,838	**–**	–
Profit for the financial year		**2,493,276**	1,362,562	**2,668,456**	744,326
Profit for the financial year attributable to:					
– equity holders of the Company					
– from continuing operations		**2,257,282**	1,110,731	**2,544,156**	619,685
– from discontinued operations	13	**–**	73,838	**–**	–
		2,257,282	1,184,569	**2,544,156**	619,685
– Perpetual Sukuk holders					
– from continuing operations	35	**124,300**	124,641	**124,300**	124,641
– non–controlling interests					
– from continuing operations	36	**111,694**	53,352	**–**	–
		2,493,276	1,362,562	**2,668,456**	744,326
		sen	sen		
Basic/diluted earnings per share attributable to equity holders of the Company					
– from continuing operations	14	**32.64**	16.13		
– from discontinued operations	14	**–**	1.07		

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2021

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000
Profit for the financial year		**2,493,276**	1,362,562	**2,668,456**	744,326
Continuing operations					
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences gains/(losses):					
– subsidiaries		**186,420**	(148,019)	**–**	–
– joint ventures	21(a)	**5,933**	(6,966)	**–**	–
Cash flow hedge					
– changes in fair value		**(757,757)**	(251,490)	**8,714**	(9,998)
– transfers to profit or loss		**837,442**	(6,708)	**(1,693)**	1,246
Tax (expense)/credit relating to components of other comprehensive income		**(11,755)**	58,465	**(1,383)**	2,249
		260,283	(354,718)	**5,638**	(6,503)
Items that will not be reclassified subsequently to profit or loss:					
Actuarial (loss)/gain on defined benefit plans	37	**(33,748)**	12,674	**–**	(1,807)
Investment at fair value through other comprehensive income ("FVOCI")					
– changes in fair value	24	**2,571**	(3,401)	**2,683**	(3,662)
Tax (expense)/credit relating to components of other comprehensive loss		**(3,753)**	7,866	**–**	434
		(34,930)	17,139	**2,683**	(5,035)
Other comprehensive income/(loss) from continuing operations		**225,353**	(337,579)	**8,321**	(11,538)
Other comprehensive loss from discontinued operations	13	**–**	(113,128)	**–**	–
Total other comprehensive income/(loss) for the financial year		**225,353**	(450,707)	**8,321**	(11,538)
Total comprehensive income for the financial year		**2,718,629**	911,855	**2,676,777**	732,788
Total comprehensive income/(loss) for the financial year attributable to:					
– equity holders of the Company					
– from continuing operations		**2,475,669**	781,090	**2,552,477**	608,147
– from discontinued operations	13	**–**	(39,290)	**–**	–
		2,475,669	741,800	**2,552,477**	608,147
– Perpetual Sukuk holders					
– from continuing operations		**124,300**	124,641	**124,300**	124,641
– non-controlling interests					
– from continuing operations		**118,660**	45,414	**–**	–
		2,718,629	911,855	**2,676,777**	732,788

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2021

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000 (Re-presented)
NON-CURRENT ASSETS					
Property, plant and equipment	16	**17,211,460**	17,283,404	**7,844,364**	7,960,778
Investment properties	17	**9,109**	7,467	**–**	–
Right-of-use assets	19	**1,989,527**	2,063,441	**273,622**	277,362
Subsidiaries	20	**–**	–	**7,856,085**	7,970,164
Joint ventures	21	**331,996**	192,517	**285,061**	161,615
Associates	22	**46,270**	42,635	**420**	420
Intangible assets	23	**2,818,545**	2,788,792	**2,077,499**	2,083,124
Investments at fair value through other comprehensive income ("FVOCI")	24	**29,639**	27,068	**26,070**	23,387
Deferred tax assets	25	**574,444**	620,867	**–**	–
Tax recoverable	26	**167,284**	264,643	**–**	–
Trade and other receivables	27	**88,721**	185,985	**–**	–
Amount due from a subsidiary	29	**–**	–	**589,580**	82,052
		23,266,995	23,476,819	**18,952,701**	18,558,902
CURRENT ASSETS					
Inventories	28	**2,465,921**	1,569,398	**343,187**	141,279
Biological assets	18	**283,106**	224,408	**64,956**	45,336
Trade and other receivables	27	**2,877,754**	2,246,482	**408,036**	242,220
Tax recoverable	26	**149,919**	214,513	**36,172**	78,922
Amounts due from subsidiaries	29	**–**	–	**164,958**	427,057
Amounts due from related parties	29	**305**	3,246	**2,989**	2,858
Planned assets	37	**–**	43,886	**–**	–
Derivatives	30	**26,393**	67,590	**1,081**	3,273
Bank balances, deposits and cash	31	**589,397**	309,029	**184,378**	49,215
		6,392,795	4,678,552	**1,205,757**	990,160
Non-current assets held for sale	32	**678,533**	165,280	**16,691**	43,450
TOTAL ASSETS		**30,338,323**	28,320,651	**20,175,149**	19,592,512

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2021

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000 (Re-presented)
EQUITY					
Share capital	33	**1,633,790**	1,506,119	**1,633,790**	1,506,119
Reserves	34	**13,556,923**	12,147,381	**9,198,035**	7,711,685
Attributable to equity holders of the Company		**15,190,713**	13,653,500	**10,831,825**	9,217,804
Perpetual Sukuk	35	**2,231,398**	2,231,398	**2,231,398**	2,231,398
Non-controlling interests	36	**436,641**	384,850	**–**	–
TOTAL EQUITY		**17,858,752**	16,269,748	**13,063,223**	11,449,202
NON-CURRENT LIABILITIES					
Retirement benefits	37	**182,053**	277,380	**52,634**	51,428
Deferred income	39	**250**	67	**–**	–
Deferred tax liabilities	25	**2,760,016**	2,622,961	**734,396**	786,738
Amount due to a subsidiary	29	**–**	–	**511,656**	494,475
Borrowings	38	**4,018,561**	4,396,917	**2,967,416**	3,278,041
Lease liabilities		**155,059**	163,801	**5,886**	6,279
Trade and other payables	41	**36,218**	80,734	**40,129**	46,773
		7,152,157	7,541,860	**4,312,117**	4,663,734
CURRENT LIABILITIES					
Trade and other payables	41	**2,172,533**	1,555,026	**552,122**	403,824
Contract liabilities	40	**23,882**	28,087	**–**	–
Amounts due to subsidiaries	29	**–**	–	**1,304,098**	1,132,479
Amounts due to related parties	29	**19,160**	17,835	**17,076**	12,828
Retirement benefits	37	**12,843**	17,871	**–**	–
Lease liabilities		**23,014**	25,951	**400**	400
Tax payable		**463,189**	201,537	**–**	–
Derivatives	30	**229,279**	359,751	**2,254**	7,597
Borrowings	38	**2,232,115**	2,285,286	**923,859**	1,922,448
		5,176,015	4,491,344	**2,799,809**	3,479,576
Liabilities directly associated with non-current assets held for sale	32	**151,399**	17,699	**–**	–
TOTAL LIABILITIES		**12,479,571**	12,050,903	**7,111,926**	8,143,310
TOTAL EQUITY AND LIABILITIES		**30,338,323**	28,320,651	**20,175,149**	19,592,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2021

		Attributable to equity holders of the Company						
GROUP	Note	Share capital RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual Sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2021		**1,506,119**	**283,008**	**11,864,373**	**13,653,500**	**2,231,398**	**384,850**	**16,269,748**
Profit for the financial year		**–**	**–**	**2,257,282**	**2,257,282**	**124,300**	**111,694**	**2,493,276**
Other comprehensive income/(loss) for the financial year		**–**	**254,348**	**(35,961)**	**218,387**	**–**	**6,966**	**225,353**
Total comprehensive income for the financial year		**–**	**254,348**	**2,221,321**	**2,475,669**	**124,300**	**118,660**	**2,718,629**
Transactions with equity holders:								
– share issue	33	**127,671**	**–**	**–**	**127,671**	**–**	**–**	**127,671**
– dividends		**–**	**–**	**(1,066,127)**	**(1,066,127)**	**–**	**(66,869)**	**(1,132,996)**
– distribution to Perpetual Sukuk holders	35	**–**	**–**	**–**	**–**	**(124,300)**	**–**	**(124,300)**
At 31 December 2021		**1,633,790**	**537,356**	**13,019,567**	**15,190,713**	**2,231,398**	**436,641**	**17,858,752**
At 1 January 2020 (re-presented)		1,506,119	745,931	11,008,923	13,260,973	2,231,398	368,351	15,860,722
Continuing operations								
Profit for the financial year		–	–	1,110,731	1,110,731	124,641	53,352	1,288,724
Other comprehensive (loss)/income for the financial year		–	(346,215)	20,154	(326,061)	–	(8,555)	(334,616)
Disposal of subsidiaries		–	(3,580)	–	(3,580)	–	617	(2,963)
Total comprehensive (loss)/income for the financial year		–	(349,795)	1,130,885	781,090	124,641	45,414	951,145
Transactions with equity holders:								
– dividends		–	–	(345,605)	(345,605)	–	(32,521)	(378,126)
– distribution to Perpetual Sukuk holders	35	–	–	–	–	(124,641)	–	(124,641)
– changes in ownership		–	–	(3,668)	(3,668)	–	3,606	(62)
Discontinued operations								
Total comprehensive (loss)/income for the financial year	13	–	(113,128)	73,838	(39,290)	–	–	(39,290)
At 31 December 2020 (re-presented)		1,506,119	283,008	11,864,373	13,653,500	2,231,398	384,850	16,269,748

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2021

		Attributable to equity holders of the Company					
COMPANY	Note	Share capital RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual Sukuk RM'000	Total equity RM'000
At 1 January 2021		**1,506,119**	**16,647**	**7,695,038**	**9,217,804**	**2,231,398**	**11,449,202**
Profit for the financial year		**–**	**–**	**2,544,156**	**2,544,156**	**124,300**	**2,668,456**
Other comprehensive income for the financial year		**–**	**8,321**	**–**	**8,321**	**–**	**8,321**
Total comprehensive income for the financial year		**–**	**8,321**	**2,544,156**	**2,522,477**	**124,300**	**2,676,777**
Transactions with equity holders:							
– share issue	33	**127,671**	**–**	**–**	**127,671**	**–**	**127,671**
– dividends	15	**–**	**–**	**(1,066,127)**	**(1,066,127)**	**–**	**(1,066,127)**
– distribution to Perpetual Sukuk holders	35	**–**	**–**	**–**	**–**	**(124,300)**	**(124,300)**
At 31 December 2021		**1,633,790**	**24,968**	**9,173,067**	**10,831,825**	**2,231,398**	**13,063,223**
At 1 January 2020		1,506,119	26,812	7,422,331	8,955,262	2,231,398	11,186,660
Profit for the financial year		–	–	619,685	619,685	124,641	744,326
Other comprehensive loss for the financial year		–	(10,165)	(1,373)	(11,538)	–	(11,538)
Total comprehensive (loss)/income for the financial year		–	(10,165)	618,312	608,147	124,641	732,788
Transactions with equity holders:							
– dividends	15	–	–	(345,605)	(345,605)	–	(345,605)
– distribution to Perpetual Sukuk holders	35	–	–	–	–	(124,641)	(124,641)
At 31 December 2020		1,506,119	16,647	7,695,038	9,217,804	2,231,398	11,449,202

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2021

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year from continuing operations		**2,493,276**	1,288,724	**2,668,456**	744,326
Adjustments for:					
Amortisation of intangible assets	23	**38,716**	34,136	**10,879**	7,573
Bad debts written off	6(e)	**–**	842	**–**	842
Depreciation of:					
– property, plant and equipment	6(a)	**1,214,779**	1,122,231	**284,103**	254,155
– investment properties	17	**67**	70	**–**	–
– right-of-use assets	6(a)	**75,202**	68,110	**3,395**	4,894
Dividend income					
– other investments	5(b)	**(2,899)**	(6,669)	**(4,270)**	(6,669)
– subsidiaries	5(b)	**–**	–	**(2,545,468)**	(43,678)
Finance costs	10	**85,699**	116,418	**96,646**	126,357
Finance income	9	**(11,852)**	(17,294)	**(16,015)**	(36,248)
Unrealised fair value (gains)/losses:					
– commodities options and futures contracts	8	**(41,907)**	(92,958)	**255**	(99,599)
– forward foreign exchange contracts (non-hedging derivatives)	8	**(6,072)**	(5,610)	**–**	–
Fair value changes in biological assets (net)	6(e)	**(57,222)**	(32,346)	**(19,620)**	(17,569)
Gains on disposals of:					
– property, plant and equipment	7	**(151,496)**	(2,785)	**(134,189)**	(5,925)
– non-current assets held for sale	6(e),7	**(143,323)**	(462,501)	**(137,264)**	(408,850)
Impairment of:					
– property, plant and equipment	6(e)	**297,693**	14,798	**223,653**	12,179
– right-of-use assets	6(e)	**12,357**	–	**–**	–
– advances for plasma plantation projects	6(e)	**7,692**	1,624	**–**	–
– trade and other receivables	6(e)	**2,582**	10,326	**2,547**	485
– amounts due from subsidiaries	6(e)	**–**	–	**1,782**	761
– amounts due from joint ventures	6(e)	**–**	159	**–**	159
– investment in subsidiaries	20	**–**	–	**10,709**	12,411
– investment in a joint venture	6(e)	**37,597**	225,333	**–**	98,298
– non-current assets held for sale	6(e)	**1,224**	–	**–**	–
Write off of property, plant and equipment	16	**24,931**	20,367	**4,832**	2,213
Write-down of right-of-use assets	6(e)	**–**	488	**–**	–
(Write back)/write-down of inventories (net)	6(e)	**(3,941)**	10,046	**347**	152
Retirement benefits	6(d)	**(57,392)**	35,401	**7,112**	6,620
Reversal of impairment of:					
– trade and other receivables	7	**(4,548)**	(2,984)	**–**	(659)
– investment in a subsidiary	7	**–**	–	**(20,000)**	–
– amounts due from subsidiaries	7	**–**	–	**(14,742)**	–
Waiver of intercompany payable to wholly-owned subsidiaries which were liquidated	7	**–**	–	**–**	(3,301)
Share of results of:					
– joint ventures	21(a)	**(20,156)**	11,575	**–**	–
– associates	22(a)	**(14,626)**	(4,901)	**–**	–

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2021

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Tax expense	12	**1,109,384**	465,526	**165,494**	139,606
Unrealised exchange losses/(gains) (net)	8	**49,406**	23,724	**85,130**	(174,197)
		4,935,171	2,821,850	**673,772**	614,336
Changes in working capital:					
Inventories		**(901,266)**	(81,533)	**(202,255)**	(385)
Trade and other payables		**763,817**	213,481	**259,168**	101,552
Trade and other receivables		**(680,505)**	(402,226)	**(168,360)**	(15,246)
Intercompany and related party balances		**4,266**	9,757	**830,861**	208,795
Cash generated from operations		**4,121,483**	2,561,329	**1,393,186**	909,052
Tax paid		**(934,757)**	(581,902)	**(52,086)**	(80,204)
Tax refunded		**321,000**	479,000	**–**	–
Retirement benefits paid	37	**(24,955)**	(32,391)	**(5,906)**	(7,698)
Operating cash flow from continuing operations		**3,482,771**	2,426,036	**1,335,194**	821,150
Operating cash flow used in discontinued operations		**–**	(1,481)	**–**	–
Net cash generated from operating activities		**3,482,771**	2,424,555	**1,335,194**	821,150
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital contribution to a subsidiary	46(c)	**–**	–	**–**	(19,319)
Advances for plasma plantation projects		**(5,186)**	(8,229)	**–**	–
Repayment of advances for plasma plantation projects		**6,380**	14,162	**–**	–
Advances to subsidiaries		**–**	–	**(307,525)**	(54,306)
Repayment of advances from subsidiaries		**–**	–	**234,969**	39,653
Dividends received from:					
– associates		**9,734**	1,189	**–**	–
– other investments	5(b)	**2,899**	6,669	**4,270**	6,669
– subsidiaries		**–**	–	**1,841,673**	43,678
Finance income received		**11,852**	17,294	**8,560**	23,129
Proceeds from sale of:					
– property, plant and equipment		**170,391**	5,716	**143,671**	6,202
– non-current assets held for sale		**155,684**	506,629	**155,684**	474,694
Purchase of:					
– property, plant and equipment		**(1,438,249)**	(1,307,388)	**(382,258)**	(340,753)
– intangible assets		**(18,262)**	(26,372)	**(13,491)**	(16,814)
– biological assets		**–**	(2,914)	**–**	–
Payment for incidental cost of disposal of a subsidiary		**–**	(23,853)	**–**	–
Additional investment in a joint venture		**(138,666)**	–	**(138,666)**	–
Investing cash flow (used in)/generated from continuing operations		**(1,243,423)**	(817,097)	**1,546,887**	162,833
Investing cash flow used in discontinued operations		**–**	–	**–**	–
Net cash (used in)/generated from investing activities		**(1,243,423)**	(817,097)	**1,546,887**	162,833

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000 (Re-presented)
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		**(124,129)**	(163,022)	**(100,549)**	(145,174)
Loans raised		**5,949,214**	3,031,352	**4,041,560**	2,083,846
Borrowing transaction cost paid	38	**(3,175)**	(11,775)	**(2,585)**	(9,988)
Loan repayments		**(6,536,996)**	(4,039,970)	**(5,621,196)**	(2,476,490)
Repayment of lease liabilities		**(39,542)**	(44,294)	**(855)**	(1,652)
Distribution to Perpetual Sukuk holders	35	**(124,300)**	(124,641)	**(124,300)**	(124,641)
Dividend paid to shareholders		**(938,456)**	(345,605)	**(938,456)**	(345,605)
Dividend paid to non-controlling interests of subsidiaries	36	**(66,869)**	(32,521)	**–**	–
Financing cash flow used in continuing operations		**(1,884,253)**	(1,730,476)	**(2,746,381)**	(1,019,704)
Financing cash flow from discontinued operations	13(a)	**–**	–	**–**	–
Net cash used in financing activities		**(1,884,253)**	(1,730,476)	**(2,746,381)**	(1,019,704)
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**355,095**	(123,018)	**135,700**	(35,721)
Exchange differences		**690**	700	**(537)**	(467)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**309,029**	431,347	**49,215**	85,403
Less: Reclassified to non-current assets held for sale	32(d)	**(75,417)**	–	**–**	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31	**589,397**	309,029	**184,378**	49,215

NOTES TO STATEMENTS OF CASH FLOWS

(a) The principal non-cash transactions during the financial year included in the intercompany balances are as follows:

	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Dividend received through intercompany settlement	**579,411**	–
Proceed from sales of subsidiaries	**123,371**	–

(b) The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Acquisition of property, plant and equipment during the financial year	16	**1,530,694**	1,411,072	**406,402**	367,666
Less non-cash items:					
– Depreciation of property, plant and equipment capitalised in bearer plants	6(c)	**(35,442)**	(36,480)	**(10,037)**	(8,485)
– Depreciation of right-of-use assets capitalised in bearer plants	6(c)	**(1,838)**	(562)	**(345)**	(348)
– Finance costs capitalised in capital work-in-progress	10	**(27,551)**	(18,910)	**(1,282)**	(1,443)
– Finance costs capitalised in bearer plants	10	**(27,614)**	(47,732)	**(12,480)**	(16,637)
Net cash outflow for the acquisition of property, plant and equipment		**1,438,249**	1,307,388	**382,258**	340,753

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2021

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows:

GROUP	Note	Borrowings * RM'000	Lease liabilities RM'000	Total RM'000
2021				
At 1 January 2021		**6,718,836**	**189,752**	**6,908,588**
Cash flows from financing activities				
Finance costs paid		**(124,129)**	**–**	**(124,129)**
Loans raised		**5,949,214**	**–**	**5,949,214**
Borrowing transaction cost paid	38	**(3,175)**	**–**	**(3,175)**
Loan repayments		**(6,536,996)**	**–**	**(6,536,996)**
Repayment of lease liabilities		**–**	**(39,542)**	**(39,542)**
Non-cash changes				
Finance costs	10	**133,292**	**7,572**	**140,864**
Recognition of additional lease liabilities		**–**	**32,795**	**32,795**
Lease modification		**–**	**(7,364)**	**(7,364)**
Transfer to non-current assets held for sales	32	**–**	**(2,235)**	**(2,235)**
Exchange differences		**129,331**	**(2,905)**	**126,426**
At 31 December 2021		**6,266,373**	**178,073**	**6,444,446**
2020				
At 1 January 2020		7,788,469	187,275	7,975,744
Cash flows from financing activities				
Finance costs paid		(163,022)	–	(163,022)
Loans raised		3,031,352	–	3,031,352
Borrowing transaction cost paid	38	(11,775)	–	(11,775)
Loan repayments		(4,039,970)	–	(4,039,970)
Repayment of lease liabilities		–	(44,294)	(44,294)
Non-cash changes				
Finance costs	10	171,630	11,710	183,340
Recognition of additional lease liabilities		–	33,560	33,560
Exchange differences		(57,848)	1,501	(56,347)
At 31 December 2020		6,718,836	189,752	6,908,588

* The borrowings include interest payable for the Group which was classified under trade and other payables in Note 41.

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued)

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows: (continued)

COMPANY	Note	Borrowings* RM'000	Lease liabilities RM'000	Amounts due to subsidiaries RM'000	Total RM'000
2021					
At 1 January 2021		**5,207,565**	**6,679**	**626,551**	**5,840,795**
Cash flows from financing activities					
Finance costs paid		**(84,369)**	**–**	**(16,180)**	**(100,549)**
Loan raised		**3,694,698**	**–**	**346,862**	**4,041,560**
Borrowing transaction cost paid	38	**(2,585)**	**–**	**–**	**(2,585)**
Loan repayments		**(5,164,299)**	**–**	**(456,897)**	**(5,621,196)**
Repayment of lease liabilities		**–**	**(855)**	**–**	**(855)**
Non-cash changes					
Finance costs	10	**87,113**	**462**	**22,833**	**110,408**
Exchange differences		**155,383**	**–**	**26,367**	**181,750**
At 31 December 2021		**3,893,506**	**6,286**	**549,536**	**4,449,328**
2020					
At 1 January 2020		5,816,473	8,294	515,919	6,340,686
Cash flows from financing activities					
Finance costs paid		(128,426)	–	(16,748)	(145,174)
Loan raised		1,964,590	–	119,256	2,083,846
Borrowing transaction cost paid	38	(9,988)	–	–	(9,988)
Loan repayments		(2,476,490)	–	–	(2,476,490)
Repayment of lease liabilities		–	(1,652)	–	(1,652)
Non-cash changes					
Finance costs	10	126,778	37	17,902	144,717
Exchange differences		(85,372)	–	(9,778)	(95,150)
At 31 December 2020		5,207,565	6,679	626,551	5,840,795

* The borrowings include interest payable for the Company which was classified under trade and other payables in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2021

1. CORPORATE INFORMATION

The principal activities of the Company consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and marketing of specialty fats and edible oils, rubber and other palm oil related products and investment holding.

The principal activities of the Group consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and blending, marketing and distribution of specialty fats, edible oils, rubber, coconut oil and other palm oil related products, production and sales of sugar and beef, and the involvement in other agriculture related business as disclosed in Note 49 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad commencing 30 November 2017. The registered office of the Company is located at Level 10, Main Block, Plantation Tower, No. 2, Jalan PJU 1A/7, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Directors regard Permodalan Nasional Berhad as its immediate holding company and Yayasan Pelaburan Bumiputra as its ultimate holding company. Both companies are incorporated in Malaysia.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies in Note 3.

The preparation of financial statements in conformity with MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

a. Accounting pronouncements that have been adopted in preparing these financial statements

During the financial year, the Group has considered the new accounting pronouncements in the preparation of the financial statements, as follows:

(i) New accounting pronouncements with effective date on or after 1 January 2021

- Amendment to MFRS 16 "COVID-19 – Related Rent Concessions"
- Amendments to MFRS 9 ,MFRS 139 , MFRS 7 , MFRS 4 and MFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group adopted the "Interest Rate Benchmark Reform – Phase 2" and applied the practical expedient to update the effective interest rate to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ("IBOR") reform. As a result, no immediate gain or loss is recognised in the profit or loss.

b. IFRIC agenda decision that are concluded and published

- IFRIC agenda decision – Attributing Benefit to Periods of Service (MFRS 119)

The adoption of the IFRIC agenda decision listed above did not have any material impact on the current year or any prior period/years and is not likely to affect future periods.

c. Standards and amendments that have been issued but not yet effective

Interpretation and amendments that are effective after 1 April 2021

- Amendment to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

Interpretation and amendments that are effective after 1 January 2022

- Amendments to MFRS 116 "Proceeds Before Intended Use"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfiling a Contract"
- Annual Improvements to MFRS 141 "Taxation in Fair Value Measurements"

The amendments shall be applied retrospectively.

2. BASIS OF PREPARATION (CONTINUED)

c. Standards and amendments that have been issued but not yet effective (continued)

Interpretation and amendments that are effective after 1 January 2022 (continued)

- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The amendments shall be applied prospectively.

Interpretation and amendments that are effective after 1 January 2023

- Amendments to MFRS 101 "Classifications of Liabilities as Current or Non-current"
- Amendments to MFRS 101 "Disclosure of Accounting Policies"
- Amendments to MFRS 108 "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments shall be applied retrospectively.

The amendments listed above are not expected to have any significant effect on the financial statements.

d. Re-presentation of the comparative financial statements

During the financial year, the Group's and the Company's joint ventures ceased to meet the classification criterias as non-current asset held for sale in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as disclosed in Note 21(d) effective from 1 November 2021. Accordingly, the financial statements were re-presented from the period of which the joint ventures were first being classified as non-current asset held for sale in financial year ended 31 December 2019. Any adjustments including the prior years' share of results and impairment of investment in joint ventures are represented in the Group's and the Company's comparative profit or loss from the continuing operations.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, and to all the financial periods presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries made up to the end of the financial year and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group has power over the entity, has exposure to or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method except for those subsidiaries acquired under common control. The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. Under the acquisition method, subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date when control ceases. The consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange.

Contingent consideration is recorded at fair value as component of the purchase consideration with subsequent adjustment resulting from events after the acquisition date taken to profit or loss. Acquisition related costs are recognised as expenses when incurred.

Existing equity interests in the acquiree are re-measured to fair value at the date of business combination with any resulting gain or loss taken to profit or loss.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values, at the date of acquisition. The excess of the consideration and the fair value of previously held equity interests over the Group's share of the fair value of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. Any gain from bargain purchase is recognised directly in profit or loss.

Intercompany transactions and balances are eliminated on consolidation, but unrealised losses arising therefrom are eliminated only to the extent of the cost of the asset that can be recovered, and the balance is recognised in profit or loss as reduction in net realisable value or as impairment loss.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the financial statements. Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the statements of changes in equity.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal in profit or loss.

(ii) Business combinations under common control

Business combinations under common control are accounted using the predecessor method of accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction costs for the combination are recognised in profit or loss.

A similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

(iii) Joint ventures

Joint ventures are separate vehicles in which the Group has rights to its net assets and where its strategic, financial and operating decisions require unanimous consent of the Group and one or more parties sharing the control.

Joint ventures are accounted using the equity method. Equity method is a method of accounting whereby the investment is recorded at cost inclusive of goodwill and adjusted thereafter for the Group's share of the post-acquisition results and other changes in the net assets of the joint ventures based on their latest audited financial statements or management accounts. Where necessary, adjustments are made to the financial statements of joint ventures used by the Group in applying the equity method to ensure consistency of accounting policies with those of the Group.

After application of the equity method, the carrying amount of the joint ventures will be assessed for impairment. Equity method is discontinued when the carrying amount of joint venture reaches zero, or reaches the limit of the obligations in the case when the Group has incurred legal or constructive obligations in respect of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the assets transferred are recognised in profit or loss.

When joint control ceases, the disposal proceeds and the fair value of any retained investment are compared to the carrying amount of the joint venture. The difference together with the exchange reserve that relate to the joint venture is recognised as gain or loss on disposal. In the case of partial disposal without losing joint control, the difference between the proceeds and the carrying amount disposed, and the proportionate exchange reserve is recognised as gain or loss on disposal.

(iv) Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for using the equity method, similar to Note 3(a)(iii) above.

(b) Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amount due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currencies

(i) Presentation and functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions and monetary items are translated into the functional currency using the exchange rates prevailing at the transaction dates and at the end of the reporting period, respectively. Foreign exchange differences arising therefrom and on settlement are recognised in profit or loss.

Foreign exchange differences arising from the translation of a monetary item designated as hedge of net investment in a foreign operation are recognised in other comprehensive income in the consolidated financial statements until the net investment is disposed.

(iii) Translation of foreign currency financial statements

For consolidation purposes, foreign operations' results are translated into the Group's presentation currency at average exchange rates for the financial year whilst the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the end of the reporting period. The resulting translation differences are recognised in other comprehensive income and accumulated in exchange reserve.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income and reclassified from equity to profit or loss upon repayment or disposal of the relevant entity.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interests. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset. The carrying amount of the replaced part is derecognised and all repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

All costs directly related to bearer plants are capitalised until such time as the bearer plants reach maturity, at which point all further costs are expensed and depreciation commences. Such costs include seedling and planting costs, other upkeep costs and an allocation of overhead costs.

Freehold land is not depreciated as it has indefinite life. Depreciation commences when the bearer plants mature or when the assets under construction are ready for their intended use. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost or valuation of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 to 50 years
Bearer plants	
– Oil palm	22 years, or the lease term, if shorter
– Rubber trees	24 years, or the lease term, if shorter
– Growing canes	5 years, or the lease term, if shorter
Plant and machinery	5 to 40 years
Vehicles, equipment and fixtures	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are tested for impairment whenever indication of impairment exists, see Note 3(l)(i) on impairment of non-financial assets.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties are land and buildings held for rental income and/or capital appreciation which are not substantially occupied or intended to be occupied for use by, or in the operations of the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated as it has an infinite life. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 to 50 years, or over the lease term, if shorter

The residual values and useful lives are reviewed, and adjusted if appropriate, annually. Investment properties are tested for impairment whenever indication of impairment exists, see Note 3(l)(i) on impairment of non-financial assets.

(f) Biological assets

Biological assets comprised cattle livestock and produce growing on bearer plants. Biological assets are measured at fair value less costs of disposal. Any gains or losses arising from changes in the fair value less costs of disposal net of transfers to produce stocks are recognised net in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested and livestock that are expected to be sold or used for production on a date not more than 12 months after the reporting date.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration and the fair value of previously held interests over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. Goodwill on acquisition of joint ventures and associates is included as part of the cost of investments in joint ventures and associates. Such goodwill is tested for impairment as part of the overall net investment in each joint venture and associate.

(ii) Research and development costs

Research costs are charged to profit or loss in the financial year in which the expenditure is incurred.

Internally generated agriculture development costs are capitalised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Subsequently, such capitalised agriculture development costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis between 5 and 20 years. The useful life will be reviewed and adjusted, if appropriate, annually. Impairment testing is performed annually on development activities which have not entered commercial production. Development activity is also tested for impairment whenever indication of impairment exists. See Note 3(l)(i) on impairment of non-financial assets.

Development costs previously recognised as an expense in profit and loss are not recognised as an asset in subsequent period.

(iii) Smallholder relationships

Smallholder relationships have arisen on the acquisition of subsidiaries. These assets reflect the economic relationship between Group and the smallholders who cultivate and harvest fresh fruits bunches on land owned by the smallholders. These assets are shown at fair value on acquisition of subsidiaries and subsequently subject to amortisation on a straight line basis over the estimated average remaining lease term of the Group's land of 45 years. The smallholder relationships are tested for impairment whenever indication of impairment exists.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(iv) Computer software

Expenditure on computer software that is not an integral part of the related hardware is treated as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful lives. The annual amortisation rates range from 10% to 33%. Projects in progress are not amortised as these computer software are not yet available for use.

(v) Intellectual property rights

Intellectual property rights acquired from third parties are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful life of 20 years.

(vi) Other intangible assets

Other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their contractual periods or estimated useful lives. The principal annual amortisation rates are:

Brand names and trademarks	5% to 20%
Asset usage rights	7%
Customer relationships	Contract periods ranging from 10 months to 10 years

These intangible assets are tested for impairment whenever indication of impairment exists. See Note 3(l)(i) on impairment of non-financial assets.

(h) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as "held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Depreciation ceases when an asset is classified as a non-current asset held for sale. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statements of profit or loss and statements of comprehensive income.

(i) Inventories

Inventories comprise palm oil products, sugar stocks, coconut oil, raw materials, trading inventories, consumables and spare parts. Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, trading inventories and consumable stores represent cost of purchase plus incidental costs, and in the case of other inventories, include cost of materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Costs for palm oil products and sugar stock includes all direct expenses, an appropriate proportion of variable and fixed overheads arising from manufacturing and head office expenses and the estimated fair value less costs of disposal attributed to agriculture produce at the point of harvest in accordance with MFRS 141 "Agriculture". The fair value of biological assets harvested from the Group's own plantations and sold during the financial year are recorded as part of the biological assets movement in Note 18 and as part of "fair value changes in biological assets (net)" in determining the profit or loss.

The cost of inventories is determined on a weighted average basis whilst net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and estimated selling expenses.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at amortised cost – Debt instruments

The Group and the Company classify their financial assets at amortised cost when the asset is held within a business model with the objective to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest ("SPPI"). Financial assets of the Group and the Company which fall under this category are trade and other receivables (excluding prepayments and goods and services tax/value added tax receivable), amounts due from subsidiaries and related parties and bank balances, deposits and cash.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains and losses together with the related foreign exchange gains and losses.

(ii) Financial assets at fair value through other comprehensive income ("FVOCI") – Equity instruments

The Group and the Company have made an irrevocable election to classify their equity investments in unquoted shares under this category. At initial recognition, the Group and the Company measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, any fair value gains and losses on equity investments are recognised in investment in FVOCI reserve. On derecognition, the cumulative gain or loss is reclassified from investment in FVOCI reserve to retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments are established.

Equity instruments designated at FVOCI are not subject to impairment assessment.

(iii) Financial assets at fair value through profit or loss ("FVTPL") – Debt instruments

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Accordingly, the Group and the Company classify its non-hedging derivative assets under this category.

At initial recognition, the Group and the Company measure their financial asset at its fair value. Transaction costs attributable to the acquisition of the financial asset are expensed in profit or loss. Net changes in the fair value of financial assets at FVTPL are subsequently recognised in other gains and losses in profit or loss.

Purchases and sales of financial assets are recognised at trade date, the date at which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Financial assets are classified as current assets if collection is expected in one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

See Note 3(l)(ii) on impairment of financial assets.

(k) Derivatives and hedging activities

Derivatives are measured at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

A derivative that is neither designated nor an effective hedging instrument is categorised under fair value through profit or loss and changes in its fair value is recognised in profit or loss. In the case of a derivative that qualifies for cash flow hedge, the effective portion of changes in its fair value is recognised in other comprehensive income.

The gain or loss is removed from equity and included in profit or loss in the same period or periods during which the hedged item affects profit or loss. In the case of a hedge of a forecast transaction which results in the recognition of a non-financial asset or a non-financial liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability.

Changes in the fair value of a derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of hedged assets or liabilities that attributable to the hedged risk.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Derivatives and hedging activities (continued)

When a derivative expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within other gains and losses.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains or losses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed or partially disposed of.

The Group and the Company document at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document its risk management objective and strategy for undertaking its hedge transaction.

(l) Impairment

(i) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life or are not yet available for use are tested for impairment. Other non-financial assets are assessed for indication of impairment. If an indication exists, an impairment test is performed.

An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Impairment loss on non-financial assets is charged to profit or loss.

Except for goodwill, non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss. Reversal of impairment loss is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior financial periods.

An impairment loss recognised for goodwill is not reversed.

The Group and the Company perform impairment exercise annually and whenever events or circumstances occur indicating that impairment may exist.

(ii) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit loss ("ECL") for all debt instruments not held at FVTPL and financial guarantee contracts issued. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For financial guarantee contract, the ECL is the difference between expected payments to reimburse the holder of the guarantee debt instruments less any amounts the Group and the Company expect to recover from the other party.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9 "Financial Instruments", the identified impairment loss is immaterial.

ECLs are measured based on a general 3-stage approach and a simplified approach.

General 3-stage approach for other receivables, non-trade inter-company balances, advances for plasma plantation projects and financial guarantee contracts issued

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(I) Impairment (continued)

(ii) Impairment of financial assets (continued)

Simplified approach for trade receivables including inter-company balances

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

The following indicators are incorporated in the assessment:

- internal/ external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group and the Company consider a financial asset in default, which is fully aligned with the definition of credit-impaired, when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off to profit or loss when there is no reasonable expectation of recovering the contractual cash flows.

Grouping of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables arising from plantation upstream and downstream, and other operations were assessed based on credit risk profile and grouped into two categories (i.e. local and export customers). Local customers are defined as the customers with operation presence within the country in which the entity operates. Export customers represent customers outside the country in which the entity operates. Both portfolios are differentiated by country risks and are subject to different credit assessment.

Individual assessment

Trade receivables, other receivables, advances from plasma plantation projects and amounts due from subsidiaries and related parties which are in default or credit-impaired are assessed individually.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Share capital and Perpetual Sukuk

(i) Share capital

Proceeds from ordinary shares issued are accounted for as share capital in equity. Costs directly attributable to the issuance of new shares are deducted from equity.

Dividends to the owner of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

(ii) Perpetual Sukuk

Perpetual Sukuk is classified as equity instruments as there is no contractual obligation to redeem the instrument. Costs directly attributable to the issuance of the instrument, net of tax, are treated as a deduction from the proceeds.

Perpetual Sukuk holders' entitlement is accounted for as an appropriation in profit or loss and distribution is recognised in the statement of changes in equity in the period in which it is declared.

(n) Provisions

Provisions are recognised when the Group and the Company have a legal or constructive obligation, where the outflow of resources is probable and can be reliably estimated. Provisions are measured at the present value of the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the services are rendered by employees.

(ii) Defined contribution pension plans

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has various defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. The Group's contributions to defined contribution pension plans are charged to profit or loss in the financial year in which they relate.

(iii) Defined benefit pension plans

A defined benefit pension plan is a pension plan that is not a defined contribution pension plan. Typically defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group has various defined benefit pension plans, some of which are funded by payments from the relevant group of companies in various countries. The Group's defined benefit pension plans are determined based on a periodic actuarial valuation by external consultants where the amount of the benefits that eligible employees have earned in return for their services in the current and prior financial periods are estimated.

The liabilities in respect of the defined benefit pension plans are the present value of the defined benefit obligations at the end of the reporting period, adjusted for actuarial gains and losses and past service costs, and reduced by the fair value of the plan assets. The defined benefit obligations, calculated using the Projected Unit Credit Method, are determined by independent actuaries, considering the estimated future cash outflows.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains or losses arising from market adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of a proposal to encourage voluntary redundancy.

(v) Other long-term employee benefits

Other long-term employee benefits such as deferred compensation payable 12 months or more after the service period are calculated based on the Group's and the Company's policy using the same methodology as other post-employment benefits.

(p) Financial liabilities

The Group's financial liabilities are classified into four categories and the accounting policies for each of these categories are as follows:

(i) Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as FVTPL if they are held for trading. Derivatives are categorised as held for trading unless they are designated and are effective hedging instruments.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value plus transaction costs.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with expected credit loss model under MFRS 9 "Financial Instruments" and the amount initially recognised less, the cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(iii) Financial liabilities at amortised cost

Trade and other payables (excluding employee related payables and goods and services tax/value added tax payables), amounts due to subsidiaries and related parties, lease liabilities and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

(iv) Derivatives used for hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 3(k).

Financial liabilities are classified as current liabilities if payment is due within one year, or in the normal operating cycle of the business if longer. Otherwise, they are presented as non-current liabilities.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments (with original maturities of 3 months or less) and are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statements of financial position, bank overdrafts are included in short-term borrowings.

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets until the assets are substantially ready for their intended use or sale. Any specific borrowing that remains outstanding after a related qualifying asset is ready for its intended use or sale will become part of the Group's general borrowings. All other borrowing costs are recognised in the statement of profit and loss in the financial year in which they are incurred.

(s) Tax

Taxation comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

The current income tax charge is the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including those arising from business combination. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured based on the tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(t) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants are treated as deferred income and allocated to profit or loss over the useful lives of the related assets or over the period of the operating expenditure to which the grants are intended to compensate.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of any Government Tax applicable at the prevailing rates. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sales of agricultural produce and refined palm oil related products

The Group's and the Company's revenue are derived mainly from its upstream and downstream operations.

In the upstream operations, revenue is from sales of agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK"), rubber, beef and sugar. In the downstream operations, revenue is derived from sales of refined oil related products and provision of freight and tolling services.

Revenue from sales of agricultural produce and refined palm oil related products are recognised net of discount and taxes collected on behalf at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer; or upon delivery of the goods on board vessels or tankers for onward delivery to the customer.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and freight services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

There is no element of financing present as the Group's and the Company's sale of goods are either on cash terms (immediate payments or advance payments not exceeding 30 days); or on credit terms of up to 30 days. The Group's and the Company's obligations to provide quality claims against off-spec goods under the Group's and the Company's standard contractual terms are recognised as a provision.

Rendering of services – Provision for freight, tolling and other services

Revenue from provision of freight is recognised in the accounting period in which services are rendered. In cases where customers pay for the bundled contract in advance to the rendering of the freight services, a contract liability is recognised.

Revenue from the provision of tolling services is recognised in the period in which the manufacturing activities are performed. There is no element of financing present as the sales is made with credit terms of up to 30 days.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group and the Company are as follows:

- Rental income – recognised on a straight-line basis over the lease terms.
- Dividend income – recognised when the right to receive payment is established.
- Insurance claims – recognised if the claim is considered highly probable.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Leases

The Group as a lessee

The Group and the Company recognise a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land	over the lease period ranging from 20 to 999 years
Buildings	20 to 50 years, or over the lease term, if shorter
Plant and machinery	5 to 40 years, or over the lease term, if shorter
Vehicles, equipment and fixtures	5 years, or over the lease term, if shorter

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise. This incremental borrowing rates is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term.

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

A change in lease payments (including rent concession), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

The Group as a lessor

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Group and the Company classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(w) Commodity futures, forward contracts and options

Commodity futures, forward contracts and options are entered into by the Group and the Company to manage exposure to adverse movements in vegetable oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's and the Company's expected purchase, sale or usage requirements. Accordingly, such contracts are deemed not to be financial instruments. Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon the recognition of the anticipated transactions.

Certain of the Group's commodity forward purchase and sale contracts are irrevocably designated and measured at fair value through profit or loss (fair value option). The application of the fair value model is made where either doing so eliminates or significantly reduces an accounting mismatch, or a group of financial liabilities or liabilities and assets are managed on a fair value basis. Changes in the market values of these commodity contracts are recognised in the profit or loss and are estimated using valuation techniques as described in Note 47(b).

Contracts entered other than for the purpose of the receipt or delivery of physical commodity are treated as derivatives.

(x) Contingent liabilities

The Group and the Company do not recognise contingent liabilities, but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

(y) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to management for the allocation of resources and assessment of its performance. The Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, expense, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. They are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group companies within a single segment. Intragroup transactions which in substance represent re-allocation of non-current assets from a segment to another segment are also eliminated. Inter-segment pricing is based on similar terms as those available to external parties.

(z) Fair value estimation

Fair values shown in the financial statements are categorised into three different levels to increase consistency and comparability in fair value measurements. The levels of hierarchy are based on the input used to measure the fair value of an asset or a liability. The hierarchy based on highest to the lowest priority is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly

Level 3 – valuation inputs that are not based on observable market data

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conforming with MFRS requires the use of certain critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's accounting policies. Estimates and assumptions are based on the Directors' best knowledge of current events. Such estimates and judgement could change from period to period and have a material impact on the results, financial position, cash flows and other disclosures.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Impairment of non-financial assets

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ("CGU") to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of the CGUs were determined based on the value in use ("VIU") calculations. The VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on historical and industry trends, general market and economic conditions and other available information.

The carrying amount of the Group's and the Company's goodwill as at 31 December 2021 were RM2,117.6 million arising from the acquisition of New Britain Palm Oil Limited ("NBPOL") and goodwill of RM1,966.6 million arising from the merger exercise of plantation businesses respectively as disclosed in Note 23(i) to the financial statements. Based on the impairment assessments, no impairment charge is required. The key assumptions are also disclosed in Note 23(i) to the financial statements.

The Group and the Company had assessed whether there is any indication that the non-financial assets are impaired at the end of each reporting period in accordance with the accounting policies. Significant judgement is required in the estimation of the present value of future cash flows generated by the non-financial assets, which involve uncertainties and are significantly affected by the assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and the Company's impairment assessment on the non-financial assets.

Based on the assessment, Group has recognised an impairment on investment in its joint ventures, Emery Group of RM37.6 million (see Note 6(e) and 21). The Group and the Company also recognise an impairment on immature rubber plantations of RM279.0 million and RM223.7 million respectively as disclosed in Note 16(c).

(b) Taxation

(i) Income taxes

The Group is subject to income taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group also recognised certain tax recoverable for which the Group believes that there is reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax provisions, tax recoverable and tax payable balances in the financial year in which such determination is made.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves estimate regarding future taxable profits of particular entities within the Group in which the deferred tax asset has been recognised.

During the financial year, the Group has recognised deferred tax assets arising from unutilised tax losses and other deductible temporary differences as disclosed in Note 25.

5. REVENUE

The Group and the Company derive the following types of revenue:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	5(a)	**18,675,182**	13,063,055	**6,625,986**	3,709,939
Revenue from other sources	5(b)	**20,276**	18,073	**2,561,154**	59,947
		18,695,458	13,081,128	**9,187,140**	3,769,886

(a) Disaggregation of revenue from contracts with customers

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Upstream					
– Malaysia		**346,397**	560,462	**2,291,926**	854,626
– Indonesia		**1,371,183**	803,810	**–**	–
– Papua New Guinea and Solomon Islands ("PNG/SI")		**861,604**	802,056	**–**	–
Downstream					
– Bulk products	5(a)(i)	**10,983,533**	6,731,022	**2,242,520**	1,506,350
– Differentiated products	5(a)(ii)	**5,042,377**	4,106,445	**2,087,119**	1,340,762
Other operations		**70,088**	59,260	**4,421**	8,201
		18,675,182	13,063,055	**6,625,986**	3,709,939

(i) Revenue from bulk products include crude palm oil ("CPO"), crude palm kernel oil ("CPKO") which is crushed in kernel crushing plants, basic refined products comprising Refined Bleached Deodorised ("RBD") palm oil, RBD palm olein, stearin and Palm Fatty Acid Distillate ("PFAD") which are refined in the bulk refineries and coconut oils products which are extracted from the copra.

(ii) Revenue from differentiated products include sales of products catering to customers' specific requirements, such as shortenings, margarine, ghee, frying shortenings, palm kernel cake and tolling services.

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**18,449,960**	12,801,779	**6,588,768**	3,668,885
Management fee income from subsidiaries	**–**	–	**31,925**	32,634
Freight services	**207,377**	252,185	**872**	219
Tolling services	**17,845**	9,091	**4,421**	8,201
	18,675,182	13,063,055	**6,625,986**	3,709,939
Timing of revenue recognition				
– at point in time	**18,449,960**	12,801,779	**6,588,768**	3,668,885
– over time	**225,222**	261,276	**37,218**	41,054
	18,675,182	13,063,055	**6,625,986**	3,709,939

5. REVENUE (CONTINUED)

(b) Revenue from other sources

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Dividends (gross) received/receivable from:				
– other investments	**2,899**	6,669	**4,059**	6,669
– subsidiaries	**–**	–	**2,545,679**	43,678
Rental income	**17,377**	11,404	**11,416**	9,600
	20,276	18,073	**2,561,154**	59,947

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) at the end of the financial year.

Expected timing of recognition:

		GROUP	
	Note	2022 RM'000	2021 RM'000
Freight income	40	23,882	28,087

6. OPERATING EXPENSES

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000
(a) Operating expenses include:					
Cost of raw materials and inventories sold for palm products, rubber, sugar, beef and other agricultural products		**7,421,560**	5,269,250	**4,036,677**	1,525,323
Other direct costs of sales	6(b)	**2,905,374**	1,932,126	**708,881**	517,450
Employee costs	6(d)	**2,511,850**	2,372,422	**888,599**	769,860
Depreciation of:					
– property, plant and equipment	6(c)	**1,214,779**	1,122,231	**284,103**	254,155
– right-of-use assets	6(c)	**75,202**	68,110	**3,395**	4,894
– investment properties	17	**67**	70	**–**	–
Amortisation of intangible assets	23	**38,716**	34,136	**10,879**	7,573
Other operating expenses	6(e)	**1,154,317**	1,000,145	**489,875**	332,733
		15,321,865	11,798,490	**6,422,409**	3,411,988

6. OPERATING EXPENSES (CONTINUED)

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000
(b) Other direct costs of sales include:					
Export duty, transport and handling charges		**1,399,498**	707,367	**228,667**	80,025
Commissions fees		**9,725**	5,646	**46,401**	36,107
Tolling fees		**96,597**	30,135	**3,281**	3,776
Upkeep, manuring, and collection expenses		**637,231**	552,051	**227,512**	202,940
Selling and distribution expenses		**140,275**	97,161	**401**	911
Mills and refineries maintenance expenses		**181,901**	176,166	**66,321**	65,803
Research expenses		**2,475**	2,463	**90,051**	75,800
Others		**437,672**	361,137	**46,247**	52,088
		2,905,374	1,932,126	**708,881**	517,450
(c) Depreciation of:					
Depreciation for the financial year					
– property, plant and equipment	16	**1,250,221**	1,158,711	**294,140**	262,640
– capitalised in immature bearer plant		**(35,442)**	(36,480)	**(10,037)**	(8,485)
	6(a)	**1,214,779**	1,122,231	**284,103**	254,155
Depreciation for the financial year					
– right-of-use assets	19	**77,040**	68,672	**3,740**	5,242
– capitalised in immature bearer plant		**(1,838)**	(562)	**(345)**	(348)
	6(a)	**75,202**	68,110	**3,395**	4,894
Depreciation included in profit or loss		**1,289,981**	1,190,341	**287,498**	259,049
(d) Employee costs include:					
Salaries, wages and bonus		**2,032,466**	1,977,787	**599,053**	549,387
Defined contribution plans		**109,415**	100,920	**84,055**	82,975
Retirement benefits	37	**(57,392)**	35,401	**7,112**	6,620
Termination benefits		**603**	12,396	**603**	12,396
Reimbursement of recruitment fee		**81,900**	–	**66,478**	–
Other short-term employee benefits		**344,858**	245,918	**131,298**	118,482
		2,511,850	2,372,422	**888,599**	769,860

Employee costs above include the remuneration of the Directors and the key management personnel, as set out in Notes 11 and 46(f) respectively to the financial statements.

6. OPERATING EXPENSES (CONTINUED)

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000 (Re-presented)	COMPANY 2021 RM'000	COMPANY 2020 RM'000
(e) Other operating expenses include:					
Fair value changes in biological assets (net)		**(57,222)**	(32,346)	**(19,620)**	(17,569)
Impairment of:					
– property, plant and equipment	16	**297,693**	14,798	**223,653**	12,179
– right-of-use assets	19	**12,357**	–	**–**	–
– advances for plasma plantation projects	47(a)(iii)	**7,692**	1,624	**–**	–
– trade and other receivables	47(a)(iii)	**2,582**	10,326	**2,547**	485
– amounts due from subsidiaries	47(a)(iii)	**–**	–	**1,782**	761
– amounts due from joint ventures	47(a)(iii)	**–**	159	**–**	159
– investment in subsidiaries	20	**–**	–	**10,709**	12,411
– investment in a joint venture	21(a)	**37,597**	225,333	**–**	98,298
– non-current assets held for sale	32	**1,224**	–	**–**	–
Write off of:					
– property, plant and equipment	16	**24,931**	20,367	**4,832**	2,213
– bad debts		**–**	842	**–**	842
Write-down of:					
– right-of-use assets	19	**–**	488	**–**	–
Loss on disposal of non-current assets held for sale		**–**	3,348	**–**	–
(Write back)/write down of inventories		**(3,941)**	10,046	**347**	152
Donations		**60,813**	28,010	**36,394**	10,367
Insurance charges		**36,642**	34,759	**5,337**	5,509
Information technology charges		**79,252**	76,827	**27,452**	20,093
Professional fees		**129,692**	61,679	**32,022**	14,596
Quit rent and assessment		**62,338**	58,533	**27,227**	27,788
Expense relating to short-term leases		**34,851**	32,888	**20,513**	15,414
Repairs and maintenance		**187,968**	187,790	**36,343**	30,439
Telecommunication expenses		**5,662**	6,526	**834**	878
Travelling expenditure		**19,140**	21,255	**2,836**	4,395
Utilities expenditure		**118,160**	112,041	**29,093**	32,228
Incidental cost of disposal of a subsidiary		**–**	–	**–**	19,319
(f) Auditors' remuneration					
Fees for statutory audits:					
– PricewaterhouseCoopers PLT, Malaysia		**3,234**	3,009	**1,830**	1,600
– Member firms of PricewaterhouseCoopers International Limited		**8,790**	7,537	**–**	–
– Other firms		**187**	158	**–**	–
		12,211	10,704	**1,830**	1,600
Fees for non-audit services:					
– PricewaterhouseCoopers PLT, Malaysia		**1,891**	1,476	**1,884**	1,144
– Member firms of PricewaterhouseCoopers International Limited		**1,701**	1,523	**–**	–
		3,592	2,999	**1,884**	1,414

7. OTHER OPERATING INCOME

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Gain on disposal of:					
– property, plant and equipment		**151,496**	2,785	**134,189**	5,925
– non-current assets held for sale		**143,323**	465,849	**137,264**	408,850
Government grants/incentives		**5,122**	1,530	**1,746**	720
Insurance claims		**9,705**	14,110	**862**	1,233
Other compensation income		**9,597**	8,996	**9,597**	7,714
Reversal of impairment of:					
– investment in a subsidiary	20	**–**	–	**20,000**	–
– amounts due from subsidiaries	47(a)(iii)	**–**	–	**14,742**	–
– trade and other receivables	47(a)(iii)	**4,548**	2,984	**–**	659
Waiver of intercompany payable to wholly-owned subsidiaries which were liquidated		**–**	–	**–**	3,301
Sale of scrap		**23,553**	24,482	**3,438**	1,077
Sale of rubber wood		**2,507**	1,890	**2,507**	1,890
Other income		**53,445**	68,959	**14,997**	15,486
		403,296	591,585	**339,342**	446,855

8. OTHER GAINS AND LOSSES

	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Fair value gains/(losses) on forward foreign exchange contracts:				
– realised non-hedging derivatives	**23,488**	(19,822)	**–**	–
– unrealised non-hedging derivatives	**6,072**	5,610	**–**	–
– cash flow hedge	**(28,646)**	(6,708)	**(1,693)**	1,246
Fair value (losses)/gains on commodities futures contracts:				
– realised	**(149,131)**	(57,724)	**(67)**	(23,955)
– unrealised	**41,907**	92,958	**(255)**	99,599
Foreign currencies exchange gains/(losses):				
– realised	**20,552**	(4,765)	**(102,347)**	(81,799)
– unrealised	**(49,406)**	(23,724)	**(85,130)**	174,197
	(135,164)	(14,175)	**(189,492)**	169,288

RM154.1 million loss and RM2.7 million gain (2020: RM58.5 million and RM1.6 million losses) arising from cash flow hedge ineffectiveness has been recognised in the realised and unrealised fair value (losses)/gains on commodities futures contracts respectively as the forecasted sale transaction is not expected to occur.

9. FINANCE INCOME

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income from:				
– banks and other financial institutions	**6,190**	7,788	**1,934**	2,529
– subsidiaries	**–**	–	**6,432**	20,558
– financial guarantee contracts	**–**	–	**7,455**	13,119
– others	**5,662**	9,506	**194**	42
	11,852	17,294	**16,015**	36,248

10. FINANCE COSTS

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance costs charged by:					
– banks and other financial institutions		**124,129**	163,022	**79,524**	119,682
– lease liabilities		**7,572**	11,710	**462**	37
– subsidiaries		**–**	–	**22,833**	17,902
Amortisation of deferred financing expenses	38	**9,163**	8,608	**7,589**	7,096
		140,864	183,340	**110,408**	144,717
Interests capitalised in:					
– capital work-in-progress		**(27,551)**	(18,910)	**(1,282)**	(1,443)
– immature bearer plants		**(27,614)**	(47,732)	**(12,480)**	(16,637)
– intangible assets	23	**–**	(280)	**–**	(280)
		(55,165)	(66,922)	**(13,762)**	(18,360)
Net finance costs		**85,699**	116,418	**96,646**	126,357

11. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-executive Directors:				
– fees and allowances	**4,340**	4,240	**3,897**	3,717
– estimated monetary value of benefits	**135**	135	**135**	135
	4,475	4,375	**4,002**	3,852
Executive Director:				
– salaries and other emoluments	**3,598**	3,140	**3,598**	3,140
– defined contribution pension plans	**571**	494	**571**	494
– estimated monetary value of benefits	**50**	47	**50**	47
	4,219	3,681	**4,219**	3,681

12. TAX EXPENSE

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Current tax:					
In respect of current financial year					
– Malaysian income tax		**183,106**	56,593	**94,629**	17,097
– foreign income tax		**621,403**	242,275	**–**	–
– real property gain tax		**2,080**	41,620	**2,080**	41,620
– withholding tax		**185,324**	–	**124,383**	–
		991,913	340,488	**221,092**	58,717
(Over)/under provision in respect of prior financial years					
– Malaysian income tax		**(2,250)**	(2,829)	**(1,873)**	(6,677)
– foreign income tax		**29,220**	5,647	**–**	–
		26,970	2,818	**(1,873)**	(6,677)
Deferred tax					
– origination and reversal of temporary differences	25	**90,501**	122,220	**(53,725)**	87,566
Tax expense		**1,109,384**	465,526	**165,494**	139,606

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Profit from continuing operations before income tax expense		**3,602,660**	1,754,250	**2,833,950**	883,932
Profit from discontinued operations before income tax expense	13	**–**	73,838	**–**	–
		3,602,660	1,828,088	**2,833,950**	883,932
Applicable tax	12(a)	**1,373,853**	418,776	**680,148**	212,144
Effects of income not subject to tax		**(93,244)**	(63,380)	**(477,908)**	(61,151)
Effects of expenses not deductible for tax purposes		**148,285**	128,936	**77,518**	103,027
Expenses subject to double deductions		**(27,545)**	(27,956)	**(21,612)**	(20,859)
Tax incentive		**–**	(4,801)	**–**	–
Income subject to different tax rate		**(327,577)**	(58,326)	**(78,345)**	(56,964)
Effects of changes in statutory income tax rates on deferred tax		**(19,170)**	73,974	**2,347**	–
Deferred tax assets not recognised in respect of tax losses and deductible temporary differences for the current financial year		**7,736**	25,156	**–**	–
Under/(over) provision in respect of prior financial years		**26,970**	2,818	**(1,873)**	(6,677)
Utilisation of unrecognised deferred tax assets		**(22,072)**	–	**–**	–
Taxable temporary difference on investments in subsidiaries		**71,980**	–	**–**	–
Perpetual Sukuk distribution		**(29,832)**	(29,914)	**(29,832)**	(29,914)
Effects of agriculture clawback		**–**	–	**15,051**	–
Share of tax expense from associates and joint ventures		**–**	243	**–**	–
Tax expense for the financial year		**1,109,384**	465,526	**165,494**	139,606
Effective tax rate (%)		**30.8**	25.5	**5.8**	15.8

12. TAX EXPENSE (CONTINUED)

(a) The applicable tax rate of the Group is derived from the consolidation of all the Group's companies' applicable tax rates based on their respective domestic tax rates. The applicable tax of the Company is the product of profit before tax multiplied by the domestic tax rate of the Company.

(b) During the financial year, the effective tax rate is higher than the average tax rate of the Group mainly due to withholding tax payable by the Group of RM185.3 million on the dividends remitted from the foreign subsidiaries and recognition of deferred tax liabilities of RM72.0 million on the taxable temporary difference on investments in the subsidiaries being classified as non-current assets held for sale. The higher effective tax rate was partially mitigated by the gain on government acquisition of land of RM270.5 million which was not subject to tax and change in statutory income tax rate in Indonesia from 20% to 22% effectively from year of assessment 2022, resulting in a net increase of deferred tax assets of RM24.3 million.

In the previous financial year, the statutory income tax rate in Indonesia was reduced gradually from 25% to 22% for 2020 and 2021 and to 20% in 2022 and thereafter, resulting in a net reduction of deferred tax assets previously recognised by RM74.0 million.

13. DISCONTINUED OPERATIONS

In 2019, the Board of Directors had approved the Group's intention to exit the upstream business in Liberia (Sime Darby Plantation (Liberia) Inc. ("SDP Liberia")) and on 15 January 2020, the disposal of SDP Liberia was completed and a gain of disposal of RM73.8 million was recognised in the consolidated profit or loss as disclosed in Note 32(c)(i) to the financial statements.

(a) Analysis of the results and cash flow information of the discontinued operations are as follows:

		GROUP	
	Note	2021 RM'000	2020 RM'000 (Re-presented)
Statements of Profit or Loss			
Other operating income		–	73,838
Operating gain	13(b)	–	73,838
Profit before tax/profit for the financial year		–	73,838
Profit for the financial year attributable to:			
– equity holders of the Company		–	73,838
Statements of Comprehensive Income			
Profit for the financial year		–	73,838
Items that will be reclassified subsequently to profit/(loss):			
Currency translation differences loss:			
– subsidiary		–	(113,128)
Total other comprehensive loss for the financial year	32(c)(i)	–	(113,128)
Total comprehensive loss for the financial year		–	(39,290)

	GROUP	
	2021 RM'000	2020 RM'000
Statements of Cash Flows		
Net cash used in operating activities	–	(1,481)
Net decrease in cash and cash equivalents	–	(1,481)
Foreign exchange differences	–	(13)
Cash and cash equivalents at beginning of the financial year	–	1,494
Cash and cash equivalents at end of the financial year	–	–

13. DISCONTINUED OPERATIONS (CONTINUED)

(b) Significant operating income/(expenses) of the discontinued operations for the financial year are as follow:

		GROUP	
	Note	2021 RM'000	2020 RM'000 (Re-presented)
Gain on disposal of a subsidiary	32(c)(i)	–	73,838

14. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the financial year has been calculated based on the Group's net profit attributable to the equity holders of the Company for the financial year and the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2021	2020 (Re-presented)
Profit for the financial year (RM'000)		
– continuing operations	**2,257,282**	1,110,731
– discontinued operations	**–**	73,838
Weighted average number of ordinary shares in issue ('000 units)		
– continuing operations	**6,915,714**	6,884,575
– discontinued operations	**6,915,714**	6,884,575
Basic earnings per share (sen)		
– continuing operations	**32.64**	16.13
– discontinued operations	**–**	1.07

Diluted earnings per share

There is no dilution in earnings per share as there is no potential dilutive ordinary shares.

15. DIVIDENDS

Dividends payable and paid in respect of the ordinary shares for the financial year are as follows:

	GROUP/COMPANY	
	2021 RM'000	2020 RM'000
Dividends for the financial year ended 31 December 2019:		
– Final dividend of 1.0 sen per share, paid in cash on 22 May 2020	**–**	68,846
Dividends for the financial year ended 31 December 2020:		
– Interim dividend of 2.57 sen per share, paid in cash on 26 November 2020	**–**	176,933
– Special interim dividend of 1.45 sen per share, paid in cash on 26 November 2020	**–**	99,826
– Final dividend of RM5.42 sen per share, paid in cash on 12 May 2021	**373,144**	–
– Special final dividend of RM2.13 sen per share, paid on 3 June 2021	**146,642**	–
Dividends for the financial year ended 31 December 2021:		
– Interim dividend of 7.90 sen per share, paid in cash on 12 November 2021	**546,341**	–
	1,066,127	345,605

A final dividend of 12.38 sen per ordinary share, amounting to RM856.2 million in respect of the financial year ended 31 December 2021 has been declared on 18 February 2022 and will be paid on 17 May 2022. The entitlement date for the dividend payment is 28 April 2022.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Freehold land RM'000	Buildings RM'000	Bearer plants (Note 16(a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
2021								
Net Book Value								
At 1 January 2021		**2,679,452**	**3,276,111**	**8,512,427**	**1,795,295**	**483,502**	**536,617**	**17,283,404**
Additions		**–**	**69,114**	**791,526**	**91,399**	**128,996**	**449,659**	**1,530,694**
Disposals		**(1,628)**	**(38)**	**(10,354)**	**(6,370)**	**(505)**	**–**	**(18,895)**
Write offs	6(e)	**–**	**(1,654)**	**(20,974)**	**(1,325)**	**(149)**	**(829)**	**(24,931)**
Depreciation charge for the financial year	6(c)	**–**	**(275,432)**	**(514,143)**	**(301,334)**	**(159,312)**	**–**	**(1,250,221)**
Impairment charge for the financial year	6(e)	**–**	**(9,946)**	**(285,987)**	**(1,760)**	**–**	**–**	**(297,693)**
Transfer from/ (to) non-current assets held for sale	32(d)	**1,073**	**(72,556)**	**(85,512)**	**(28,022)**	**(2,374)**	**(7,057)**	**(194,448)**
Transfer to investment properties	17	**(1,994)**	**–**	**–**	**–**	**–**	**–**	**(1,994)**
Reclassification		**–**	**204,160**	**–**	**299,563**	**47,834**	**(551,557)**	**–**
Exchange differences		**6,262**	**38,549**	**109,765**	**21,142**	**5,716**	**4,110**	**185,544**
At 31 December 2021		**2,683,165**	**3,228,308**	**8,496,748**	**1,868,588**	**503,708**	**430,943**	**17,211,460**
Cost		**2,683,165**	**5,455,042**	**12,877,600**	**4,689,118**	**2,424,575**	**434,729**	**28,564,229**
Accumulated depreciation		**–**	**(2,191,923)**	**(4,091,572)**	**(2,798,864)**	**(1,915,079)**	**–**	**(10,997,438)**
Accumulated impairment losses		**–**	**(34,811)**	**(289,280)**	**(21,666)**	**(5,788)**	**(3,786)**	**(355,331)**
Net book value		**2,683,165**	**3,228,308**	**8,496,748**	**1,868,588**	**503,708**	**430,943**	**17,211,460**
2020								
Net Book Value								
At 1 January 2020		2,707,957	3,416,225	8,327,280	1,887,108	490,371	485,084	17,314,025
Additions		756	16,135	842,522	50,767	109,587	391,305	1,411,072
Disposals		(277)	(277)	–	(2,377)	–	–	(2,931)
Write offs	6(e)	–	(747)	(17,204)	(2,274)	(142)	–	(20,367)
Depreciation charge for the financial year	6(c)	–	(228,579)	(488,910)	(296,423)	(144,799)	–	(1,158,711)
Impairment charge for the financial year	6(e)	–	(11,040)	–	(3,758)	–	–	(14,798)
Transfer to non-current assets held for sale	32(d)	(26,041)	(14,041)	(69,721)	(5,165)	(195)	(2,737)	(117,900)
Reclassification		–	138,676	–	173,499	25,852	(338,027)	–
Exchange differences		(2,943)	(40,241)	(81,540)	(6,082)	2,828	992	(126,986)
At 31 December 2020		2,679,452	3,276,111	8,512,427	1,795,295	483,502	536,617	17,283,404
Cost		2,679,452	5,276,156	12,155,060	4,394,774	2,303,890	540,403	27,349,735
Accumulated depreciation		–	(1,975,013)	(3,642,633)	(2,578,604)	(1,814,343)	–	(10,010,593)
Accumulated impairment losses		–	(25,032)	–	(20,875)	(6,045)	(3,786)	(55,738)
Net book value		2,679,452	3,276,111	8,512,427	1,795,295	483,502	536,617	17,283,404
1 January 2020								
Cost		2,707,957	5,219,349	11,653,369	4,280,529	2,222,541	488,870	26,572,615
Accumulated depreciation		–	(1,789,232)	(3,324,455)	(2,375,447)	(1,726,464)	–	(9,215,598)
Accumulated impairment losses		–	(13,892)	(1,634)	(17,974)	(5,706)	(3,786)	(42,992)
Net book value		2,707,957	3,416,225	8,327,280	1,887,108	490,371	485,084	17,314,025

The finance cost is capitalised at an average capitalisation rate of 2.12% (2020: 2.48%) per annum.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Note	Freehold land RM'000	Buildings RM'000	Bearer plants (Note 16(a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
2021								
Net Book Value								
At 1 January 2021		**4,005,873**	**938,821**	**2,506,343**	**304,297**	**108,707**	**96,737**	**7,960,778**
Additions		**–**	**24,939**	**231,084**	**28,562**	**66,111**	**55,706**	**406,402**
Intra group acquisition		**–**	**–**	**–**	**500**	**196**	**–**	**696**
Disposals		**(4,212)**	**(209)**	**(865)**	**(526)**	**(1)**	**–**	**(5,813)**
Intra group disposal		**–**	**–**	**–**	**(7,964)**	**(17)**	**–**	**(7,981)**
Write offs	6(e)	**–**	**(20)**	**(4,738)**	**(56)**	**(18)**	**–**	**(4,832)**
Depreciation charge for the financial year	6(c)	**–**	**(65,566)**	**(120,643)**	**(56,708)**	**(51,223)**	**–**	**(294,140)**
Impairment charge for the financial year	6(e)	**–**	**–**	**(223,653)**	**–**	**–**	**–**	**(223,653)**
Transfer from/(to) non-current assets held for sale	32(d)	**13,170**	**45**	**(410)**	**102**	**–**	**–**	**12,907**
Reclassification		**–**	**16,788**	**–**	**72,630**	**7,205**	**(96,623)**	**–**
At 31 December 2021		**4,014,831**	**914,798**	**2,387,118**	**340,837**	**130,960**	**55,820**	**7,844,364**
Cost		**4,014,831**	**1,531,511**	**3,477,551**	**1,023,495**	**501,435**	**55,820**	**10,604,643**
Accumulated depreciation		**–**	**(607,856)**	**(866,780)**	**(675,888)**	**(370,475)**	**–**	**(2,520,999)**
Accumulated impairment losses		**–**	**(8,857)**	**(223,653)**	**(6,770)**	**–**	**–**	**(239,280)**
Net book value		**4,014,831**	**914,798**	**2,387,118**	**340,837**	**130,960**	**55,820**	**7,844,364**
2020								
Net Book Value								
At 1 January 2020		4,041,763	982,501	2,385,412	321,044	115,918	68,257	7,914,895
Additions		756	7,288	233,361	14,066	27,932	84,263	367,666
Intra group acquisition		–	–	–	202	489	–	691
Disposals		(277)	–	–	–	–	–	(277)
Intra group disposal		–	(192)	–	(497)	(7,261)	–	(7,950)
Write offs	6(e)	–	(40)	(2,065)	(91)	(17)	–	(2,213)
Depreciation charge for the financial year	6(c)	–	(59,627)	(109,564)	(57,370)	(36,079)	–	(262,640)
Impairment charge for the financial year	6(e)	–	(8,857)	–	(3,322)	–	–	(12,179)
Transfer to non-current assets held for sale	32(d)	(36,369)	(45)	(801)	–	–	–	(37,215)
Reclassification		–	17,793	–	30,265	7,725	(55,783)	–
At 31 December 2020		4,005,873	938,821	2,506,343	304,297	108,707	96,737	7,960,778
Cost		4,005,873	1,492,125	3,275,837	942,052	444,193	96,737	10,256,817
Accumulated depreciation		–	(544,447)	(769,494)	(630,985)	(335,486)	–	(2,280,412)
Accumulated impairment losses		–	(8,857)	–	(6,770)	–	–	(15,627)
Net book value		4,005,873	938,821	2,506,343	304,297	108,707	96,737	7,960,778
1 January 2020								
Cost		4,041,763	1,468,577	3,076,086	902,206	421,274	68,257	9,978,163
Accumulated depreciation		–	(486,076)	(690,674)	(577,714)	(305,356)	–	(2,059,820)
Accumulated impairment losses		–	–	–	(3,448)	–	–	(3,448)
Net book value		4,041,763	982,501	2,385,412	321,044	115,918	68,257	7,914,895

The finance cost is capitalised at an average capitalisation rate of 1.77% (2020: 2.22%) per annum.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants

Bearer plants comprised oil palm, rubber trees and growing canes.

	Mature				Immature			
GROUP	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
2021								
Net Book Value								
At 1 January 2021	**6,136,387**	**41,992**	**–**	**6,178,379**	**2,077,808**	**256,240**	**2,334,048**	**8,512,427**
Additions	**–**	**–**	**9,362**	**9,362**	**752,306**	**29,858**	**782,164**	**791,526**
Disposals	**(10,354)**	**–**	**–**	**(10,354)**	**–**	**–**	**–**	**(10,354)**
Write offs	**(12,764)**	**–**	**–**	**(12,764)**	**(1,156)**	**(7,054)**	**(8,210)**	**(20,974)**
Depreciation charge for the financial year	**(511,605)**	**(2,538)**	**–**	**(514,143)**	**–**	**–**	**–**	**(514,143)**
Impairment charge for the financial year	**–**	**–**	**–**	**–**	**(6,943)**	**(279,044)**	**(285,987)**	**(285,987)**
Transfer to non-current assets held for sale	**(83,956)**	**–**	**–**	**(83,956)**	**(1,556)**	**–**	**(1,556)**	**(85,512)**
Reclassification	**1,033,327**	**–**	**–**	**1,033,327**	**(1,033,327)**	**–**	**(1,033,327)**	**–**
Exchange differences	**144,895**	**–**	**(3)**	**144,892**	**(35,127)**	**–**	**(35,127)**	**109,765**
At 31 December 2021	**6,695,930**	**39,454**	**9,359**	**6,744,743**	**1,752,005**	**–**	**1,752,005**	**8,496,74**
Cost	**10,661,896**	**58,415**	**116,004**	**10,836,315**	**1,762,241**	**279,044**	**2,041,285**	**12,877,600**
Accumulated depreciation	**(3,965,966)**	**(18,961)**	**(106,645)**	**(4,091,572)**	**–**	**–**	**–**	**(4,091,572)**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(10,236)**	**(279,044)**	**(289,280)**	**(289,280)**
Net book value	**6,695,930**	**39,454**	**9,359**	**6,744,743**	**1,752,005**	**–**	**1,752,005**	**8,496,748**
2020								
Net Book Value								
At 1 January 2020	5,472,818	44,530	1,677	5,519,025	2,578,507	229,748	2,808,255	8,327,280
Additions	–	–	–	–	816,030	26,492	842,522	842,522
Write offs	(17,204)	–	–	(17,204)	–	–	–	(17,204)
Depreciation charge for the financial year	(484,666)	(2,538)	(1,706)	(488,910)	–	–	–	(488,910)
Transfer to non-current assets held for sale	(37,206)	–	–	(37,206)	(32,515)	–	(32,515)	(69,721)
Reclassification	1,261,695	–	–	1,261,695	(1,261,695)	–	(1,261,695)	–
Exchange differences	(59,050)	–	29	(59,021)	(22,519)	–	(22,519)	(81,540)
At 31 December 2020	6,136,387	41,992	–	6,178,379	2,077,808	256,240	2,334,048	8,512,427
Cost	9,658,991	58,415	103,606	9,821,012	2,077,808	256,240	2,334,048	12,155,060
Accumulated depreciation	(3,522,604)	(16,423)	(103,606)	(3,642,633)	–	–	–	(3,642,633)
Net book value	6,136,387	41,992	–	6,178,379	2,077,808	256,240	2,334,048	8,512,427
1 January 2020								
Cost	8,687,151	58,415	97,914	8,843,480	2,580,141	229,748	2,809,889	11,653,369
Accumulated depreciation	(3,214,333)	(13,885)	(96,237)	(3,324,455)	–	–	–	(3,324,455)
Accumulated impairment losses	–	–	–	–	(1,634)	–	(1,634)	(1,634)
Net book value	5,472,818	44,530	1,677	5,519,025	2,578,507	229,748	2,808,255	8,327,280

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

	Mature			Immature			
COMPANY	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
2021							
Net Book Value:							
At 1 January 2021	**1,720,395**	**42,007**	**1,762,402**	**539,727**	**204,214**	**743,941**	**2,506,343**
Additions	**–**	**–**	**–**	**211,645**	**19,439**	**231,084**	**231,084**
Disposals	**(826)**	**–**	**(826)**	**(39)**	**–**	**(39)**	**(865)**
Write offs	**(4,738)**	**–**	**(4,738)**	**–**	**–**	**–**	**(4,738)**
Depreciation charge for the financial year	**(118,105)**	**(2,538)**	**(120,643)**	**–**	**–**	**–**	**(120,643)**
Impairment charge for the financial year	**–**	**–**	**–**	**–**	**(223,653)**	**(223,653)**	**(223,653)**
Transfer to non-current assets held for sale	**(410)**	**–**	**(410)**	**–**	**–**	**–**	**(410)**
Reclassification	**350,863**	**–**	**350,863**	**(350,863)**	**–**	**(350,863)**	**–**
At 31 December 2021	**1,947,179**	**39,469**	**1,986,648**	**400,470**	**–**	**400,470**	**2,387,118**
Cost	**2,794,998**	**58,430**	**2,853,428**	**400,470**	**223,653**	**624,123**	**3,477,551**
Accumulated depreciation	**(847,819)**	**(18,961)**	**(866,780)**	**–**	**–**	**–**	**(866,780)**
Accumulated impairment	**–**	**–**	**–**	**–**	**(223,653)**	**(223,653)**	**(223,653)**
Net book value	**1,947,179**	**39,469**	**1,986,648**	**400,470**	**–**	**400,470**	**2,387,118**
2020							
Net Book Value:							
At 1 January 2020	1,581,176	44,545	1,625,721	576,708	182,983	759,691	2,385,412
Additions	–	–	–	212,130	21,231	233,361	233,361
Write offs	(2,065)	–	(2,065)	–	–	–	(2,065)
Depreciation charge for the financial year	(107,026)	(2,538)	(109,564)	–	–	–	(109,564)
Transfer to non-current assets held for sale	(594)	–	(594)	(207)	–	(207)	(801)
Reclassification	248,904	–	248,904	(248,904)	–	(248,904)	–
At 31 December 2020	1,720,395	42,007	1,762,402	539,727	204,214	743,941	2,506,343
Cost	2,473,466	58,430	2,531,896	539,727	204,214	743,941	3,275,837
Accumulated depreciation	(753,071)	(16,423)	(769,494)	–	–	–	(769,494)
Net book value	1,720,395	42,007	1,762,402	539,727	204,214	743,941	2,506,343
1 January 2020							
Cost	2,257,966	58,429	2,316,395	576,708	182,983	759,691	3,076,086
Accumulated depreciation	(676,790)	(13,884)	(690,674)	–	–	–	(690,674)
Net book value	1,581,176	44,545	1,625,721	576,708	182,983	759,691	2,385,412

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Underlying assets for Islamic financing facilities

In January 2013, the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with Sime Darby Plantation Global Berhad ("SDP Global"), a special purpose vehicle established by Sime Darby Berhad ("SDB"), the former immediate holding company. This sale and leaseback arrangement is solely to facilitate the issuance of Islamic Trust Certificates ("Multi-currency Sukuk") by SDP Global and it does not represent a collateralisation nor involve a transfer of registered land title. On 23 May 2017, the Company acquired the entire equity interest of SDP Global.

The carrying amount of the assets of the Group and the Company used as underlying Multi-currency Sukuk assets amounted to RM353.1 million (2020: RM235.0 million), comprised of property, plant and equipment of RM340.2 million (2020: RM222.0 million) and right-of-use assets of RM12.9 million (2020: RM13.0 million).

(c) Impairment of immature rubber plantations

The Group's and the Company's immature rubber plantations in Malaysia experienced a delay in maturity and slow growth in girth which are indicators of impairment, triggering a survey being conducted during the financial year to assess the exact conditions of the immature rubber plantations. Based on the outcome of the survey, the Group and the Company carried out an impairment assessment of the immature rubber plantations using the value-in-use ("VIU") method. The recoverable amount based on the VIU calculations resulted in the Group and the Company recognising an impairment charge of RM279.0 million and RM223.7 million, respectively during the current financial year.

The recoverable amounts of the immature rubber plantation are based on the respective estates' VIU calculations which are derived from using the cash flow projections in which the following key assumptions are used:

(a)	Projection period	:	25-year cash flow projection for each field, based on the remaining useful life of rubber trees
(b)	Latex price	:	666 to 841 sen per kg
(c)	Rubber yields	:	135 to 1,180 kg per hectare ("ha")
(d)	Discount rate	:	10.1% per annum

17. INVESTMENT PROPERTIES

		GROUP		
	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
2021				
Cost				
At 1 January 2021		**7,254**	**703**	**7,957**
Transfer from property, plant and equipment	16	**1,994**	**–**	**1,994**
Exchange differences		**(272)**	**(51)**	**(323)**
At 31 December 2021		**8,976**	**652**	**9,628**
Accumulated depreciation				
At 1 January 2021		**–**	**490**	**490**
Charge for the financial year	6(a)	**–**	**67**	**67**
Exchange differences		**–**	**(38)**	**(38)**
At 31 December 2021		**–**	**519**	**519**
Net book value at 31 December 2021		**8,976**	**133**	**9,109**
2020				
Cost				
At 1 January 2020		7,321	715	8,036
Exchange differences		(67)	(12)	(79)
At 31 December 2020		7,254	703	7,957
Accumulated depreciation				
At 1 January 2020		–	427	427
Charge for the financial year	6(a)	–	70	70
Exchange differences		–	(7)	(7)
At 31 December 2020		–	490	490
Net book value at 31 December 2020		7,254	213	7,467
Net book value at 1 January 2020		7,321	288	7,609

The aggregate direct operating expenses arising from investment properties that did not generate rental income which were recognised during the financial year amounted to RM298,000 (2020: RM78,000) respectively.

The fair value of investment properties is RM158.2 million (2020: RM11.9 million) based on the valuation performed by external professional firms of surveyors and valuers. The valuation was performed using the comparable method based on current prices of comparable properties in an active market for all properties within Level 2 of the fair value hierarchy. Level 2 is based on the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The latest external valuation was carried out on 21 March 2022.

18. BIOLOGICAL ASSETS

GROUP	Note	Oil palm RM'000	Growing canes RM'000	Livestock RM'000	Total RM'000
2021					
At 1 January 2021		**111,686**	**36,923**	**75,799**	**224,408**
Transfers to produce stocks		**(113,394)**	**(37,846)**	**(77,693)**	**(228,933)**
Fair value changes		**183,640**	**21,891**	**80,624**	**286,155**
Transfer to non-current assets held for sale	32(d)	**(5,743)**	**–**	**–**	**(5,743)**
Exchange differences		**3,956**	**1,326**	**1,937**	**7,219**
At 31 December 2021		**180,145**	**22,294**	**80,667**	**283,106**
2020					
At 1 January 2020		62,898	57,129	68,737	188,764
Additions		–	–	2,914	2,914
Transfers to produce stocks		(63,465)	(58,448)	(70,138)	(192,051)
Fair value changes		111,861	37,199	75,337	224,397
Transfer to non-current assets held for sale	32(d)	(556)	–	–	(556)
Exchange differences		948	1,043	(1,051)	940
At 31 December 2020		111,686	36,923	75,799	224,408

COMPANY	Total RM'000
Oil Palm	
2021	
At 1 January 2021	**45,336**
Transfers to produce stocks	**(45,336)**
Fair value changes	**64,956**
At 31 December 2021	**64,956**
2020	
At 1 January 2020	27,767
Transfers to produce stocks	(27,767)
Fair value changes	45,336
At 31 December 2020	45,336

The Group's and the Company's biological assets were fair valued within Level 3 of the fair value hierarchy with the exception of livestock which is on Level 2 basis (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the financial year.

18. BIOLOGICAL ASSETS (CONTINUED)

The biological assets of the Group and the Company comprise of:

(i) Oil palm

Oil palm represents the fresh fruit bunches ("FFB") of up to 2 weeks prior to harvest for use in the Group's and the Company's palm products operations. During the financial year, the Group and the Company harvested approximately 9,129,009 metric tonnes ("MT") of FFB (2020: 9,278,000 MT) and 3,311,104 MT of FFB (2020: 3,556,700 MT) respectively. The quantity of unharvested FFB of the Group and of the Company as at 31 December 2021 included in the fair valuation of FFB was 299,933 MT (2020: 315,325 MT) and 94,292 MT (2020: 94,949 MT) respectively.

The Group and the Company attribute a fair value on the FFB prior to harvest at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, the FFB prior to 2 weeks before harvesting are excluded in the valuation as the increase in fair values are considered negligible.

The valuation model adopted by the Group and the Company is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of CPO at the reporting date, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest. Changes to the assumed tonnage included in the valuation will have a direct effect on the reported valuation.

If the Group's and the Company's FFB tonnage changes by 10% (2020: 10%) and 10% (2020: 10%) respectively, the impact of fair value of FFB would be as follows:

	2021 RM'000	2020 RM'000
GROUP		
FFB tonnage increase by 10% (2020: 10%)	**38,899**	18,618
FFB tonnage decrease by 10% (2020: 10%)	**(38,899)**	(18,618)
COMPANY		
FFB tonnage increase by 10% (2020: 10%)	**9,807**	7,228
FFB tonnage decrease by 10% (2020: 10%)	**(9,807)**	(7,228)

(ii) Growing canes

Growing canes represent the standing canes prior to harvest whereby the values are dependent on the age, sucrose content and condition as at the statement of financial position date. During the financial year, the Group harvested approximately 246,666 MT (2020: 225,067 MT) of canes. The estimated quantity of unharvested canes as at 31 December 2021 included in the fair valuation of growing canes of the Group was 264,927 MT (2020: 218,560 MT).

The determination of fair value for the Group's growing canes based on the discounted cash flow model requires estimates to be made of the anticipated canes harvest, its age and condition at the statements of financial position date, the sucrose content to be extracted and sugar prices less further costs to be incurred in growing and harvesting the canes up to the point of harvest and contributory asset charges. The anticipated canes harvest is based on management's historical records, current planting statistics and production forecast. Fair value of the harvested canes is based on the accepted industry benchmark of allocating the fair value of sugar production between the fair value attributable to the cane grower and the value attributable to the miller.

If the estimated harvest volume of canes increased or decreased by 10% (2020: 10%), fair value changes in growing canes would have increased or decreased by approximately RM2.2 million (2020: RM6.1 million) accordingly.

(iii) Livestock

Livestock comprise of the cattle livestock included within the Group's beef production operations. Cattle livestock are generally fed for 120 days prior to use for beef production. During the financial year, the Group produced 7,786 tonnes (2020: 2,007 tonnes) of beef. The number of cattle as at 31 December 2021 included in the fair values of livestock was 27,501 heads (2020: 27,006 heads).

The fair value of livestock is based on the Group's assessment of age, average weights and market values of the livestock at the statement of financial position date. If the average weight per beast increases or decreases by 1% (2020: 1%), fair value changes in livestock would have increased or decreased by approximately RM0.8 million (2020: RM0.7 million) respectively.

19. RIGHT-OF-USE ASSETS

GROUP	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Total RM'000
2021						
Net Book Value:						
At 1 January 2021		**1,982,887**	**51,401**	**24,599**	**4,554**	**2,063,441**
Additions		**5,049**	**9,174**	**17,762**	**810**	**32,795**
Write-downs		**(204)**	**(7,137)**	**–**	**(23)**	**(7,364)**
Impairment charge for the financial year	6(e)	**(12,357)**	**–**	**–**	**–**	**(12,357)**
Depreciation charge for the financial year	6(c)	**(52,791)**	**(11,134)**	**(11,279)**	**(1,836)**	**(77,040)**
Transfer to non-current assets held for sale	32(d)	**(32,124)**	**(2,439)**	**–**	**–**	**(34,563)**
Exchange differences		**27,295**	**(3,088)**	**405**	**3**	**24,615**
At 31 December 2021		**1,917,755**	**36,777**	**31,487**	**3,508**	**1,989,527**
Cost		**3,216,871**	**84,874**	**55,275**	**10,191**	**3,367,211**
Accumulated depreciation		**(1,286,663)**	**(48,097)**	**(23,788)**	**(6,683)**	**(1,365,231)**
Accumulated impairment		**(12,453)**	**–**	**–**	**–**	**(12,453)**
Net book value		**1,917,755**	**36,777**	**31,487**	**3,508**	**1,989,527**
2020						
Net Book Value:						
At 1 January 2020		2,067,366	47,347	27,242	3,585	2,145,540
Additions		1,042	23,322	6,699	2,497	33,560
Write-downs	6(e)	(96)	(362)	–	(30)	(488)
Depreciation charge for the financial year	6(c)	(40,036)	(14,048)	(13,337)	(1,251)	(68,672)
Transfer to non-current assets held for sale	32(d)	(17,742)	(13)	–	–	(17,755)
Exchange differences		(27,647)	(4,845)	3,995	(247)	(28,744)
At 31 December 2020		1,982,887	51,401	24,599	4,554	2,063,441
Cost		3,220,986	91,423	55,861	9,902	3,378,172
Accumulated depreciation		(1,238,099)	(40,022)	(31,262)	(5,348)	(1,314,731)
Net book value		1,982,887	51,401	24,599	4,554	2,063,441
1 January 2020						
Cost		3,294,170	74,366	56,235	9,142	3,433,913
Accumulated depreciation		(1,207,065)	(26,999)	(28,993)	(5,557)	(1,268,614)
Accumulated impairment		(19,739)	(20)	–	–	(19,759)
Net book value		2,067,366	47,347	27,242	3,585	2,145,540

19. RIGHT-OF-USE ASSETS (CONTINUED)

COMPANY	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Total RM'000
2021						
Net Book Value:						
At 1 January 2021		**271,350**	**–**	**5,932**	**80**	**277,362**
Depreciation charge for the financial year	6(c)	**(3,248)**	**–**	**(412)**	**(80)**	**(3,740)**
At 31 December 2021		**268,102**	**–**	**5,520**	**–**	**273,622**
Cost		**316,878**	**428**	**7,655**	**2,935**	**327,896**
Accumulated depreciation		**(48,776)**	**(428)**	**(2,135)**	**(2,935)**	**(54,274)**
Net book value		**268,102**	**–**	**5,520**	**–**	**273,622**
2020						
Net Book Value:						
At 1 January 2020		274,929	36	6,854	782	282,601
Additions		–	–	–	3	3
Depreciation charge for the financial year	6(c)	(3,579)	(36)	(922)	(705)	(5,242)
At 31 December 2020		271,350	–	5,932	80	277,362
Cost		316,878	428	7,655	2,935	327,896
Accumulated depreciation		(45,528)	(428)	(1,723)	(2,855)	(50,534)
Net book value		271,350	–	5,932	80	277,362
1 January 2020						
Cost		316,878	428	7,655	2,932	327,893
Accumulated depreciation		(41,949)	(392)	(801)	(2,150)	(45,292)
Net book value		274,929	36	6,854	782	282,601

(a) Underlying assets for Islamic financing facilities

During the financial year ended 30 June 2016, a subsidiary of the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with Sime Darby Berhad ("SDB"), the former immediate holding company. This sale and leaseback arrangement is solely to facilitate the issuance of the Perpetual Subordinated Sukuk Programme ("Perpetual Sukuk") by SDB. The structure does not represent collateralisation and there was no transfer of registered land title. On 23 June 2017, the Perpetual Sukuk was novated from SDB to the Company. The sale and leaseback agreement was similarly novated from SDB to the Company.

The carrying amount of the assets used as underlying Perpetual Sukuk assets amounted to RM105.3 million (2020: RM107.3 million).

20. SUBSIDIARIES

	COMPANY	
	2021 RM'000	2020 RM'000
Unquoted shares at cost	**7,468,206**	7,592,093
Amounts due from subsidiaries – non-interest bearing	**1,084,902**	1,084,902
Accumulated impairment losses	**(697,023)**	(706,831)
	7,856,085	7,970,164

The amounts due from subsidiaries above are deemed as capital contribution to subsidiaries as the repayment of these amounts are interest-free and the subsidiaries have no contractual obligation to repay to the Company.

Movements of impairment losses for investment in subsidiaries are as follows:

		COMPANY	
	Note	2021 RM'000	2020 RM'000
At 1 January		**706,831**	801,500
Charge for the financial year	6(e)	**10,709**	12,411
Reversal for the financial year	7	**(20,000)**	–
Disposal of a subsidiary		**(517)**	(107,080)
At 31 December		**697,023**	706,831

On 27 February 2019, the Board of Directors of the Company approved the plan to undertake an internal restructuring to rebrand its downstream segment. As part of internal restructuring exercise, the following subsidiaries were disposed to a wholly-owned subsidiary, Sime Darby Oils International Limited ("SDOIL"):

(a) Completed in financial year 2021 for a total purchase consideration of RM123.4 million.

- (i) Sime Darby Oils Pasir Gudang Refinery Sdn Bhd
- (ii) Sime Darby Oils Nutrition Sdn Bhd
- (iii) Sime Darby Oils Biodiesel Sdn Bhd
- (iv) Sime Darby Oils Trading Sdn Bhd

(b) Completed in financial year 2020 for a total purchase consideration of RM59.3 million

- (i) Sime Darby Oils Netherland B.V and its subsidiaries
- (ii) Sime Darby Oils South Africa (Pty) Ltd.

The above transactions are settled via inter-company balances and an amount of RM393.0 million has been classified as non-current amounts due from subsidiaries as at year end. Subsequent to the financial year end, the Company subscribed to 88,389,408 ordinary shares for RM275.6 million (equivalent to USD65.6 million) in kind by capitalising the amounts due from subsidiaries as set out in Note 51(b).

During the financial year, the Company entered into multiple novation agreements with SDOIL, in which SDOIL will assumed the inter-companies balances on behalf of its newly acquired subsidiaries without modification of the terms as set out in Note 46(c).

The amount due from a subsidiary will continue to be classified under cost of investment in subsidiary given that the terms are interest-free and repayable at the discretion of the subsidiary.

The Group's equity interest in the subsidiaries as at 31 December 2021 and 31 December 2020, their principal activities and countries of incorporation are shown in Note 49.

21. JOINT VENTURES

The Group's equity interest in the joint ventures as at 31 December 2021 and 31 December 2020, their respective principal activities and countries of incorporation are shown in Note 49.

(a) Share of results of joint ventures

The Group's share of results of joint ventures are as follows:

		GROUP	
	Note	2021 RM'000	2020 RM'000 (Re-presented)
Aggregate amount from continuing operations:			
Share of results for the financial year		**20,156**	(11,575)
Currency translation differences		**5,933**	(6,966)
Share of total comprehensive income/(loss) from continuing operations		**26,089**	(18,541)
Impairment of investment in joint venture	6(e)	**(37,597)**	(225,333)
Total comprehensive loss		**(11,508)**	(243,874)

(b) Investments in joint ventures

The Group's and the Company's investments in joint ventures are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000 (Re-presented)
Unquoted shares, at cost	**400,486**	474,620	**285,061**	259,913
Share of post-acquisition reserves	**(68,490)**	(56,770)	**–**	–
Accumulated impairment	**–**	(225,333)	**–**	(98,298)
	331,996	192,517	**285,061**	161,615

The Group's investments in joint ventures are private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the joint ventures.

(c) Material joint ventures

Set out below are the joint ventures of the Group as at 31 December 2021 and 31 December 2020 which, in the opinion of the Directors, are material to the Group.

	Group's effective interest (%)		
Name of joint ventures	2021	2020	Place of business/ Country of incorporation
Emery Oleochemicals (M) Sdn Bhd	**–**	50.0	Malaysia
Emery Specialty Chemicals Sdn Bhd	**–**	50.0	Malaysia
Emery Oleochemicals UK Limited	**50.0**	–	United Kingdom

21. JOINT VENTURES (CONTINUED)

(d) Effect of significant changes in the composition of the Group

On 29 August 2019, the Board of Directors ("BOD") of the Company had authorised the proposed divestment of its entire 50% equity interest in its joint ventures, Emery Oleochemicals (M) Sdn Bhd ("EOM") and Emery Specialty Chemicals Sdn Bhd ("ESC") (collectively known as "Emery Group"). Consequently, the Group and the Company had classified its carrying amount of the investment in joint ventures as non-current assets held for sale as at 31 December 2019 and the Group ceased equity accounting of its interest in Emery Group.

During the financial year, the Group and the Company had completed the divestment of its collective 100% equity interest in EOM and ESC including the subsidiaries which are principally involved in Emery's Asia Pacific business to Edenor Technology Sdn Bhd ("ETSB") ("the Divestment") for an equity value of RM38.0 million on 1 November 2021. The equity consideration of RM38.0 million was derived based on an enterprise value of RM243.0 million less the target net debt of RM205.0 million with a price adjustment based on the net working capital of EOM and ESC at completion date. Prior to the completion of the Divestment, the Group and the Company had carried out an impairment assessment based on fair value less cost to sell and an impairment charge of RM37.6 million was recognised by the Group during the financial year. Thus, there was no gain or loss recognised from the Divestment.

Following the Divestment, EOM and ESC ceased to be jointly-controlled entities of the Group and the Company. The Group and the Company continues to hold Emery's North America and Europe oleochemical businesses via Emery Oleochemicals UK Limited ("EOM UK"), its 50:50 joint venture with GC Inter. Subsequent to the Divestment, the Board of Directors had decided to retain EOM UK within the Group, thus, the joint venture ceased to meet the classification criterias as non-current assets held for sale in accordance with MFRS 5 "Non-current Asset Held For Sales and Discontinued Operations". Accordingly, the comparatives of the financial statements have been re-presented from the period of initial classification as non-current assets held for sale.

(e) Summarised financial information

The summarised statements of comprehensive income of the joint ventures are as follows:

	Emery Oleochemicals UK Limited RM'000	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2021					
Revenue	**463,219**	**2,293,714**	**125,344**	**13,374**	**2,895,651**
Depreciation and amortisation	**(9,035)**	**(63,262)**	**(10,771)**	**(3,512)**	**(86,580)**
Interest income	**–**	**8,438**	**31**	**45**	**8,514**
Interest expense	**(2,407)**	**(18,729)**	**(8,975)**	**(327)**	**(30,438)**
Profit/(loss) before tax	**15,451**	**57,018**	**(27,322)**	**(6,086)**	**39,061**
Tax expense	**(5,810)**	**(19,864)**	**(63)**	**(414)**	**(26,151)**
Profit/(loss) for the financial year	**9,641**	**37,154**	**(27,385)**	**(6,500)**	**12,910**
Profit/(loss) for the financial year attributable to owners of:					
– the joint venture	**9,641**	**40,170**	**(27,385)**	**(6,500)**	**15,926**
– non-controlling interests	**–**	**(3,016)**	**–**	**–**	**(3,016)**
Profit/(loss) for the financial year	**9,641**	**37,154**	**(27,385)**	**(6,500)**	**12,910**
Other comprehensive income/(loss)					
– unrealised exchange differences	**13,990**	**(2,124)**	**222**	**–**	**12,088**
	13,990	**(2,124)**	**222**	**–**	**12,088**
Total comprehensive income/(loss) for the financial year	**23,631**	**35,030**	**(27,163)**	**(6,500)**	**24,998**
Total comprehensive income/(loss) for the financial year attributable to owners of:					
– the joint venture	**23,361**	**38,046**	**(27,163)**	**(6,500)**	**28,014**
– non-controlling interests	**–**	**(3,016)**	**–**	**–**	**(3,016)**
	23,361	**35,030**	**(27,163)**	**(6,500)**	**24,998**

21. JOINT VENTURES (CONTINUED)

(e) Summarised financial information (continued)

The summarised statements of comprehensive income of the joint ventures are as follows: (continued)

	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2020				
Revenue	2,125,983	192,545	42,055	2,360,583
Depreciation and amortisation	(77,788)	(13,598)	(2,075)	(93,461)
Interest income	11,940	4,467	40	16,447
Interest expense	(20,753)	(13,618)	(487)	(34,858)
Loss before tax	(8,792)	(22,246)	(1,867)	(32,905)
Tax expenses	(9,723)	–	(243)	(9,966)
Loss for the financial year	(18,515)	(22,246)	(2,110)	(42,871)
Loss for the financial year attributable to owners of:				
– the joint venture	(21,028)	(22,246)	(2,110)	(45,384)
– non-controlling interests	2,513	–	–	2,513
Loss for the financial year	(18,515)	(22,246)	(2,110)	(42,871)
Other comprehensive loss				
– unrealised exchange differences	(13,931)	(1,447)	–	(15,378)
	(13,931)	(1,447)	–	(15,378)
Total comprehensive loss for the financial year	(32,446)	(23,693)	(2,110)	(58,249)
Total comprehensive loss for the financial year attributable to owners of:				
– the joint venture	(34,959)	(23,693)	(2,110)	(60,762)
– non-controlling interests	(2,513)	–	–	2,513
	(32,446)	(23,693)	(2,110)	(58,249)

21. JOINT VENTURES (CONTINUED)

(e) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows:

	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
31 December 2021			
Non-current assets	**593,037**	**94,801**	**687,838**
Current assets			
Cash and cash equivalents	**56,630**	**4,336**	**60,966**
Other current assets	**787,010**	**1,885**	**788,895**
	843,640	**6,221**	**849,861**
Non-current liability			
Financial liabilities (excluding trade and other payables)	**(452,432)**	**(17,905)**	**(470,337)**
Current liabilities			
Financial liabilities (excluding trade and other payables)	**(69,075)**	**(14,485)**	**(83,560)**
Other current liabilities	**(316,910)**	**(345)**	**(317,255)**
	(385,985)	**(14,830)**	**(400,815)**
Net assets	**598,260**	**68,287**	**666,547**

	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
31 December 2020				
Non-current assets	860,409	200,514	102,309	1,163,232
Current assets				
Cash and cash equivalents	101,285	16,904	2,878	121,067
Other current assets	1,072,417	55,463	2,585	1,130,465
	1,173,702	72,367	5,463	1,251,532
Non-current liability				
Financial liabilities (excluding trade and other payables)	(5,276)	–	(19,708)	(24,984)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(672,115)	(370,389)	(2,559)	(1,045,063)
Other current liabilities	(539,723)	(55,072)	(10,302)	(605,097)
	(1,211,838)	(425,461)	(12,861)	(1,650,160)
Non-controlling interests	(50,591)	7,145	–	(43,446)
Net assets	766,406	(145,435)	75,203	696,174

21. JOINT VENTURES (CONTINUED)

(f) Reconciliations of summarised financial information

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures are as follows:

	Note	Emery Oleochemicals UK Limited RM'000	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
31 December 2021						
Net assets						
At 1 January 2021		**–**	**766,406**	**–**	**75,203**	**841,609**
Net assets of EOM UK at the date restructuring	21(d)	**574,629**	**(574,629)**	**–**	**–**	**–**
Total comprehensive income/(loss)		**23,631**	**38,046**	**–**	**(6,500)**	**55,177**
Dividend received		**–**	**–**	**–**	**(416)**	**(416)**
Net assets of Emery's Asia Pacific at the disposal date	21(d)	**–**	**(229,823)**	**–**	**–**	**(229,823)**
At 31 December 2021		**598,260**	**–**	**–**	**68,287**	**666,547**
Group's effective interest		**50.0%**	**–**	**–**	**45.0% – 51.0%**	**45.0%–51.0%**
Interests in joint ventures		**299,130**	**–**	**–**	**32,866**	**331,996**
Carrying amount at end of the financial year		**299,130**	**–**	**–**	**32,866**	**331,996**

	Note	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
31 December 2020					
Net assets					
At 1 January 2020		801,365	–	77,313	878,678
Total comprehensive loss		(34,959)	–	(2,110)	(37,069)
At 31 December 2020		766,406	–	75,203	841,609
Group's effective interest		50.0%	50.0%	30.0% – 51.0%	30.0% – 51.0%
Interests in joint ventures		383,203	–	34,647	417,850
Impairment	6(e)	(225,333)	–	–	(225,333)
Carrying amount at end of the financial year		157,870	–	34,647	192,517

22. ASSOCIATES

The Group's equity interest in the associates as at 31 December 2021 and 31 December 2020, their respective principal activities and countries of incorporation are shown in Note 49.

(a) Share of results of associates

The Group's share of results of associates are as follows:

GROUP	2021 RM'000	2020 RM'000
Share of results for the financial year	**14,626**	4,901

(b) Investments in associates

The Group's and the Company's investments in associates are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	**71,644**	72,901	**420**	420
Share of post-acquisition reserves	**(25,374)**	(30,266)	**–**	–
	46,270	42,635	**420**	420

The Group's investments in associate companies are private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the associates.

(c) Summarised financial information

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

GROUP	2021 RM'000	2020 RM'000
Aggregate carrying amount of individually immaterial associates	**46,270**	42,635
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**14,626**	4,901

23. INTANGIBLE ASSETS

GROUP	Note	Goodwill RM'000	Asset usage rights RM'000	Intellectual property rights RM'000	Smallholder relationships RM'000	Customer relationships RM'000	Computer software RM'000	Agriculture development costs RM'000	Work-in-progress capitalised – agriculture development costs RM'000	Acquired brand names/ trademarks RM'000	Total RM'000
2021											
Net book value											
At 1 January 2021		**2,112,176**	**562**	**13,020**	**519,102**	**980**	**26,308**	**67,670**	**18,240**	**30,734**	**2,788,792**
Additions		**–**	**–**	**–**	**–**	**–**	**18,262**	**–**	**–**	**–**	**18,262**
Amortisation	6(a)	**–**	**(132)**	**(840)**	**(15,769)**	**(770)**	**(11,661)**	**(6,413)**	**–**	**(3,131)**	**(38,716)**
Transfer to non-current assets held for sale	32(d)	**(41,433)**	**–**	**–**	**–**	**–**	**(13)**	**–**	**–**	**–**	**(41,446)**
Reclassification		**–**	**–**	**–**	**–**	**–**	**–**	**17,427**	**(17,427)**	**–**	**–**
Exchange differences		**72,298**	**–**	**–**	**17,725**	**(106)**	**564**	**101**	**–**	**1,071**	**91,653**
At 31 December 2021		**2,143,041**	**430**	**12,180**	**521,058**	**104**	**33,460**	**78,785**	**813**	**28,674**	**2,818,545**
Cost		**2,148,564**	**1,930**	**16,800**	**670,752**	**10,203**	**217,689**	**106,663**	**813**	**76,105**	**3,249,519**
Accumulated amortisation		**–**	**(1,500)**	**(4,620)**	**(149,694)**	**(10,099)**	**(181,250)**	**(27,878)**	**–**	**(45,286)**	**(420,327)**
Accumulated impairment losses		**(5,523)**	**–**	**–**	**–**	**–**	**(2,979)**	**–**	**–**	**(2,145)**	**(10,647)**
Net book value		**2,143,041**	**430**	**12,180**	**521,058**	**104**	**33,460**	**78,785**	**813**	**28,674**	**2,818,545**
2020											
Net book value											
At 1 January 2020		2,148,976	691	13,860	543,651	1,677	13,452	70,963	12,683	34,555	2,840,508
Additions		–	–	–	–	–	19,539	1,424	5,689	–	26,652
Amortisation	6(a)	–	(132)	(840)	(15,897)	(737)	(8,614)	(4,695)	–	(3,221)	(34,136)
Exchange differences		(36,800)	3	–	(8,652)	40	1,931	(22)	(132)	(600)	(44,232)
At 31 December 2020		2,112,176	562	13,020	519,102	980	26,308	67,670	18,240	30,734	2,788,792
Cost		2,117,699	1,930	16,800	650,408	9,940	202,868	89,050	18,240	75,730	3,182,665
Accumulated amortisation		–	(1,368)	(3,780)	(131,306)	(8,960)	(172,968)	(21,380)	–	(42,664)	(382,426)
Accumulated impairment losses		(5,523)	–	–	–	–	(3,592)	–	–	(2,332)	(11,447)
Net book value		2,112,176	562	13,020	519,102	980	26,308	67,670	18,240	30,734	2,788,792
1 January 2020											
Cost		2,154,499	1,925	16,800	610,924	9,741	172,063	87,668	12,683	69,909	3,136,212
Accumulated amortisation		–	(1,234)	(2,940)	(67,273)	(8,064)	(155,203)	(16,705)	–	(33,036)	(284,455)
Accumulated impairment losses		(5,523)	–	–	–	–	(3,408)	–	–	(2,318)	(11,249)
Net book value		2,148,976	691	13,860	543,651	1,677	13,452	70,963	12,683	34,555	2,840,508

Included in the additions of the Group's intangible assets during the previous financial year was borrowing costs capitalised of RM0.3 million. No borrowing costs have been capitalised during the current financial year.

23. INTANGIBLE ASSETS (CONTINUED)

COMPANY	Note	Goodwill RM'000	Intellectual property rights RM'000	Computer software RM'000	Agriculture development costs RM'000	Work-in-progress capitalised – agriculture development costs RM'000	Total RM'000
2021							
At 1 January 2021		**1,974,805**	**13,020**	**11,867**	**66,005**	**17,427**	**2,083,124**
Additions		**–**	**–**	**13,491**	**–**	**–**	**13,491**
Amortisation	6(a)	**–**	**(840)**	**(4,145)**	**(5,894)**	**–**	**(10,879)**
Disposal		**(8,237)**	**–**	**–**	**–**	**–**	**(8,237)**
Reclassification		**–**	**–**	**–**	**17,427**	**(17,427)**	**–**
At 31 December 2021		**1,966,568**	**12,180**	**21,213**	**77,538**	**–**	**2,077,499**
Cost		**1,966,568**	**16,800**	**89,923**	**102,422**	**–**	**2,175,713**
Accumulated amortisation		**–**	**(4,620)**	**(68,710)**	**(24,884)**	**–**	**(98,214)**
Net book value		**1,966,568**	**12,180**	**21,213**	**77,538**	**–**	**2,077,499**
2020							
At 1 January 2020		1,974,805	13,860	2,813	70,255	11,870	2,073,603
Additions		–	–	11,537	–	5,557	17,094
Amortisation	6(a)	–	(840)	(2,483)	(4,250)	–	(7,573)
At 31 December 2020		1,974,805	13,020	11,867	66,005	17,427	2,083,124
Cost		1,974,805	16,800	76,432	84,995	17,427	2,170,459
Accumulated amortisation		–	(3,780)	(64,565)	(18,990)	–	(87,335)
Net book value		1,974,805	13,020	11,867	66,005	17,427	2,083,124
1 January 2020							
Cost		1,974,805	16,800	64,895	84,995	11,870	2,153,365
Accumulated amortisation		–	(2,940)	(62,082)	(14,740)	–	(79,762)
Net book value		1,974,805	13,860	2,813	70,255	11,870	2,073,603

Included in the additions of the Company's intangible assets during the previous financial year was borrowing costs capitalised of RM0.3 million. No borrowing costs have been capitalised during the current financial year.

(i) Goodwill

GROUP

The goodwill in the Group's consolidated statement of financial position represents mainly the excess of the purchase consideration over the fair value of identifiable assets, liabilities and contingent liabilities recognised upon the Group's acquisition of New Britain Palm Oil Limited ("NBPOL") and its subsidiaries of USD517.0 million (RM2,159.4 million based on 31 December 2021 exchange rate) during the financial year ended 30 June 2015.

The Group carries out its annual impairment assessment on the goodwill arising from the acquisition of NBPOL, which for the purposes of impairment testing has been allocated to cash generating units ("CGU") within the Group, namely NBPOL CGU and PT Minamas Gemilang and its subsidiaries ("Minamas Group CGU") as the Group believes that Minamas Group's operations will benefit from the additional planting material synergies, from the use of Dami Super Family seeds, arising from the acquisition of NBPOL.

The impairment assessment is carried out on the goodwill allocated to NBPOL CGU of USD367 million (equivalent to RM1,532.9 million) (2020: USD367 million (equivalent to RM1,481.4 million)) and Minamas Group CGU of USD140 million (equivalent to RM584.7 million) (2020: USD150 million (equivalent to RM605.5 million)).

23. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill (continued)

GROUP (continued)

The recoverable amounts of these two CGUs are based on their respective value-in-use calculations which are derived using cash flow projections in which the following key assumptions are used:

	2021	2020
NBPOL CGU		
Projection period	A 40-year cash flow projection, based on the average remaining lease period of land in NBPOL	A 36-year cash flow projection, based on the average remaining lease period of land in NBPOL
FFB yields	23.3 to 27.4 MT per hectare ("ha")	22.9 to 29.5 MT per ha
CPO price	USD778 to USD1,132 per MT	USD626 to USD892 per MT
Discount rate	12.0% per annum	10.4% per annum
Minamas Group CGU		
Projection period	A 38-year cash flow projection, based on the average remaining lease period of land in Indonesia	A 44-year cash flow projection, based on the average remaining lease period of land in Indonesia
FFB yields	18.3 to 26.0 MT per ha	18.6 to 25.3 MT per ha
CPO price	USD656 to USD812 per MT	USD500 to USD665 per MT
Discount rate	10.7% per annum	9.5% per annum

The Group's impairment assessment of both CGUs as outlined above included a sensitivity analysis on the key assumptions used. Based on the impairment assessment, no impairment charge is required on the goodwill as the recoverable amount calculated based on value-in-use exceeded the carrying value of the NBPOL CGU and Minamas Group CGU.

The changes in the key assumptions adopted in the value-in-use calculation for both CGUs assuming all other variables are held constant are as follows :

		Value-in-use lower by	
	Sensitivity	2021 RM'million	2020 RM'million
NBPOL CGU			
FFB yields	Lower by 1 MT per ha (2020: 1 MT)	**435.0**	403.7
CPO price	Lower by 10% (2020: 5%)	**1,457.6**	686.2
Discount rate	Higher by 50 basis points (2020: 50 basis points)	**359.9**	359.2
Minamas CGU			
FFB yields	Lower by 1 MT per ha (2020: 1 MT)	**693.1**	761.3
CPO price	Lower by 10% (2020: 5%)	**1,810.7**	910.3
Discount rate	Higher by 50 basis points (2020: 50 basis points)	**421.5**	420.6

In the current financial year, based on the results of the sensitivity analysis, any reasonable possible change in the key assumptions used would not cause the carrying value of both CGUs to materially exceed the recoverable amount.

In the previous financial year, the NBPOL CGU is sensitive to the changes in CPO price. A reduction in the CPO price by 5% would result in the value-in-use approximating the carrying amounts of the NBPOL CGU.

23. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill (continued)

COMPANY

The Company's goodwill arose from merger exercise of plantation businesses between Sime Darby Berhad, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad in the financial year 2008. The acquisition of the plantation businesses from this merger exercise resulted in a goodwill of RM1,966.6 million.

The Company evaluates the recoverable amounts of the goodwill as one CGU based on its value-in-use calculations using cash flow from approved financial budgets covering a 8 year (2020: 8 year) period inclusive of the terminal values.

	2021	2020
Discount rate (%)	**11.2**	9.2
CPO price (RM per MT)	**3,000 to 3,997**	2,400 to 2,776
FFB yields (MT per ha)	**20.3 to 25.9**	21.2 to 25.9

The assessment indicated that no impairment charge is required on the goodwill as the recoverable amount exceed the carrying value of the CGUs' assets and goodwill. The management believes that no reasonable possible change in any of the key assumptions used would result in the carrying amount of the CGU to materially exceed the recoverable amount.

(ii) Smallholder relationships

The smallholder relationships arose from the acquisition of a controlling interest in a subsidiary. These assets reflect the relationship between the Group and smallholders who cultivate and harvest FFB on land which is owned by the smallholders. The FFB is subsequently purchased by the Group for processing as palm oil. These assets are initially recognised at fair value and thereafter amortised over 45 years which is the remaining lease term of the land at the acquisition date.

(iii) Work-in-progress capitalised – agriculture development costs

Capitalised agriculture development costs comprise of expenditure incurred relating to the development of oil palm genomic data and techniques, as well as clonal technology with the objective of increasing yields and profit streams from the Group's plantation. Once the development enters into commercial production, the asset will be amortised over its estimated useful life of 5 to 20 years.

(iv) Intellectual property rights

The Company acquired intellectual property rights ("IP rights") on the genome base data from a third party and had assessed that the IP rights have a finite life. As a result, the Company amortised the IP rights on a straight line basis, over the estimated useful life of 20 years.

(v) Acquired brand names/trademarks

This mainly consists of fair value of brands in relation to the Group's beef, sugar and seed production operations which arose from the acquisition of NBPOL. The brands are initially recognised at fair value and thereafter amortised on a straight-line basis over the estimated useful life of 20 years.

24. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Unquoted shares				
At 1 January	**27,068**	30,469	**23,387**	27,049
Net changes in fair value	**2,571**	(3,401)	**2,683**	(3,662)
At 31 December	**29,639**	27,068	**26,070**	23,387

The unquoted non-current investments at FVOCI of the Group and of the Company were categorised under Level 3 investment, of which the fair value is determined using a valuation technique with reference made to quoted market prices for companies with similar business.

The Group and the Company have irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group and the Company consider the classification to be more relevant as these instruments are strategic investments of the Group and the Company and not held for trading purposes.

25. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	**574,444**	620,867	**–**	–
Deferred tax liabilities	**(2,760,016)**	(2,622,961)	**(734,396)**	(786,738)
	(2,185,572)	(2,002,094)	**(734,396)**	(786,738)

The unutilised tax losses and deductible temporary differences for which no deferred tax assets are recognised in the consolidated financial statements are as follows:

	GROUP	
	2021 RM'000	2020 RM'000
Unutilised tax losses		
– Expiring within 10 years	**146,862**	205,814
Deductible temporary differences		
– No expiry period	**20,156**	20,269
	167,018	226,083

Deferred tax assets are not recognised by certain subsidiaries in respect of the above temporary differences as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised.

The components and movements of the deferred tax assets and liabilities during the financial year are as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January		**(2,002,094)**	(1,958,153)	**(786,738)**	(701,855)
(Charged)/credited to profit or loss					
– property, plant and equipment	12	**(6,317)**	(76,899)	**24,234**	(65,451)
– biological assets		**(14,396)**	(8,811)	**(4,708)**	(4,217)
– right-of-use assets		**3,321**	13,576	**–**	–
– derivatives		**3,470**	(36,481)	**627**	(24,901)
– unutilised tax losses		**(99,429)**	(24,148)	**–**	–
– retirement benefits		**(8,908)**	(9,094)	**289**	1,274
– impairments and provisions		**82,370**	12,369	**27,996**	8,297
– taxable temporary difference on investments in subsidiaries	25(b)	**(71,980)**	–	**–**	–
– others		**21,368**	7,268	**5,287**	(2,568)
		(90,501)	(122,220)	**53,725**	(87,566)
(Charged)/credited to other comprehensive income		**(15,508)**	66,331	**(1,383)**	2,683
Transfers to non-current assets held for sale	32	**(28,285)**	(3,596)	**–**	–
Exchange differences		**(49,184)**	15,544	**–**	–
At 31 December		**(2,185,572)**	(2,002,094)	**(734,396)**	(786,738)

25. DEFERRED TAX (CONTINUED)

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Deferred tax assets (before offsetting)					
– unutilised tax losses		**56,870**	194,325	**–**	–
– retirement benefits		**48,491**	63,000	**12,632**	12,343
– impairments and provisions		**142,068**	62,703	**45,008**	17,012
– derivatives		**87,097**	59,636	**282**	1,038
– property, plant and equipment	25(a)	**297,757**	312,155	**–**	–
– others		**20,701**	10,323	**–**	–
		652,984	702,142	**57,922**	30,393
Offsetting		**(78,540)**	(81,275)	**(57,922)**	(30,393)
Deferred tax assets (after offsetting)		**574,444**	620,867	**–**	–
Deferred tax liabilities (before offsetting)					
– property, plant and equipment		**(2,368,207)**	(2,343,015)	**(779,448)**	(803,682)
– biological assets		**(75,114)**	(60,615)	**(15,589)**	(10,881)
– intangible assets		**(114,770)**	(117,680)	**–**	–
– right-of-use assets		**(156,826)**	(165,753)	**–**	–
– taxable temporary difference on investments in subsidiaries	25(b)	**(71,980)**	–	**–**	–
– derivatives		**(44,169)**	(7,881)	**–**	–
– others		**(7,490)**	(9,292)	**2,719**	(2,568)
		(2,838,556)	(2,704,236)	**(792,318)**	(817,131)
Offsetting		**78,540**	81,275	**57,922**	30,393
Deferred tax liabilities (after offsetting)		**(2,760,016)**	(2,622,961)	**(734,396)**	(786,738)

(a) The Ministry of Finance in Indonesia has issued a new regulation on fixed assets revaluation (under Peraturan Menteri Keuangan No.191/PMK.010/2015) ("PMK 191") effective from 20 October 2015 as a temporary special tax treatment to taxpayers. Under the special tax regulation, taxpayers who elect to apply the fixed assets revaluation are granted a special tax treatment, leading to a reduction in the final tax rate to be applied on the companies.

Under the special tax regulation, the Group's Indonesia subsidiaries had elected and submitted their application for the special tax incentive by performing a tax revaluation on certain assets and paid a final tax for the revaluation surplus. Subsequent to the approvals of the fixed assets revaluation by the Director General of Taxation ("DGT"), the Group has recognised deferred tax assets arising from the fixed asset revaluation surplus.

(b) Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries where the Group is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. If these earnings were remitted, tax of RM2,226 million (2020: RM1,098 million) would have been payable.

During the financial year, the Group has recognised deferred tax liabilities on taxable temporary difference on investments in subsidiaries which has been classified as non-current assets held for sale as set out in Note 32(b)..

26. TAX RECOVERABLE

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Non-current					
Corporate income taxes recoverable	26(a)	**65,111**	143,727	**–**	–
Value added tax recoverable	26(b)	**91,887**	112,779	**–**	–
Other taxes recoverable		**10,286**	8,137	**–**	–
		167,284	264,643	**–**	–
Current					
Corporate income taxes recoverable	26(a)	**92,659**	99,668	**36,172**	78,922
Value added tax recoverable	26(b)	**56,997**	114,845	**–**	–
Other taxes recoverable		**263**	–	**–**	–
		149,919	214,513	**36,172**	78,922

Note:

(a) Certain subsidiaries within the Minamas Group have received corporate income tax assessments from the local tax authorities in Indonesia for various years of assessment. These subsidiaries disagreed with certain of these assessments and have filed objections, appeals and judicial reviews.

During the financial year, the Group received tax refunds of IDR642 billion (RM188 million) (2020: IDR1,003 billion (RM290 million)) and paid tax assessments of IDR330 billion (RM97 million) (2020: IDR622 billion (RM180 million)) arising from the additional tax assessments raised by the local tax authorities in Indonesia.

(b) During the financial year, the Group has received Value Added Taxes ("VAT") refund of ID454 billion (RM133 million) (2020: IDR653 billion (RM189 million)) from the local tax authorities in Indonesia out of the approved VAT refund of IDR458 billion (RM134 million) (2020: IDR654 billion (RM189 million)).

The non-current tax recoverable includes additional tax assessments paid and VAT, which would normally take more than a year to resolve with the relevant tax authorities.

27. TRADE AND OTHER RECEIVABLES

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Non-current					
Advances for plasma plantation projects		**94,501**	172,511	**–**	–
Other receivables		**16,410**	35,327	**–**	–
		110,911	207,838	**–**	–
Accumulated impairment losses:					
Advances for plasma plantation projects	47(a)(iii)	**(22,190)**	(21,853)	**–**	–
		88,721	185,985	**–**	–
Current					
Trade receivables		**2,004,483**	1,470,752	**292,105**	208,956
Other receivables		**548,022**	499,293	**85,972**	12,929
Goods and services tax/value added tax receivable		**149,731**	140,496	**11,325**	6,326
Prepayments		**147,080**	120,926	**11,529**	6,175
Deposits		**15,867**	15,503	**9,484**	8,879
Amounts due from associates		**820**	967	**–**	158
Amounts due from joint ventures		**54,527**	53,460	**42,786**	41,974
Interest receivable		**23,338**	21,411	**–**	–
		2,943,868	2,322,808	**453,201**	285,397
Accumulated impairment losses:					
Trade receivables	47(a)(iii)	**(13,394)**	(28,186)	**(755)**	(1,146)
Other receivables	47(a)(iii)	**(8,313)**	(3,573)	**(4,410)**	(1,871)
Amounts due from joint ventures	47(a)(iii)	**(44,407)**	(44,567)	**(40,000)**	(40,160)
		(66,114)	(76,326)	**(45,165)**	(43,177)
		2,877,754	2,246,482	**408,036**	242,220

Credit terms for trade receivables of the Group and of the Company ranges from 7 to 120 days (2020: 7 to 120 days).

Trade and other receivables pledged as security for borrowings is disclosed in Note 38(e) to the financial statements.

The amounts due from associates and joint ventures are trade in nature, unsecured, interest free and repayable within 30 days (2020: 30 days).

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 47(a)(i) and 47(a)(iii).

28. INVENTORIES

	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Produce inventories:				
– palm oil products	**580,220**	457,400	**31,782**	27,783
– sugar stocks	**16,694**	11,348	**–**	–
– rubber	**6,464**	3,795	**6,464**	3,795
Trading inventories	**87,125**	30,655	**–**	–
Raw materials and consumable stores	**1,083,750**	702,343	**159,383**	62,734
Refined inventories:				
– work-in-progress	**352,414**	208,800	**133,217**	41,282
– finished goods	**339,254**	155,057	**12,341**	5,685
	2,465,921	1,569,398	**343,187**	141,279

Included in the inventories above are amounts of RM107.4 million of the Group (2020: RM28.1 million) and RM42.4 million of the Company (2020: nil) which are stated at net realisable value.

29. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Amounts due from subsidiaries				
– interest bearing (non-trade)	**–**	–	**158,132**	82,052
– non–interest bearing (non-trade)	**–**	–	**431,448**	–
	–	–	**589,580**	82,052
Amount due to a subsidiary				
– interest bearing (non-trade)	**–**	–	**(511,656)**	(494,475)
Current				
Amounts due from subsidiaries				
– interest bearing (non-trade)	**–**	–	**825**	205,699
– non-interest bearing (trade)	**–**	–	**164,133**	221,358
	–	–	**164,958**	427,057
Amounts due from related parties				
– non-interest bearing (trade)	**305**	3,246	**2,989**	2,858
Amounts due to subsidiaries				
– interest bearing (non-trade)	**–**	–	**(37,880)**	(132,076)
– non-interest bearing (trade)	**–**	–	**(1,266,218)**	(1,000,403)
	–	–	**(1,304,098)**	(1,132,479)
Amounts due to related parties				
– non-interest bearing (trade)	**(19,160)**	(17,835)	**(17,076)**	(12,828)

The accumulated impairment on the amounts due from subsidiaries (non-trade) is disclosed in Note 47(a)(iii)(C).

Interest rates per annum

	COMPANY	
	2021 %	2020 %
Non-current		
Amount due from a subsidiary	**2,38 – 4.02**	3.12
Amount due to a subsidiary	**3.29**	3.29
Current		
Amounts due from subsidiaries	**2.31 – 2.74**	2.43 – 4.02
Amounts due to subsidiaries	**2.28 – 3.88**	2.28 – 3.88

The amounts due from/(to) subsidiaries and related parties are unsecured whilst the non-current amounts are payable after 12 months and all current amounts are repayable on demand. The amounts due from subsidiaries and related parties are neither past due nor impaired, except for as disclosed in Note 47(a)(iii)(C).

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 47(a)(i) and 47(a)(iii).

30. DERIVATIVES

The Group's and the Company's derivatives are as follows:

GROUP	Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
2021			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	**1,811,607**	**11,882**	**(4,660)**
– interest rate swap contracts	**160,805**	**–**	**(1,266)**
– commodities futures contracts	**377,182**	**–**	**(174,018)**
	2,349,594	**11,882**	**(179,944)**
Non-hedging derivatives:			
– forward foreign exchange contracts	**859,955**	**4,087**	**(553)**
– commodities options and futures contracts	**187,456**	**3,123**	**(3,315)**
– commodities forward contracts	**528,102**	**7,301**	**(45,467)**
	1,575,513	**14,511**	**(49,335)**
	3,925,107	**26,393**	**(229,279)**
2020			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	709,833	5,509	(5,482)
– interest rate swap contracts	469,748	–	(7,273)
– commodities futures contracts	1,706,411	4,883	(219,117)
	2,885,992	10,392	(231,872)
Non-hedging derivatives:			
– forward foreign exchange contracts	581,170	9,810	(2,898)
– commodities options and futures contracts	24,794	280	(3,410)
– commodities forward contracts	420,131	47,108	(121,571)
	1,026,095	57,198	(127,879)
	3,912,087	67,590	(359,751)

30. DERIVATIVES (CONTINUED)

The Group's and the Company's derivatives are as follows: (continued)

COMPANY	Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
2021			
Current			
Cash flow hedges:			
– interest rate swap contracts	**160,805**	**–**	**(1,265)**
– forward foreign exchange contracts	**477,762**	**1,081**	**(989)**
	638,567	**1,081**	**(2,254)**
2020			
Current			
Cash flow hedges:			
– interest rate swap contracts	469,748	–	(7,273)
– forward foreign exchange contracts	205,286	3,018	(116)
	675,034	3,018	(7,389)
Non-hedging derivatives:			
– commodities options and futures contracts	2,659	255	(208)
	2,659	255	(208)
	677,693	3,273	(7,597)

The Group and the Company have forward foreign exchange contracts in place with a notional value that are designated and effected as cash flow hedges. These contracts are expected to cover the Group's exposures ranging from 1 month to 12 months (2020: 1 month to 12 months) and the Company's exposures ranging from 1 month to 6 months (2020: 1 month to 6 months).

The interest rate swap contracts require settlement of net interest receivable or payable every 6 months (2020: 6 months). The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

These derivatives are entered into to hedge certain risks as described in Note 47(a). Whilst all derivatives entered into provide economic hedges to the Group, non-hedging derivatives are instruments that do not qualify for the application of hedge accounting under the specific rules in MFRS 9.

30. DERIVATIVES (CONTINUED)

(a) Forward foreign exchange contracts

As at end of the financial year, forward foreign exchange contracts designated as cash flow hedges have been entered into with the following notional amounts and maturities:

GROUP	Within 1 year 2021 RM'000	Within 1 year 2020 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**583,376**	134,375
– European Union Euro	**11,826**	–
– United Kingdom Pound	**9,703**	11,565
Forward contracts used to hedge receivables		
– United States Dollar	**210,538**	191,288
– European Union Euro	**13,261**	4,053
– United Kingdom Pound	**4,686**	6,703
Forward contracts used to hedge anticipated purchases		
– United States Dollar	**674,883**	206,468
Forward contracts used to hedge payables		
– United States Dollar	**303,334**	155,381
	1,811,607	709,833

COMPANY	Within 1 year 2021 RM'000	Within 1 year 2020 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**429,782**	28,454
– European Union Euro	**11,827**	–
Forward contracts used to hedge receivables		
– United States Dollar	**36,153**	42,594
Forward contracts used to hedge payables		
– United States Dollar	**–**	134,238
	477,762	205,286

(b) Commodities futures contracts

As at end of the financial year, commodities futures contracts designated as cash flow hedges have been entered into with the following notional amounts and maturities:

GROUP	Within 1 year 2021 RM'000	Within 1 year 2020 RM'000
Commodities futures contracts – buying	**–**	56,179
Commodities futures contracts – selling	**377,182**	1,650,232
	377,182	1,706,411

30. DERIVATIVES (CONTINUED)

(c) Interest rate swap contracts

As at the end of the financial year, the notional amounts and terms of the interest rate swap contracts for the Group and the Company are as follows:

Type of interest rate swap	Effective period	Range of weighted average rate per annum (%)		Notional amount in original currency		Notional amount in Ringgit equivalent	
		With swap	Without swap	At 2021	At 2020	At 2021	At 2020
Plain vanilla	17.08.2021 to 04.02.2022	1.89	1.30	**8,250**	–	**34,458**	–
Plain vanilla	17.08.2021 to 04.02.2022	1.84	1.30	**8,250**	–	**34,458**	–
Plain vanilla	17.08.2021 to 04.02.2022	1.75	1.30	**5,500**	–	**22,973**	–
Plain vanilla	17.08.2021 to 04.02.2022	1.78	1.30	**8,250**	–	**34,458**	–
Plain vanilla	17.08.2021 to 04.02.2022	1.78	1.30	**8,250**	–	**34,458**	–
Plain vanilla	17.08.2020 to 17.02.2021	1.89	1.44	**–**	24,938	**–**	100,660
Plain vanilla	17.08.2020 to 17.02.2021	1.84	1.44	**–**	24,938	**–**	100,660
Plain vanilla	17.08.2020 to 17.02.2021	1.75	1.44	**–**	16,625	**–**	67,108
Plain vanilla	17.08.2020 to 17.02.2021	1.78	1.44	**–**	24,938	**–**	100,660
Plain vanilla	17.08.2020 to 17.02.2021	1.78	1.44	**–**	24,938	**–**	100,660

The notional amount, fair value and maturity periods of the interest rate swap contracts are as follows:

	GROUP/COMPANY	
	2021 RM'000	2020 RM'000
Notional amount		
Maturity periods:		
– due not later than one year	**160,805**	469,748
Fair value liabilities		
Maturity periods:		
– due not later than one year	**(1,266)**	(7,273)

31. BANK BALANCES, DEPOSITS AND CASH

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits with licensed banks	**88,352**	24,347	**53,569**	1,534
Cash and bank balances	**501,045**	284,682	**130,809**	47,681
	589,397	309,029	**184,378**	49,215
Effective annual interest rates applicable during the financial year are as follows:				
	%	%	**%**	%
Deposits with licensed banks	**1.89**	3.83	**1.71**	2.16

The maturity period for deposits with licensed banks of the Group and the Company range from 1 to 90 days (2020: 1 to 90 days) and 60 days (2020: 4 days) respectively.

Bank balances are non-interest bearing deposits held at call with banks.

The currency exposure profile is disclosed in Note 47(a)(i).

32. ASSETS AND LIABILITIES HELD FOR SALE

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000 (Re-presented)
Non-current assets held for sale					
– property, plant and equipment	32(a)	**16,812**	33,599	**16,691**	43,450
– right-of-use assets		**–**	469	**–**	–
Disposal group held for sale					
– property, plant and equipment		**287,291**	89,284	**–**	–
– right-of-use assets		**35,902**	1,261	**–**	–
– tax assets		**94,781**	27,465	**–**	–
– receivables		**106,953**	7,804	**–**	–
– bank		**75,723**	–	**–**	–
– other assets		**61,071**	5,398	**–**	–
		678,533	165,280	**16,691**	43,450
Disposal group held for sale					
– payables		**(114,747)**	(8,672)	**–**	–
– retirement benefits		**(19,940)**	(6,862)	**–**	–
– tax liabilities		**(14,462)**	(2,151)	**–**	–
– other liabilities		**(2,250)**	(14)	**–**	–
		(151,399)	(17,699)	**–**	–
		527,134	147,581	**16,691**	43,450

(a) Proposed disposal of property, plant and equipment

As at 31 December 2021, 656.3 hectares (2020: 1,299.7 hectares) of land approved for disposal by the Board of Directors of the Company have yet to be completed during the financial year due to the movement control restriction, as the buyers are not able to do site visits.

An assessment has been carried out to re-assess the feasibility of the sales to be completed in the next 12 months in accordance with MFRS 5 "Non-current Assets Held for Sales and Discontinued Operations", and has resulted in certain land of approximately 501.3 hectares being reclassified back to property, plant and equipment during the financial year (2020: nil).

The proposed land disposal of 656.3 hectares as at 31 December 2021 is expected to be completed within the next 12 months subsequent to the financial year end.

32. ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(b) Proposed divestment of subsidiaries

(i) On 16 April 2020 and 12 April 2021, the Board of Directors has approved a proposed divestment of the entire equity interest in PT Sedjahtera Indo Agro ("PT SIA") and PT Bahari Gembira Ria ("PT BGR"). There were potential buyers seeking to buy the subsidiaries, however no sales were concluded yet. The Group is still actively seeking for suitable buyers and the transaction is expected to be completed within the next 12 months subsequent to the financial year end.

(ii) The Board of Directors has approved the divestment of the entire equity interest in PT Ladangrumpun Suburabadi ("PT LSI") and PT Sajang Huelang ("PT SHE") during the financial year. See Note 45(d) to the financial statements for the details of the civil claim against the Group.

(c) Completed divestment of subsidiaries in previous financial year

(i) Sime Darby Plantation Investment (Liberia) Private Limited, a wholly-owned subsidiary of the Group, had on 15 January 2020, completed the disposal of its entire 100% equity interest in Sime Darby Plantation (Liberia) Inc. ("SDP Liberia") to Mano Palm Oil Industries Limited ("MPOI") for a total cash consideration of USD1 plus an earn-out payment to be determined by the average future crude palm oil ("CPO") price and future CPO production of SDP Liberia. The earn-out consideration will be payable quarterly over a period of eight years, commencing from April 2023.

Details of the assets, liabilities and net cashflow arising from the disposal of the subsidiary are as follows:

	RM'000
Consideration received*	–
Less: Incidental cost of disposal	(23,853)
Consideration received, net of transaction costs	(23,853)
Receivables	702
Inventories	13,674
Bank	1,481
Payables	(420)
Net assets disposed	15,437
Loss on disposal of the subsidiary before reclassification of foreign currency translation reserve	(39,290)
Reclassification of foreign currency translation reserve	113,128
Gain on disposal of the subsidiary	73,838
Consideration received, net of transaction costs	(23,853)
Less: Cash and cash equivalent in a subsidiary	(1,481)
Net cash outflow from disposal of a subsidiary	(25,334)

* Total consideration received for the disposal of SDP Liberia amounts to USD 1.

32. ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(c) Completed divestment of subsidiaries in previous financial year (continued)

(ii) Ultra Oleum Pte Ltd ("Ultra"), an indirect wholly-owned subsidiary of the Group had on 29 May 2020, completed the disposal of its entire 52% equity interest in Verdant Bioscience Pte Ltd ("VBS") and its subsidiary, PT Timbang Deli Indonesia to SIPEF and Ackermans & van Haaren NV ("AvH") for a total cash consideration of USD8.6 million (equivalent to approximately RM37.6 million).

Details of the assets, liabilities and net cash flow arising from the disposal of the subsidiary are as follows:

	RM'000
Consideration received	37,557
Property, plant and equipment	37,670
Right-of-use assets	16,141
Receivables	2,020
Inventories	851
Deferred tax assets	2,950
Cash and cash equivalents	1,283
Payables	(76,534)
Non-controlling interest	319
Net liabilities disposed	(15,300)
Gain on disposal of the subsidiary before reclassification of foreign currency translation reserve	52,857
Reclassification of foreign currency translation reserve	2,703
Gain on disposal of the subsidiary	55,560
Consideration received, net of transaction costs	37,557
Less: Cash and cash equivalent in a subsidiary	(1,283)
Net cash inflow from disposal of a subsidiary	36,274

(iii) During the previous financial year, the Group had completed the disposal of the entire shareholding in PT Indo Sukses Lestari Makmur for a purchase consideration of RM1.4 million and a loss of RM0.2 million had been recognised in the consolidated profit and loss.

(iv) In November 2020, the Group had completed the disposal of its entire equity interest of 94.47% in PT Tamiyang Sumber Rezeki for a purchase consideration of USD1 and a loss of RM3.1 million had been recognised in the consolidated profit and loss.

32. ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(d) The movements during the financial year relating to net assets held for sale are as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000 (Re-presented)	2021 RM'000	2020 RM'000 (Re-presented)
At 1 January		**147,581**	92,933	**43,450**	72,079
Change in value of disposal group		**(14,275)**	(37,612)	**–**	–
Transfers from/(to):					
– property, plant and equipment	16	**194,448**	117,900	**(12,907)**	37,215
– right-of-use assets	19	**34,563**	17,755	**–**	–
– intangible assets	23	**41,446**	–	**–**	–
– inventories		**8,684**	5,636	**–**	–
– trade and other receivables		**98,077**	7,780	**–**	–
– biological assets	18	**5,743**	556	**–**	–
– tax recoverable		**47,242**	21,820	**–**	–
– deferred tax assets	25	**28,285**	3,596	**–**	–
– trade and other payables		**(110,781)**	(8,672)	**–**	–
– retirement benefits	37	**(8,927)**	(6,862)	**–**	–
– lease liabilities		**(2,235)**	(14)	**–**	–
– tax payables		**(7,449)**	–	**–**	–
– bank balances, deposits and cash		**75,417**	–	**–**	–
Disposals		**(12,361)**	(64,311)	**(13,852)**	(65,844)
Impairment charge	6(e)	**(1,224)**	–	**–**	–
Exchange differences		**2,900**	(2,924)	**–**	–
At 31 December		**527,134**	147,581	**16,691**	43,450

33. SHARE CAPITAL

	GROUP/COMPANY			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid ordinary shares with no par value:				
At 1 January	**6,884,575**	6,884,575	**1,506,119**	1,506,119
Shares Issue	**31,139**	–	**127,671**	–
At 31 December	**6,915,714**	6,884,575	**1,633,790**	1,506,119

A special final dividend of RM146.6 million in respect of the financial year ended 31 December 2020 was paid on 3 June 2021, of which RM127.7 million was satisfied by the issuance of 31,139,318 new ordinary shares pursuant to the DRP at RM4.10 per new ordinary share and cash of RM18.9 million.

34. RESERVES

GROUP	Note	Hedging reserve RM'000	Capital reserve RM'000	Investments at FVOCI reserve RM'000	Exchange reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000
2021								
At 1 January 2021		**(194,102)**	**9,574**	**24,010**	**461,222**	**(17,696)**	**11,864,373**	**12,147,381**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**2,257,282**	**2,257,282**
Total other comprehensive income/ (loss) for the financial year		**67,930**	**(526)**	**2,729**	**184,215**	**–**	**(35,961)**	**218,387**
Transactions with equity holders:								
– dividends	15	**–**	**–**	**–**	**–**	**–**	**(1,066,127)**	**(1,066,127)**
At 31 December 2021		**(126,172)**	**9,048**	**26,739**	**645,437**	**(17,696)**	**13,019,567**	**13,556,923**
2020								
At 1 January 2020 (re-presented)		5,631	9,574	27,594	720,828	(17,696)	11,008,923	11,754,854
Profit for the financial year		–	–	–	–	–	1,110,731	1,110,731
Total other comprehensive (loss)/ income for the financial year		(199,733)	–	(3,584)	(142,898)	–	20,154	(326,061)
Disposal of subsidiaries		–	–	–	(3,580)	–	–	(3,580)
Transactions with equity holders:								
– dividends	15	–	–	–	–	–	(345,605)	(345,605)
– changes in ownership		–	–	–	–	–	(3,668)	(3,668)
Continuing operations		(194,102)	9,574	24,010	574,350	(17,696)	11,790,535	12,186,671
Discontinued operations	13	–	–	–	(113,128)	–	73,838	(39,290)
At 31 December 2020 (re-presented)		(194,102)	9,574	24,010	461,222	(17,696)	11,864,373	12,147,381

The description of each reserve is as follows.

Hedging reserve

Hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges, as described in Note 3(k). Amounts are subsequently reclassified to profit or loss as appropriate.

Exchange reserve

Exchange reserve consists of:

i) Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income, as described in Note 3(c)(iii) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of; and

ii) Foreign exchange differences arising from the translation of monetary items designated as hedge of net investment in a foreign operation, as described in Note 47(a)(i)

34. RESERVES (CONTINUED)

COMPANY	Note	Investments at FVOCI reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
2021					
At 1 January 2021		**22,282**	**(5,635)**	**7,695,038**	**7,711,685**
Profit for the financial year		**–**	**–**	**2,544,156**	**2,544,156**
Total other comprehensive income for the financial year		**2,683**	**5,638**	**–**	**8,321**
Transactions with equity holders:					
– dividends	15	**–**	**–**	**(1,066,127)**	**(1,066,127)**
At 31 December 2021		**24,965**	**3**	**9,173,067**	**9,198,035**
2020					
At 1 January 2020		25,944	868	7,422,331	7,449,143
Profit for the financial year		–	–	619,685	619,685
Total other comprehensive loss for the financial year		(3,662)	(6,503)	(1,373)	(11,538)
Transactions with equity holders:					
– dividends	15	–	–	(345,605)	(345,605)
At 31 December 2020		22,282	(5,635)	7,695,038	7,711,685

35. PERPETUAL SUKUK

	GROUP/COMPANY	
	2021 RM'000	2020 RM'000
At 1 January	**2,231,398**	2,231,398
Profit attributable to Perpetual Sukuk holders	**124,300**	124,641
Distribution to Perpetual Sukuk holders	**(124,300)**	(124,641)
At 31 December	**2,231,398**	2,231,398

On 23 June 2017, the RM2.2 billion nominal value of Perpetual Subordinated Sukuk ("Perpetual Sukuk") was novated by Sime Darby Berhad, the former immediate holding company to the Company. See Note 48 for the rating of Perpetual Sukuk.

The Perpetual Sukuk is accounted for as an equity instrument as there is no contractual obligation to redeem the instrument and pay periodic distribution. The salient features of the Perpetual Sukuk are as follows:

a. Unsecured and is issued under the Islamic principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") where the Company is to manage a Wakalah portfolio on behalf of the Perpetual Sukuk holders. The Wakalah portfolio comprises certain assets of the Group (see Note 19(a)) and investments in commodities in accordance with the Shariah Principle of Ijarah and Murabahah.

b. Carries an initial fixed periodic distribution rate of 5.65% per annum payable on a semi-annual basis in arrears. The periodic distribution rate will be reset on 24 March 2026 to the then prevailing 10-year Malaysian Government Securities ("MGS") benchmark rate plus 1.75% ("Initial Spread") and 1.00% ("Step-Up Margin") at every 10 year thereafter.

c. No fixed redemption date but the Company has the option to redeem at the end of the tenth year from the date of issue and on each subsequent semi-annual periodic distribution date.

d. The expected periodic distribution amount may be deferred by the Company to perpetuity as long as no discretionary dividend distribution or other payment has been declared by the Company in respect of any of the Company's ordinary shares.

35. PERPETUAL SUKUK (CONTINUED)

The Perpetual Sukuk is accounted for as an equity instrument as there is no contractual obligation to redeem the instrument and pay periodic distribution. The salient features of the Perpetual Sukuk are as follows: (continued)

e. The Company also has the option to redeem the Perpetual Sukuk under the following circumstances:

(i) Accounting Event – if the Perpetual Sukuk is or will no longer be recorded as equity as a result of changes to accounting standards;

(ii) Tax Event – if the Company is or will become obliged to pay additional amount due to changes in tax laws or regulations;

(iii) Tax Deductibility Event – if distribution made would not be fully deductible for income tax purposes as a result of changes in tax laws or regulations or changes to official interpretation or pronouncement that provides for a position with respect to such laws or regulations; and

(iv) Rating Event – if the equity credit is lower than initially assigned to the Perpetual Sukuk as a result of changes in equity credit criteria, guidelines or methodology of rating agency.

The Perpetual Sukuk holders do not have any voting rights in the Company and rank in priority to holders of ordinary shares, but subordinated to the claims of present and future creditors of the Company.

36. NON-CONTROLLING INTERESTS

The subsidiaries of the Group that have non-controlling interests, which, in the opinion of the Directors, are material to the Group are as follows:

Name of subsidiaries	Proportion of equity held by owners of non-controlling interests (%)		Place of business/ Country of incorporation
	2021	2020	
Subsidiaries of PT Minamas Gemilang:			
– PT Kartika Inti Perkasa	**40.00**	40.00	Indonesia
– PT Sritijaya Abaditama	**40.00**	40.00	Indonesia
– PT Asricipta Indah	**10.00**	10.00	Indonesia
– PT Bersama Sejahtera Sakti	**8.88**	8.88	Indonesia
– PT Laguna Mandiri	**11.44**	11.44	Indonesia
– PT Indotruba Tengah	**50.00**	50.00	Indonesia
– PT Tunggal Mitra Plantations	**40.00**	40.00	Indonesia
– PT Tamaco Graha Krida	**10.00**	10.00	Indonesia
– PT Bahari Gembira Ria	**0.03**	0.03	Indonesia
Subsidiary of New Britain Palm Oil Limited:			
– Guadalcanal Plains Palm Oil Limited	**20.00**	20.00	Solomon Islands
Wangsa Mujur Sdn. Bhd. (Group)			
– Wangsa Mujur Sdn. Bhd.	**27.50**	27.50	Malaysia
– Charquest Sdn. Bhd.	**38.88**	38.88	Malaysia

There are no significant restrictions on the ability of these subsidiaries to transfer funds to the Group in the form of cash dividends.

The summarised financial information of the subsidiaries that have non-controlling interests to the Group is based on amounts before intercompany elimination.

36. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information

The summarised statements of comprehensive income and dividends paid by each subsidiary that has non-controlling interests to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2021					
Revenue	**1,109,300**	**174,433**	**123,520**	**3,406,367**	**4,813,620**
Profit for the financial year	**288,821**	**82,911**	**50,049**	**64,292**	**486,073**
Other comprehensive income	**2,370**	**–**	**–**	**67,523**	**69,893**
Total comprehensive income	**291,191**	**82,911**	**50,049**	**131,815**	**555,966**
Profit allocated to non-controlling interests	**71,567**	**16,011**	**14,232**	**9,884**	**111,694**
Dividends paid to non-controlling interests	**(54,564)**	**(11,629)**	**(176)**	**(500)**	**(66,869)**
2020					
Revenue	691,706	140,282	69,661	2,323,662	3,225,311
Profit for the financial year	121,407	83,842	13,131	56,630	275,010
Other comprehensive loss	(3,266)	–	(47)	(6,317)	(9,630)
Total comprehensive income	118,141	83,842	13,084	50,313	265,380
Profit allocated to non-controlling interests	43,926	3,393	3,286	2,747	53,352
Dividends paid to non-controlling interests	(26,654)	(5,815)	(52)	–	(32,521)

The summarised statements of financial position of each subsidiary that has non-controlling interests to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2021					
Non-current assets	**1,183,373**	**180,984**	**251,092**	**484,324**	**2,099,773**
Current assets	**393,332**	**121,625**	**60,116**	**684,515**	**1,259,588**
Non-current liabilities	**(34,739)**	**(42,888)**	**(58,235)**	**(172,515)**	**(308,377)**
Current liabilities	**(342,948)**	**(23,327)**	**(12,651)**	**(397,575)**	**(776,501)**
Net assets	**1,199,018**	**236,394**	**240,322**	**598,749**	**2,274,483**
Non-controlling interests' share of net assets	**253,281**	**63,025**	**89,852**	**30,483**	**436,641**
2020					
Non-current assets	1,110,503	174,466	234,523	561,767	2,081,259
Current assets	293,150	86,695	31,015	415,888	826,748
Non-current liabilities	(59,194)	(38,039)	(34,682)	(213,018)	(344,933)
Current liabilities	(309,046)	(18,866)	(40,407)	(199,956)	(568,275)
Net assets	1,035,413	204,256	190,449	564,681	1,994,799
Non-controlling interests' share of net assets	230,873	56,546	75,797	21,634	384,850

36. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information (continued)

The summarised statements of cash flows of each subsidiary that has non-controlling interests that are material to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000
2021			
Cash flows from operating activities			
Cash generated from operations	**353,089**	**49,551**	**63,557**
Tax paid	**(54,343)**	**(1,803)**	**(401)**
Net cash from operating activities	**298,746**	**47,748**	**63,156**
Net cash used in investing activities	**(123,648)**	**(10,609)**	**(26,490)**
Net cash used in financing activities	**(124,352)**	**(67,640)**	**(23,392)**
Net increase/(decrease) in cash and cash equivalents	**50,746**	**(30,501)**	**13,274**
Exchange differences	**1,220**	**1,429**	**–**
Cash and cash equivalents at beginning of the financial year	**35,141**	**32,534**	**691**
Cash and cash equivalents at end of the financial year	**87,107**	**3,462**	**13,965**
2020			
Cash flows from operating activities			
Cash generated from operations	200,899	36,199	14,887
Tax paid	(18,605)	–	(57)
Net cash from operating activities	182,294	36,199	14,830
Net cash used in investing activities	(95,112)	(8,379)	(30,086)
Net cash (used in)/generated from financing activities	(86,317)	(807)	15,583
Net increase in cash and cash equivalents	865	27,013	327
Exchange differences	(913)	(559)	–
Cash and cash equivalents at beginning of the financial year	35,189	6,080	364
Cash and cash equivalents at end of the financial year	35,141	32,534	691

37. RETIREMENT BENEFITS

The Group operates:
- funded and unfunded defined benefit plans for its employees in Indonesia;
- unfunded defined benefit plans for its employees in Malaysia and Thailand; and
- funded defined benefit plans for its employees in Netherlands.

The employees in Malaysia are covered under collective agreements with the following unions:
- All Malayan Estates Staff Union ("AMESU")
- National Union of Commercial Workers ("NUCW")
- Sabah Plantation Industry Employees Union ("SPIEU")

Subsidiary companies in Indonesia operate a defined benefit scheme for its qualified permanent employees funded through monthly contributions to pension plan administered by Dana Pensiun Lembaga Keuangan Manulife Indonesia and Dana Pensiun Lembaga Keuangan Allianz Indonesia.

Subsidiaries in Thailand operate a wholly unfunded defined benefit scheme, in respect of the Statutory Severance Pay Plan prescribed under Section 118, Chapter 11 of the Labour Protection Act B.E. 2541 (1998).

One of the Group's subsidiaries in Netherlands has a defined benefit scheme for non-active participants only, managed by Aegon N.V. ("AEGON"). The conditions of the Dutch Pension Act are applicable to the scheme.

The latest actuarial valuations of the plans in Malaysia and Indonesia were carried out on 22 October 2020 and 4 February 2022, respectively.

37. RETIREMENT BENEFITS (CONTINUED)

The movements during the financial year in the amounts recognised in the statements of financial position are as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current liabilities					
At 1 January		**277,380**	259,736	**51,428**	50,699
(Write back)/charge for the financial year		**(67,242)**	35,401	**7,112**	6,620
Actuarial (gains)/losses recognised in other comprehensive income		**(10,110)**	29,665	**–**	1,807
Contributions and benefits paid		**(18,216)**	(32,391)	**(5,906)**	(7,698)
Transfers from/(to) current retirement benefits		**6,968**	(3,384)	**–**	–
Transfer to non-current assets held for sale	32	**(7,935)**	(6,862)	**–**	–
Disposal of subsidiary		**–**	(64)	**–**	–
Exchange differences		**1,208**	(4,721)	**–**	–
At 31 December		**182,053**	277,380	**52,634**	51,428
Current liabilities					
At 1 January		**17,871**	15,189	**–**	–
Charge for the financial year		**9,850**	–	**–**	–
Contributions and benefits paid		**(6,739)**	–	**–**	–
Transfers (to)/from non-current retirement benefits		**(6,968)**	3,384	**–**	–
Transfer to non-current assets held for sale	32	**(992)**	–	**–**	–
Exchange differences		**(179)**	(702)	**–**	–
At 31 December		**12,843**	17,871	**–**	–
Current assets					
At 1 January		**43,886**	–	**–**	–
Actuarial (losses)/gains recognised in other comprehensive income		**(43,858)**	42,339	**–**	–
Exchange differences		**(28)**	1,547	**–**	–
At 31 December		**–**	43,886	**–**	–

The amounts recognised on the statements of financial position are determined as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Present value of funded obligations	37(a)	**106,341**	213,568	**–**	–
Fair value of plan assets	37(b)	**(434,844)**	(501,363)	**–**	–
		(328,503)	(287,795)	**–**	–
Present value of unfunded obligations	37(a)	**523,399**	539,160	**52,634**	51,428
Net liabilities		**194,896**	251,365	**52,634**	51,428

The expenses recognised in statements of profit or loss are analysed as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current service cost		**15,249**	17,445	**2,999**	3,009
Past service cost		**(96,265)**	109	**–**	88
Interest cost		**13,389**	19,829	**1,767**	2,056
Expected return on plan assets		**(3,283)**	(4,672)	**–**	–
Contracted gratuity		**13,518**	2,760	**2,346**	1,467
Curtailment		**–**	(70)	**–**	–
Total included in employee costs	6(d)	**(57,392)**	35,401	**7,112**	6,620

37. RETIREMENT BENEFITS (CONTINUED)

(a) Changes in the present value of defined benefit (funded and unfunded) obligations

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
At 1 January		**752,728**	729,100	**51,428**	50,699
Current service cost		**15,249**	17,445	**2,999**	3,009
Past service cost		**(96,265)**	109	**–**	88
Interest cost		**13,389**	19,829	**1,767**	2,056
Contracted gratuity		**13,518**	2,760	**2,346**	1,467
Curtailment		**–**	(70)	**–**	–
Benefits paid		**(33,837)**	(42,337)	**(5,906)**	(7,698)
Actuarial losses recognised in other comprehensive income		**16,395**	3,886	**–**	1,807
Transfer to non-current assets held for sale	32	**(8,927)**	(6,862)	**–**	–
Exchange differences		**(42,510)**	28,868	**–**	–
At 31 December		**629,740**	752,728	**52,634**	51,428

(b) Changes in the fair value of plan assets

	GROUP 2021 RM'000	GROUP 2020 RM'000
At 1 January	**501,363**	454,175
Expected return on plan assets	**3,283**	4,672
Actuarial (losses)/gains due to actual experience	**(17,353)**	16,560
Benefits paid	**(8,882)**	(9,946)
Exchange differences	**(43,567)**	35,902
At 31 December	**434,844**	501,363

The range of principal assumptions used in respect of the Group's and the Company's defined benefit plans are as follows:

	GROUP 2021 %	GROUP 2020 %
Expected return on plan assets (per annum)	**1.0 – 7.8**	0.9 – 7.7
Discount rates (per annum)	**1.0 – 7.8**	0.4 – 7.0
Expected rate of salary increases (per annum)	**2.0 – 6.5**	2.0 – 6.5

	COMPANY 2021 %	COMPANY 2020 %
Discount rates (per annum)	**4.0**	4.0
Expected rate of salary increases (per annum)	**6.0**	6.0

38. BORROWINGS

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Unsecured				
– term loans	**1,420,531**	1,856,692	**1,352,056**	1,724,833
– revolving credits-i	**1,628,933**	1,572,218	**1,628,933**	1,572,218
– bonds	**472,662**	495,662	**–**	–
– multi-currency Sukuk	**511,656**	494,475	**–**	–
– unamortised deferred financing expenses	**(15,221)**	(22,130)	**(13,573)**	(19,010)
	4,018,561	4,396,917	**2,967,416**	3,278,041
Current				
Secured				
– trade facilities	**3,429**	16,415	**–**	–
Unsecured				
– term loans	**649,882**	798,451	**607,716**	702,920
– revolving credits	**1,579,725**	1,470,420	**316,576**	1,219,528
– unamortised deferred financing expenses	**(921)**	–	**(433)**	–
	2,232,115	2,285,286	**923,859**	1,922,448
Total borrowings	**6,250,676**	6,682,203	**3,891,275**	5,200,489

The currency exposure profile is disclosed in Note 47(a)(i).

The breakdown of the unamortised deferred financing expenses is as follows:

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January		**22,130**	18,963	**19,010**	16,118
Drawdown during the financial year		**3,175**	11,775	**2,585**	9,988
Amortisation/acceleration of amortisation	10	**(9,163)**	(8,608)	**(7,589)**	(7,096)
At 31 December		**16,142**	22,130	**14,007**	19,010

38. BORROWINGS (CONTINUED)

(a) Term loans

The term loans include the following:

i. RM500 million 5-year unsecured term loan repayable in full 60 months after the first drawdown date of 26 December 2019.

ii. USD110 million 3-year unsecured term loan repayable over 5 semi-annual instalments starting from the twelfth month after the first drawdown date of 23 December 2019.

iii. USD260 million 5-year unsecured term loan repayable over 10 semi-annual instalments starting from the sixth month after the first drawdown date of 20 December 2019.

iv. USD35 million 5-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 16 March 2020.

v. USD35 million 3-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 23 March 2020.

vi. USD100 million 5-year unsecured term loan repayment in 8 equal quarterly instalments commencing from the end of 13 quarter from the utilisation date.

vii. RM10 million unsecured term loan for the sum of RM30 million and repayable in equal quarterly instalments commencing from the first repayment date 39th month after the first drawdown date of 27 August 2021.

The term loans which have been repaid during the financial year include the following:

i. USD60 million 5-year unsecured term loan repayable monthly commencing from first drawn down date of 23 August 2018, was fully repaid in June 2021.

ii. USD500 million 7-year unsecured multi-currency term loan repayable over eight semi-annual instalments of 11.125%, commencing 36 months from the first drawdown date of 17 February 2015 and one final payment of 11% on the final maturity date, was fully repaid in August 2021.

(b) Revolving credits

The revolving credits include the following:

i. USD390 million 5 years unsecured term loan under revolving credit-I facility repayable in full from 60 months after the first drawdown date of 19 December 2019.

ii. Facility limit of USD30 million (2020: IDR 1 trillion) or its equivalent in other currency with availability period within 12 months from the signing date.

iii. Facility limit of USD40 million or its equivalent in other currency with availability period within 12 months from the signing date.

iv. RM350 million multi-currency revolving credit facility with availability period of up to one year with annual extension subject to annual review by the bank.

v. RM100 million (2020: RM190 million) multi-currency revolving credit facility with availability period of up to one year with annual extension subject to annual review by the bank.

vi. EUR15 million uncommitted short-term revolving loans facility for period not exceeding 1 month or 3 months with availability period of up to one year with annual extension subject to annual review by the bank.

vii. USD35 million (2020: USD35 million) uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

viii. USD18 million uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

ix. USD35 million uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

38. BORROWINGS (CONTINUED)

(b) Revolving credits (continued)

The revolving credits include the following: (continued)

x. RM700 million multi-currency revolving credit facility, with first drawdown 16 August 2018. Facility has a maximum tenure of 5 years.

xi. USD160 million (2020: USD160 million) multi-currency revolving time loan facility with first drawdown date 2 July 2018. Tenure is up to a maximum of 6 month, as may be agreed by the bank from time to time.

xii. USD60 million multi-currency revolving credit facility for advances of 1 week, 1 month, 3 months or 6 months tenor, or any other period agreeable to the bank commencing from the effective date of 12 January 2015.

xiii. RM500 million unsecured short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

xiv. THB250 million unsecured short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

xv. THB800 million unsecured short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

xvi. RM200 million multi-currency revolving credit facility. Facility has a maximum tenure of 5 years.

xvii. THB250 million unsecured short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

(c) Multi-currency Sukuk

Details of the Sukuk Programme that remains outstanding are as follows:

		Nominal value					
Date of issuance	Tenure (month)	At 2021 RM'000	At 2021 USD'000	At 2020 RM'000	At 2020 USD'000	Periodic distribution (per annum)	Maturity date
29.01.2013	120	**511,656**	**122,501**	494,475	122,501	3.29%	29.01.2023

See Note 48 for the ratings of the Sukuk Programme.

(d) Bonds

The N-bonds amounting to EUR100 million shall be repayable at a nominal amount on 12 August 2030.

(e) Trade facilities

For trade facilities, the factoring agreement is entered into with maximum limit of EUR75 million with an availability period of up to 12 months from the signing date, and is renewable for the same period of time, unless the agreement is terminated by one of the parties.

Borrowings amounting to RM3.4 million (2020: RM16.4 million) are secured by fixed charge on trade receivables of the Group of an equivalent amount.

38. BORROWINGS (CONTINUED)

(f) Other information

(i) The average annual effective interest rates by currency profile of the borrowings are as follows:

GROUP	2021 %	2020 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**2.38 – 2.94**	3.03
– United States Dollar	**0.88 – 2.84**	0.99 – 3.59
– Thailand Baht		3.36
Revolving credits		
– Ringgit Malaysia	**1.96 – 2.81**	2.39 – 3.50
– United States Dollar	**0.55 – 2.83**	0.53 – 3.10
– Pound Sterling	**0.88**	–
– Thailand Baht	**1.30 – 1.62**	–
– European Union Euro	**0.95**	–
Trade facilities		
– European Union Euro		0.60
Fixed interest rates		
Bonds		
– European Union Euro	**2.90**	2.90
Distribution rate		
Multi-currency Sukuk		
– United States Dollar	**3.29**	3.29

COMPANY	2021 %	2020 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**2.38 – 2.49**	3.03
– United States Dollar	**1.01 – 2.83**	1.97 – 2.34
Revolving credits		
– Ringgit Malaysia	**2.26 – 2.31**	2.39 – 3.50
– United States Dollar	**0.55 – 1.10**	0.53 – 2.46

(ii) The maturity periods of borrowings are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Not later than 1 year	**2,232,115**	2,285,286	**923,859**	1,922,448
Later than 1 year but not later than 2 years	**763,253**	875,833	**215,387**	797,009
Later than 2 years but not later than 5 years	**2,782,646**	3,025,422	**2,752,029**	2,481,032
More than 5 years	**472,662**	495,662	**–**	–
	6,250,676	6,682,203	**3,891,275**	5,200,489

The fair values of borrowings approximate their carrying values as the impact of discounting is not significant. It is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile and is within Level 2 of the fair value hierarchy.

39. DEFERRED INCOME

	GROUP	
	2021 RM'000	2020 RM'000
Non-current		
Government grant	**250**	67

The government grants are received in relation to the purchase of property, plant and equipment and right-of-use assets, leasehold land of certain subsidiaries.

40. CONTRACT LIABILITIES

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current				
Deferred freight income	**23,882**	28,087	**–**	–

Significant changes of the deferred freight income during the financial year are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue recognised that was deferred from previous financial year	**28,087**	13,071	**–**	7
Consideration received for freight services that are partially or fully unsatisfied at the end of the financial year	**23,882**	28,087	**–**	-

41. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Other payables		**35,727**	79,883	**–**	–
Financial guarantee contracts	41(a)	**491**	851	**40,129**	46,773
		36,218	80,734	**40,129**	46,773
Current					
Trade payables		**896,893**	609,190	**129,483**	121,265
Accruals		**316,881**	235,585	**87,513**	57,900
Amount due to an associate		**1,495**	–	**–**	–
Other payables		**390,263**	302,772	**105,309**	95,585
Employee related payables		**532,576**	362,602	**222,294**	115,895
Interest payable		**15,697**	36,633	**2,231**	7,076
Goods and services tax/value added tax payable		**18,118**	7,637	**–**	–
Financial guarantee contracts	41(a)	**610**	607	**5,292**	6,103
		2,172,533	1,555,026	**552,122**	403,824

Included in the Groups' and the Company's employee related payables is a provision for remediation of recruitment fees totalling of RM81.9 milion and RM66.5 million respectively to its existing workers and former workers who left the Group and the company on or after 1 November 2018. The amount to be compensated to the foreign workers is calculated by an independent third party and is based on number of workers in our employ during the period and estimated charges imposed on the workers by agents, sub-agents or other parties in their countries of origin, contrary to SDP's policies and procedures. This remediation payment is part of the Group's effort to ensure that its workers are free from forced labour and exploitative practices and aligned to the Group's zero recruitment fee policy.

Further disclosures on the background and impact relating to this provision is set out in Note 50 to the financial statements.

Credit terms for trade payables of the Group and of the Company range from 1 to 90 days (2020: 1 to 90 days).

41. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Financial guarantee contracts

The gross financial guarantees provided by the Group and the Company at the end of the financial year are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Guarantees in respect of credit facilities granted to:				
– joint ventures	**3,989**	4,702	**3,989**	4,702
– subsidiaries	**–**	–	**596,027**	680,088
– plasma stakeholders	**73,632**	54,527	**–**	–

42. SEGMENT INFORMATION – GROUP

The Company is a globally integrated plantation company which is involved in the entire span of the palm oil value chain, from upstream to downstream activities, research and development ("R&D"), renewables and agribusiness. The Group is also involved in rubber and sugar cane plantations, coconut crushing as well as beef cattle industry.

The management of the Group has determined the operating segments based on information reviewed by the Group's Plantation Leadership Committee ("PLC") which consists of the Group Managing Director ("GMD"), Managing Director of Sime Darby Oils, Chief Financial Officer, Chief Human Resources Officer, Head of Group Sustainability, Chief Strategy & Innovation Officer, Chief Research & Development Officer, Chief Operations Services Officer, Chief Integrity & Assurance Officer, Group Secretary and Group General Counsel for the purposes of allocating resources and assessing performance.

Management separately evaluates the performance of the upstream segment by geographical locations. Although the Upstream Liberia segment does not meet the quantitative threshold as a reportable segment, the segment remains closely monitored by the PLC up to the date of disposal, as disclosed in Note 32(c)(i).

The downstream segment is evaluated based on the nature of the products and services, specific expertise and technologies requirement of individual operating units. These operating units have been reported as a single segment as the disaggregation does not meet the quantitative thresholds for separate disclosures, and may exceed the practical limit of a reportable segment. The other business activities of the Group are excluded from the reportable operating segments as they are individually insignificant.

Segments comprise:

Upstream Malaysia	developing, cultivating and managing oil palm and rubber plantation estates and milling of fresh fruit bunches ("FFB") into crude palm oil ("CPO") and palm kernel ("PK"), processing and sales of rubber
Upstream Indonesia	developing, cultivating and managing oil palm plantation estates and milling of FFB into CPO and PK
Upstream Papua New Guinea and Solomon Islands ("PNG/SI")	developing, cultivating and managing oil palm and sugar cane plantation estates; milling of FFB into CPO and PK, refining of sugar cane, coconut oil, cattle rearing and beef production
Downstream	production and sales of refined oils and fats (which includes specialty and end-user oils and fats), sales of CPO, refining of coconut oils, production of biodiesel products, sales of derivatives and crushing of PK to crude palm kernel oil ("CPKO") and palm kernel expeller ("PKE")
Other operations	other operations including trading of agricultural products and services, production and/or sale of oil palm seeds and seedlings, sales of oleochemical products, research and breeding programmes of oil palm and rubber with special focus on genome science; and renewables business with a focus on development of green technology and renewable energy which includes bio-based chemicals, biogas and composting

Note:

(i) FFB, being the oil palm fruits which grow in bunches on oil palm trees, from which CPO and PK are obtained.

(ii) CPO, which is the oil extracted from the fibrous outer layer (mesocarp) of the oil palm fruit.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

42. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results

	Note	Continuing operations								
		Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000	Discontinued operations RM'000	Total RM'000
2021										
Segment revenue										
External		**364,322**	**1,371,183**	**861,939**	**16,027,915**	**70,099**	**–**	**18,695,458**	**–**	**18,695,458**
Inter-segment		**4,099,303**	**1,337,083**	**2,271,177**	**169,795**	**336,803**	**(8,214,161)**	**–**	**–**	**–**
		4,463,625	**2,708,266**	**3,133,116**	**16,197,710**	**406,902**	**(8,214,161)**	**18,695,458**	**–**	**18,695,458**
Segment results										
Operating profit		**775,580**	**1,241,483**	**1,074,685**	**546,834**	**3,143**	**–**	**3,641,725**	**–**	**3,641,725**
Share of results of joint ventures and associates		**–**	**–**	**–**	**–**	**34,782**	**–**	**34,782**	**–**	**34,782**
Profit before interest and tax		**775,580**	**1,241,483**	**1,074,685**	**546,834**	**37,925**	**–**	**3,676,507**	**–**	**3,676,507**
Finance income		**2,205**	**6,406**	**533**	**2,452**	**256**	**–**	**11,852**	**–**	**11,852**
Finance costs		**(40,828)**	**–**	**–**	**(14,048)**	**(30,823)**	**–**	**(85,699)**	**–**	**(85,699)**
Profit before tax		**736,957**	**1,247,889**	**1,075,218**	**535,238**	**7,358**	**–**	**3,602,660**	**–**	**3,602,660**
Tax expense		**(276,945)**	**(372,776)**	**(329,262)**	**(57,960)**	**(72,441)**	**–**	**(1,109,384)**	**–**	**(1,109,384)**
Profit/(loss) for the financial year		**460,012**	**875,113**	**745,956**	**477,278**	**(65,083)**	**–**	**2,493,276**	**–**	**2,493,276**
Included in the operating profit are:										
Depreciation and amortisation	6(a)	**410,447**	**241,862**	**474,508**	**178,617**	**23,330**	**–**	**1,328,764**	**–**	**1,328,764**
Impairment losses of property, plant and equipment, right-of-use assets, advances for plasma plantation projects, trade and other receivables, investment in a joint venture and non-current assets held for sale	6(e)	**281,591**	**5,029**	**31,048**	**2,733**	**38,744**	**–**	**359,145**	**–**	**359,145**
Write off of property, plant and equipment	6(e)	**16,949**	**7,913**	**–**	**49**	**20**	**–**	**24,931**	**–**	**24,931**
Gains on disposals of property, plant and equipment and non-current assets held for sale	7	**(292,668)**	**(1,966)**	**–**	**(185)**	**–**	**–**	**(294,819)**	**–**	**(294,819)**

42. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results (continued)

	Note	Continuing operations								
		Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000	Discontinued operations RM'000	Total RM'000
2020 (re-presented)										
Segment revenue										
External		576,643	803,810	802,301	10,838,982	59,392	–	13,081,128	–	13,081,128
Inter-segment		2,818,124	1,026,730	926,425	165,709	208,969	(5,145,957)	–	–	–
		3,394,767	1,830,540	1,728,726	11,004,691	268,361	(5,145,957)	13,081,128	–	13,081,128
Segment results										
Operating profit/(loss)		1,088,460	453,851	143,600	385,755	(211,618)	–	1,860,048	73,838	1,933,886
Share of results of joint ventures and associates		–	–	–	–	(6,674)	–	(6,674)	–	(6,674)
Profit/(loss) before interest and tax		1,088,460	453,851	143,600	385,755	(218,292)	–	1,853,374	73,838	1,927,212
Finance income		2,692	11,218	9	2,895	480	–	17,294	–	17,294
Finance costs		(73,134)	–	–	(12,295)	(30,989)	–	(116,418)	–	(116,418)
Profit/(loss) before tax		1,018,018	465,069	143,609	376,355	(248,801)	–	1,754,250	73,838	1,828,088
Tax (expense)/credit		(182,104)	(194,245)	(55,458)	(34,675)	956	–	(465,526)	–	(465,526)
Profit/(loss) for the financial year		835,914	270,824	88,151	341,680	(247,845)	–	1,288,724	73,838	1,362,562
Included in the operating profit/(loss) are:										
Depreciation and amortisation	6(a)	370,965	234,046	486,275	112,287	20,974	–	1,224,547	–	1,224,547
Impairment losses of property, plant and equipment, advances for plasma plantation projects, trade and other receivables, investment in a joint venture and amounts due from joint ventures	6(e)	17,512	5,668	580	3,147	225,333	–	252,240	–	252,240
Write off of property, plant and equipment	6(e)	9,500	10,108	4	666	89	–	20,367	–	20,367
(Gains)/losses on disposals of property, plant and equipment and non-current assets held for sale (net)	6(e), 7, 13	(416,339)	2,285	(51,092)	(140)	–	–	(465,286)	(73,838)	(539,124)

42. SEGMENT INFORMATION – GROUP (CONTINUED)

(b) Segment assets and liabilities and additions to non-current assets

	Continuing operations								
	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000	Discontinued operations RM'000	Total RM'000
2021									
Segment assets									
Operating assets	**9,694,450**	**5,064,655**	**7,899,316**	**5,416,863**	**314,593**	**–**	**28,389,877**	**–**	**28,389,877**
Joint ventures and associates	**–**	**–**	**–**	**–**	**378,266**	**–**	**378,266**	**–**	**378,266**
Non-current assets held for sale	**16,812**	**661,721**	**–**	**–**	**–**	**–**	**678,533**	**–**	**678,533**
	9,711,262	**5,726,376**	**7,899,316**	**5,416,863**	**692,859**	**–**	**29,446,676**	**–**	**29,446,676**
Segment liabilities									
Liabilities	**844,245**	**501,480**	**258,052**	**918,858**	**153,583**	**–**	**2,676,218**	**–**	**2,676,218**
Liabilities directly associated with non-current assets held for sale	**–**	**151,399**	**–**	**–**	**–**	**–**	**151,399**	**–**	**151,399**
	844,245	**652,879**	**258,052**	**918,858**	**153,583**	**–**	**2,827,617**	**–**	**2,827,617**
Additions to non-current assets are as follows:									
Capital expenditure	**687,972**	**485,319**	**205,067**	**167,347**	**36,046**	**–**	**1,581,751**	**–**	**1,581,751**
2020 (re-presented)									
Segment assets									
Operating assets	9,457,579	4,879,932	7,525,724	4,732,070	224,891	–	26,820,196	–	26,820,196
Joint ventures and associates	–	–	–	–	235,152	–	235,152	–	235,152
Non-current assets held for sale	31,544	131,212	–	–	2,524	–	165,280	–	165,280
	9,489,123	5,011,144	7,525,724	4,732,070	462,567	–	27,220,628	–	27,220,628
Segment liabilities									
Liabilities	634,347	652,887	53,246	923,323	72,948	–	2,336,751	–	2,336,751
Liabilities directly associated with non-current assets held for sale	–	17,699	–	–	–	–	17,699	–	17,699
	634,347	670,586	53,246	923,323	72,948	–	2,354,450	–	2,354,450
Additions to non-current assets are as follows:									
Capital expenditure	600,959	509,401	167,445	176,818	16,661	–	1,471,284	–	1,471,284

42. SEGMENT INFORMATION – GROUP (CONTINUED)

b) Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	2021 RM'000	2020 RM'000
Property, plant and equipment	**1,530,694**	1,411,072
Right-of-use assets	**32,795**	33,560
Intangible assets other than goodwill	**18,262**	26,652
	1,581,751	1,471,284

Reconciliations of segment assets and liabilities to total assets and total liabilities are as follows:

	2021 RM'000	2020 RM'000
Assets:		
Segment total	**29,446,676**	27,220,628
Tax assets	**891,647**	1,100,023
	30,338,323	28,320,651
Liabilities:		
Segment total	**2,827,617**	2,354,450
Tax liabilities	**3,223,205**	2,824,498
Borrowings	**6,250,676**	6,682,203
Lease liabilities	**178,073**	189,752
	12,479,571	12,050,903

c) Segment by geography

Revenue by location of customers is analysed as follows:

	GROUP	
	2021 RM'000	2020 RM'000
Malaysia	**4,809,215**	3,316,943
Europe	**3,680,404**	3,119,469
India	**3,506,254**	1,939,680
Indonesia	**1,571,901**	875,314
Thailand	**1,865,505**	1,372,433
Other countries in South East Asia	**760,653**	176,710
South Africa	**812,911**	507,854
Papua New Guinea and Solomon Islands	**417,776**	349,276
China	**551,965**	380,690
Other countries (which are individually insignificant)	**718,874**	1,042,759
	18,695,458	13,081,128

42. SEGMENT INFORMATION – GROUP (CONTINUED)

c) Segment by geography (continued)

Non-current assets, other than financial instruments and tax assets, by location of the Group's operations are analysed as follows:

	GROUP	
	2021 RM'000	2020 RM'000 (Re-presented)
Malaysia	**10,062,509**	12,091,805
Indonesia	**4,685,188**	4,018,903
Papua New Guinea and Solomon Islands	**6,713,503**	5,333,645
Thailand	**270,202**	287,946
China	**28,251**	27,201
Europe	**633,236**	604,844
Singapore	**2,475**	1,426
South Africa	**11,543**	12,486
	22,406,907	22,378,256

Reconciliations of non-current assets, other than financial instruments and tax assets to the total non-current assets are as follows:

	GROUP	
	2021 RM'000	2020 RM'000 (Re-presented)
Non-current assets other than financial instruments and tax assets	**22,406,907**	22,378,256
Investments at FVOCI	**29,639**	27,068
Deferred tax assets	**574,444**	620,867
Tax recoverable	**167,284**	264,643
Receivables	**88,721**	185,985
	23,266,995	23,476,819

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There is no single customer that contributed 10% or more to the Group's revenue.

43. CONTINGENT LIABILITIES

Other than those disclosed in Note 45, there are no significant contingent liabilities as at the financial year end.

44. COMMITMENTS

(a) Capital commitments

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Authorised capital expenditure not provided for in the financial statements:				
Contracted				
– property, plant and equipment	**337,081**	209,581	**158,200**	55,097
Not contracted				
– bearer plants	**932,000**	732,000	**208,097**	230,193
– property, plant and equipment	**513,370**	101,739	**311,540**	80,535
	1,782,451	1,043,320	**677,837**	365,825

(b) Plasma plantation

The Group is committed to develop a total of 53,454 (2020: 53,449) hectares of oil palm plantation for plasma farmers in Indonesia. A total of 44,037 (2020: 44,032) hectares have been developed of which approximately 37,719 (2020: 37,106) hectares have been transferred/handed over to plasma farmers.

45. MATERIAL LITIGATION

Material litigations against the Group are as follows:

(a) New Britain Palm Oil Limited ("NBPOL") vs. Masile Incorporated Land Group ("Masile"), Rikau Incorporated Land Group ("Rikau") & Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases ("SABL") to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements ("SLA"). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 ha of land under the SABL ("Land"), royalties for the FFB harvested from the Land and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL will lodge with the registrar of titles together with NBPOL's application for registration of the SLA. The laminated plastic has since dislodged from Melok's SABL. However NBPOL and Meloks are in the process of executing a new SLA to facilitate the registration of the SLA as the date of the SLA has to be the same or after the date of the SABL.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. The parties had agreed to enter into Consent Court Orders ("CCOs") on terms similar to the order made in respect of Meloks and the CCOs were formally endorsed by the Court on 15 December 2020. Masile and Rikau surrendered their respective SABLs to NBPOL on 30 July 2020. However, the SABL received from Masile was laminated whilst the SABL received from Rikau was a copy, NBPOL is therefore in the process of obtaining an official copy of the SABLs and compiling the relevant documents (including execution of new SLAs) before it can proceed with the registration of the SLAs.

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi ("YKEP") against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM58.5 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the 1st Judicial Review Decision.

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares, and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 (Decision of East Jakarta District Court), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM were included as parties under the Decision of East Jakarta District Court. On 12 April 2018, the Central Jakarta District Court rejected the Third Party Opposition Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court.

45. MATERIAL LITIGATION (CONTINUED)

Material litigation against the Group are as follows: (continued)

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM72.3 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM40.2 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM73.2 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM146.4 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM291.8 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision. As at the reporting date, parties are awaiting the official decision of the Jakarta Selatan Judicial Review by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review Decision. As at the reporting date, the matter is still before the Supreme Court.

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of the Company, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). One of the 9 cargo owners is SDOZR. The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following 2 lawsuits are still pending:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM28.4 million). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM43.9 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.8 million) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

On 25 November 2020 the Court of Piraeus rendered its judgement dismissing all of Chantico's claims in Lawsuit 1 and Lawsuit 2. Chantico is able to appeal against this judgement however at present, the time limit of 60 days to file an appeal from the date of service of judgement has been suspended due to COVID-19 restrictions in Greece. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM9.9 million) for Lawsuit 1 and EUR145,000 (approximately RM0.7 million) for Lawsuit 2, all amounts inclusive of interest. As at this juncture, adequate provision has been made.

45. MATERIAL LITIGATION (CONTINUED)

Material litigation against the Group are as follows: (continued)

(d) PT Asa Karya Multi Pratama ("AKMP") vs Sime Darby Plantation Berhad ("SDP"), Guthrie International Investments (L) Limited ("2nd Defendant"), Mulligan International BV ("3rd Defendant"), PT Anugerah Sumbermakmur ("4th Defendant") and PT Minamas Gemilang ("5th Defendant")

AKMP filed a civil claim in the Pengadilan Negeri Jakarta Pusat against SDP and its wholly-owned subsidiaries, the 2nd, 3rd, 4th and 5th Defendants (collectively with SDP, "defendants"). However, to date, SDP and the 2nd and 3rd Defendants have not been legally and properly served with any court summons regarding the civil claim.

The 4th and 5th Defendants being the shareholders of PT Ladangrumpun Suburabadi ("LSI") and PT Sajang Huelang ("SHE") had entered into negotiations with AKMP for the disposal of their shares in LSI and SHE to AKMP. However, no definitive agreement was concluded between the parties in respect of the transaction.

AKMP in its claim alleged that:

(i) an agreement between AKMP and the 4th and 5th Defendants in respect of the sale and purchase of shares of LSI and SHE for the sum IDR1.65 trillion (approximately RM483 million) has been established based on correspondences between AKMP and the 4th and 5th Defendants and the fact that the down payment was made by AKMP to the 4th and 5th Defendants although soon after the down payment was returned to AKMP;

(ii) the conditional sale and purchase agreement ("CSPA") between AKMP and the 4th and 5th Defendants that was scheduled to be signed on 1 September 2021 has not been executed;

(iii) the 4th and 5th Defendants acted in bad faith by denying the existence of an agreement for the sale and purchase of shares;

(iv) the defendants have committed unlawful acts as follows:

(a) SDP interfered with the sale and purchase transaction between AKMP and the 4th and 5th Defendants by instructing the 4th and 5th Defendants not to proceed with the sale and purchase transaction with AKMP;

(b) the 2nd and 3rd Defendants as the shareholders of the 4th and 5th Defendants for failure to act when SDP unlawfully offered the shares of the 4th and 5th Defendants in LSI and SHE to a third party;

(c) the 4th and 5th Defendants have not provided the shares of LSI and SHE to AKMP who is considered as a good faith buyer; and

(d) the 4th and 5th Defendants have committed fraud by conveying that the sale and purchase transaction requires further approval from SDP's board.

AKMP is inter alia seeking the following reliefs:

(i) declarations that:

(a) the defendants have committed an unlawful act;
(b) the sale and purchase of LSI and SHE's shares are valid; and
(c) AKMP is a good faith buyer;

(ii) an order that the defendants handover the shares of LSI and SHE to AKMP;

(iii) an order for the defendants to pay material compensation in the amount of IDR882.5 billion (approximately RM258 million);

(iv) an order for the defendants to pay immaterial compensation in the amount of IDR5 trillion (equivalent to approximately RM1.46 billion) for, among others, loss of reputation and the efforts that have been spent for the process of the transactions; and

(v) a security seizure on the assets of the defendants to secure the material and immaterial damages suffered by AKMP.

The first hearing has been scheduled for 10 October 2022 whereby the court will be enquiring on the credentials of the parties' attorneys.

SDP has been advised by its solicitors in Indonesia that the defendants have sufficient legal basis and merits to defend their position in this claim. The claim is also misdirected to SDP because, among others, SDP does not have any contractual relationship with AKMP.

46. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS

The immediate and ultimate holding companies of the Company are Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB"), which are incorporated in Malaysia.

Transactions entered into for the respective financial year under review, with companies in which PNB and YPB have significant interest, include the sales and purchases of goods and services.

These related party transactions were entered into in the ordinary course of business on negotiated trade terms and conditions and do not require the approval of shareholders.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Transactions with joint ventures				
(i) Sale of goods and tolling services				
– Emery Oleochemicals (M) Sdn Bhd	**10,726**	30,823	**10,726**	30,823
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**1,718**	28,842	**–**	–
(ii) Additional investment				
– Emery Oleochemicals (M) Sdn Bhd	**138,666**	–	**138,666**	–
(b) Transactions with associates				
(i) Purchase of palm oil				
– Thai Eastern Trat Co., Ltd.	**88,067**	51,169	**–**	–
(ii) Purchase of latex concentrate				
– Muang Mai Guthrie Public Company Limited	**14,144**	862	**14,144**	862
(iii) Corporate social responsibility donation paid				
– Yayasan Sime Darby	**47,000**	26,000	**20,000**	8,134
(c) Transactions with subsidiaries				
(i) Sales of goods				
– Sime Darby Oils Trading (Labuan) Limited	**–**	–	**213,224**	481,610
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**2,032,060**	442,229
– Sime Darby Oils Biodiesel Sdn Bhd	**–**	–	**172,823**	127,342
– Sime Darby Oils Professional Sdn Bhd	**–**	–	**132,619**	102,296
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**122,367**	52,086
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**79,192**	48,075
– Sime Darby Oils South Africa (Pty) Ltd.	**–**	–	**16,272**	13,923
– Sime Darby Oils Trading Private Limited	**–**	–	**15,973**	–
– Sime Darby Oils Bintulu Sdn Bhd	**–**	–	**20,459**	35,641
(ii) Research expenses				
– Sime Darby Plantation Technology Centre Sdn Bhd	**–**	–	**23,025**	21,268
– Sime Darby Plantation Research Sdn Bhd	**–**	–	**63,421**	50,195
(iii) Commission on purchase of FFB and sale of palm products				
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**45,603**	35,878
(iv) Management fees income				
– Sime Darby Plantation (Sabah) Sdn Bhd	**–**	–	**13,770**	13,727

46. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions: (continued)

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(c) Transactions with subsidiaries (continued)				
(v) Interest income/(expenses)				
– Guthrie Industries Malaysia Sendirian Berhad	**–**	–	**1,214**	11,519
– Sime Darby Plantation Global Berhad	**–**	–	**(16,682)**	(16,960)
(vi) Purchases of goods				
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**2,191,112**	390,511
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**188,960**	161,728
– Sime Darby Plantation Agri-Bio Sdn Bhd	**–**	–	**129,268**	63,121
– Sime Darby Oils Bintulu Sdn Bhd	**–**	–	**222,494**	151,749
– Sime Darby Oils Trading Private Limited	**–**	–	**109,375**	–
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**78,968**	5,558
– PT Sime Darby Oils Pulau Laut Refinery	**–**	–	**23,944**	–
– Sime Darby Plantation (Sarawak) Sdn Bhd	**–**	–	**37,160**	–
(vii) Dividend income				
– Mulligan International B.V.	**–**	–	**1,049,944**	–
– New Britain Palm Oil Limited	**–**	–	**828,843**	–
– Sime Darby Plantation (Sabah) Sdn Bhd	**–**	–	**286,800**	–
– The China Engineers (M) Sdn Bhd	**–**	–	**87,400**	–
– Sime Darby Oils Trading (Labuan) Ltd	**–**	–	**87,270**	43,678
– Sime Darby Plantation (Sarawak) Sdn Bhd	**–**	–	**77,900**	–
– Sanguine (Malaysia) Sdn Bhd	**–**	–	**44,800**	–
– Sime Darby Plantation Agri-Bio Sdn Bhd	**–**	–	**37,600**	–
– Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd	**–**	–	**25,776**	–
– Sime Darby Plantation Research Sdn Bhd	**–**	–	**10,025**	–
(viii) Capital contribution to a subsidiary				
– Sime Darby Plantation (Liberia) Inc.	**–**	–	**–**	19,319
(ix) Advances from/(to) a subsidiary				
– New Britain Plantation Services Pte. Ltd.	**–**	–	**346,862**	119,256
– Wangsa Mujur Sdn Bhd	**–**	–	**(85,871)**	(54,306)
– Sime Darby Oils International Limited	**–**	–	**(212,654)**	–
(x) Repayment of advances to/(from) subsidiaries				
– Wangsa Mujur Sdn Bhd	**–**	–	**119,014**	39,653
– New Britain Plantation Services Pte. Ltd.	**–**	–	**(454,991)**	–
– Mulligan International B.V.	**–**	–	**105,775**	–
(xi) Disposal of subsidiaries				
– Sime Darby Oils International Limited	**–**	–	**45,888**	59,434
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**77,483**	–
(xii) Novation of capital contribution to a subsidiary				
– Sime Darby Oils International Limited	**–**	–	**898,035**	–

46. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions: (continued)

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(d) Transactions with related parties				
(i) Purchase of asset, heavy equipment, spare parts and services				
– Sime Darby Industrial Sdn Bhd	**16,432**	15,382	**3,981**	7,335
– Kubota Malaysia Sdn Bhd	**25,240**	10,443	**17,848**	7,402
(ii) Foreign currency payment arrangement				
– Hastings Deering (PNG) Limited	**–**	111,165	**–**	–
(iii) Lease expenses				
– Kumpulan Sime Darby Berhad	**13,654**	8,571	**13,654**	8,571

(e) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.43% as at 31 December 2021 (2020: 56.95%) of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through YPB. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and of the Company.

Apart from the individually significant transactions as disclosed elsewhere in the financial statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

(i) Purchasing of goods and services, including use of public utilities and amenities; and
(ii) Placement of bank deposits with government-related financial institutions

All the transactions entered into by the Group and the Company with the government-related entities are conducted in the ordinary course of the Group's and the Company's businesses on negotiated terms.

(f) Remuneration of key management personnel

	GROUP/COMPANY	
	2021 RM'000	2020 RM'000
Remuneration of key management personnel		
The aggregate amount of emoluments received/receivable by key management personnel of the Group and the Company during the financial year are as follows:		
– Salaries, fees and other emoluments	**27,017**	26,525
– Defined contribution pension plans	**3,268**	2,923
– Estimated monetary value of benefits by way of usage of the Group's and the Company's assets	**285**	343
	30,570	29,791

Key management personnel comprise of Directors and all Plantation Leadership Committee ("PLC") members having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

47. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk, cash flow risk and price risk. The Group's financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The Group uses derivative financial instruments such as forward foreign exchange contracts, commodities forwards, futures and options contracts and interest rate swaps to hedge certain exposures.

Whilst all derivatives entered into provide economic hedges to the Group, certain derivatives do not qualify for the application of hedge accounting under the specific rules in MFRS 9. Changes in the fair value of these derivatives are recognised in profit or loss, whilst changes in the fair value of those derivatives that qualify for cash flow hedge accounting are recognised in other comprehensive income.

(i) Foreign currency exchange risk

Where the transacted currencies differ from the Company's and subsidiaries' functional currency, the Group is exposed to currency translation risk. The risk also extends to purchases denominated in currency other than the Company and the subsidiaries' functional currency.

Where possible, the Group will apply natural hedge by selling and purchasing in the same currency. Otherwise, the Group enters into forward foreign exchange contracts to limit its exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies. These derivatives are normally contracted through centralised treasury in order to achieve the benefits of netting within the Group and to manage the cost of hedging effectively.

The Group's policy on the extent of a foreign currency transaction or balance to be hedged is dependent on the duration to the settlement date. In terms of forecasted transaction, exposure is hedged only if it is expected to be cost effective.

The Group does not hedge its cash, deposits and borrowings denominated in other than functional currency.

The Group is also exposed to currency translation risk arising from its net investments in foreign subsidiaries. The investments in foreign subsidiaries are not hedged due to the long-term nature of those investments, except for the net investments in NBPOL group whereby the foreign currency borrowings related to the acquisition of the subsidiary of USD982.5 million (equivalent to RM4,103.7 million) (2020: USD1,160.0 million (equivalent to RM4,764.1 million)) are designated as a natural hedge against the net investment. The unrealised foreign currencies exchange losses of RM138.9 million (2020: unrealised foreign currencies exchange gains of RM56.7 million) in relation to the net investment hedge was adjusted to other comprehensive income. There was no ineffectiveness to be recorded from net investment hedge in NBPOL group.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows:

GROUP	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2021					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**29,639**	**29,639**
Trade and other receivables (net)					
– non-current	**–**	**–**	**–**	**88,721**	**88,721**
– current	**380,613**	**968**	**199,090**	**2,000,272**	**2,580,943**
Bank balances, deposits and cash	**40,627**	**536**	**35,513**	**512,721**	**589,397**
Amounts due from related parties	**–**	**–**	**–**	**305**	**305**
Derivative assets	**22,436**	**84**	**764**	**3,109**	**26,393**
Long-term borrowings	**(2,467,416)**	**–**	**–**	**(1,551,145)**	**(4,018,561)**
Short-term borrowings	**(1,382,924)**	**–**	**–**	**(849,191)**	**(2,232,115)**
Lease liabilities					
– non-current	**–**	**–**	**(70,884)**	**(84,175)**	**(155,059)**
– current	**–**	**–**	**(6,564)**	**(16,450)**	**(23,014)**
Amounts due to related parties	**–**	**–**	**–**	**(19,160)**	**(19,160)**
Trade and other payables					
– non-current	**–**	**–**	**(29,888)**	**(6,330)**	**(36,218)**
– current	**(71,859)**	**(9,398)**	**(214,176)**	**(1,326,406)**	**(1,621,839)**
Derivative liabilities	**(51,264)**	**(1)**	**(681)**	**(177,333)**	**(229,279)**
	(3,529,787)	**(7,811)**	**(86,826)**	**(1,395,423)**	**(5,019,847)**
2020					
Investments at FVOCI					
– non-current	–	–	–	27,068	27,068
Trade and other receivables (net)					
– non-current	–	–	–	185,985	185,985
– current	273,700	1,245	152,701	1,557,414	1,985,060
Bank balances, deposits and cash	38,774	29,180	53,942	187,133	309,029
Amounts due from related parties	–	–	–	3,246	3,246
Derivative assets	63,219	36	–	4,335	67,590
Long-term borrowings	(2,908,903)	–	–	(1,488,014)	(4,396,917)
Short-term borrowings	(1,684,339)	–	–	(600,947)	(2,285,286)
Lease liabilities					
– non-current	–	–	(81,084)	(82,717)	(163,801)
– current	–	–	(7,965)	(17,986)	(25,951)
Amounts due to related parties	–	–	–	(17,835)	(17,835)
Trade and other payables					
– non-current	(61,406)	–	–	(19,328)	(80,734)
– current	(31,125)	(9,583)	(280,062)	(864,017)	(1,184,787)
Derivative liabilities	(136,787)	(87)	(350)	(222,527)	(359,751)
	(4,446,867)	20,791	(162,818)	(1,348,190)	(5,937,084)

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows: (continued)

COMPANY	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2021					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**26,070**	**26,070**
Trade and other receivables (net)	**71,451**	**691**	**40,347**	**272,693**	**385,182**
Bank balances, deposits and cash	**23,282**	**72**	**–**	**161,024**	**184,378**
Amounts due from related parties	**–**	**–**	**–**	**2,989**	**2,989**
Amounts due from subsidiaries					
– non-current	**297,015**	**84,055**	**59,433**	**149,077**	**589,580**
– current	**22,754**	**1,471**	**937**	**139,796**	**164,958**
Derivative assets	**997**	**84**	**–**	**–**	**1,081**
Long-term borrowings	**(2,467,416)**	**–**	**–**	**(500,000)**	**(2,967,416)**
Short-term borrowings	**(819,859)**	**–**	**–**	**(104,000)**	**(923,859)**
Lease liabilities					
– non-current	**–**	**–**	**–**	**(5,886)**	**(5,886)**
– current	**–**	**–**	**–**	**(400)**	**(400)**
Amounts due to related parties	**–**	**–**	**–**	**(17,076)**	**(17,076)**
Amounts due to subsidiaries					
– non-current	**(511,656)**	**–**	**–**	**–**	**(511,656)**
– current	**(11,882)**	**(18,744)**	**(53,099)**	**(1,220,373)**	**(1,304,098)**
Trade and other payables					
– non-current	**–**	**(40,113)**	**–**	**(16)**	**(40,129)**
– current	**(6,084)**	**(6,754)**	**(538)**	**(316,452)**	**(329,828)**
Derivative liabilities	**(2,254)**	**–**	**–**	**–**	**(2,254)**
	(3,403,652)	**20,762**	**47,080**	**(1,412,554)**	**(4,748,364)**
2020					
Investments at FVOCI					
– non-current	–	–	–	23,387	23,387
Trade and other receivables (net)	42,594	–	40,238	146,887	229,719
Bank balances, deposits and cash	15,025	363	–	33,827	49,215
Amounts due from related parties	–	–	–	2,858	2,858
Amounts due from subsidiaries					
– non-current	–	–	–	82,052	82,052
– current	15,048	214,423	9,985	187,601	427,057
Derivative assets	3,018	–	–	255	3,273
Long-term borrowings	(2,778,041)	–	–	(500,000)	(3,278,041)
Short-term borrowings	(1,432,448)	–	–	(490,000)	(1,922,448)
Lease liabilities					
– non-current	–	–	–	(6,279)	(6,279)
– current	–	–	–	(400)	(400)
Amounts due to related parties	–	–	–	(12,828)	(12,828)
Amounts due to subsidiaries					
– non-current	(494,475)	–	–	–	(494,475)
– current	(43,235)	(19,656)	(147,823)	(921,765)	(1,132,479)

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows: (continued)

COMPANY	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2020 (continued)					
Trade and other payables					
– non-current	(18)	(45,403)	–	(1,352)	(46,773)
– current	(6,286)	(5,684)	(337)	(275,622)	(287,929)
Derivative liabilities	(7,389)	–	–	(208)	(7,597)
	(4,686,207)	144,043	(97,937)	(1,731,587)	(6,371,688)

The following table illustrates the effects of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2021 and 31 December 2020, both before and after taking into account the hedge instruments. If the major currencies strengthened by the following percentage at the end of the reporting year, the Group's and the Company's profit after tax will improve/(decline) by:

Major currency	Strengthened against RM by	Net monetary item RM'000	Hedged RM'000	Impact on profit after tax	
				Before hedge RM'000	After hedge RM'000
GROUP					
2021					
United States Dollar					
– Assets	**1%**	**443,676**	**210,538**	**4,437**	**2,331**
– Liabilities	**1%**	**(3,973,463)**	**(303,334)**	**(39,735)**	**(36,701)**
European Union Euro					
– Assets	**1%**	**1,588**	**968**	**16**	**6**
– Liabilities	**1%**	**(9,399)**	**–**	**(94)**	**(94)**
2020					
United States Dollar					
– Assets	1%	375,693	273,700	3,757	1,020
– Liabilities	1%	(4,822,560)	(155,381)	(48,226)	(46,672)
European Union Euro					
– Assets	1%	30,461	4,053	305	264
– Liabilities	1%	(9,670)	–	(97)	(97)

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

The following table illustrates the effects of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2021 and 31 December 2020, both before and after taking into account the hedge instruments. If the major currencies strengthened by the following percentage at the end of the reporting year, the Group's and the Company's profit after tax will improve/(decline) by: (continued)

Major currency	Strengthened against RM by	Net monetary item RM'000	Hedged RM'000	Impact on profit after tax	
				Before hedge RM'000	After hedge RM'000
COMPANY					
2021					
United States Dollar					
– Assets	**1%**	**415,499**	**36,153**	**4,155**	**3,793**
– Liabilities	**1%**	**(3,819,151)**	**–**	**(38,192)**	**(38,192)**
European Union Euro					
– Assets	**1%**	**86,373**	**–**	**864**	**864**
– Liabilities	**1%**	**(65,611)**	**–**	**(656)**	**(656)**
2020					
United States Dollar					
– Assets	1%	75,685	42,594	757	331
– Liabilities	1%	(4,761,892)	(134,238)	(47,619)	(46,277)
European Union Euro					
– Assets	1%	214,786	–	2,148	2,148
– Liabilities	1%	(70,743)	–	(707)	(707)

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure which arises from certain of the Group's and the Company's borrowings is managed through the use of floating debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

The percentages of fixed rate borrowings, both before and after taking into account the interest rate swap contracts, to the total of borrowings at the end of the financial year are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total of borrowings	**6,250,676**	6,682,203	**3,891,275**	5,200,489
Fixed rate borrowings	**984,318**	990,137	**–**	–
Floating rate borrowings (swapped to fixed)	**160,805**	469,748	**160,805**	469,748
Total fixed rate after swaps	**1,145,123**	1,459,885	**160,805**	469,748

Percentage of fixed rate borrowings over total of borrowings.

	GROUP		COMPANY	
	2021 %	2020 %	2020 %	2019 %
– before swaps	**16**	15	**–**	–
– after swaps	**18**	22	**4**	9

As at 31 December 2021, all of the Group's and the Company's floating rate borrowings (after interest swap contracts) stood at RM5,105.6 million (2020: RM5,222.3 million) and RM3,730.5 million (2020: RM4,730.7 million) respectively. The following tables demonstrate the effects of changes in interest rate on floating rate borrowings. If the interest rate increased by 0.5% (2020: 0.5%), the Group's and the Company's profit after tax will be lower/ higher by:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit after tax	**19,401**	19,845	**14,176**	17,977

A 0.5% (2020: 0.5%) decrease in interest rate would have an equal but opposite effect.

The following table demonstrates the effect of changes in interest rate on the fair value of the interest rate swap contracts which are designated as cash flow hedge. If the interest rate increased by 0.5% (2020: 0.5%), the Group's and the Company's hedging reserve will be higher by:

	GROUP/COMPANY	
	2021 RM'000	2020 RM'000
Hedging reserve	**382**	2,353

A 0.5% (2020: 0.5%) decrease in interest rate would have an equal but opposite effect.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(ii) Interest rate risk (continued)

London interbank offered rate ("LIBOR") is the most widely used benchmark for short-term interest rates. Following the recent annnouncement by Financial Conduct Authority ("FCA"), all LIBOR settings for all currencies will either cease or no longer be representative in staggered basis.

The Bank Negara of Malaysia ("BNM") has announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative risk-free benchmark reference rates ("RFRs") for Malaysia and the MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR") with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. Whilst BNM had on 1 January 2023 The Group will also discontinued the publication of the 2-month and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, the remaining KLIBOR tenors of 3-month and 6-month will be reviewed in the second half of 2022.

International Accounting Standard Board ("IASB") has issued phase 1 and 2 amendments to provide reliefs in applying MFRS 9 "Financial Instruments" on the financial instruments during the transition period of the IBOR reform and useful information to the stakeholders.

In managing the interest rate risk, the Group and the Company have engaged the financial institutions and certain LIBOR referenced borrowings have transitioned to cost of fund of the respective banks during the financial year. For the financial year ended 31 December 2021, the Group and the Company have applied the practical expedients offered under 'phase 2' of the amendments on the financial instruments and there is no financial impact.

The following table contains details of the Group's and the Company's borrowings as at 31 December 2021 which have yet to be transitioned to an alternative rate benchmark:

GROUP	LIBOR RM' million	KLIBOR RM' million	Total RM' million
Type of loan			
Term loans	1,554	510	2,064
Revolving credits	2,222	304	2,526
	3,776	814	4,590
COMPANY			
Type of loan			
Term loans	1,454	500	1,954
Revolving credits	1,621	104	1,725
	3,075	604	3,679

The Group and the Company will continue to follow up with the respective financial institutions on the above borrowings.

This expedient is only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis of determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk

Credit risk arises on sales made on credit terms, derivatives with positive fair value and deposits with banks.

A) Risk management

The Group and the Company seek to control credit risk by dealing with customers and joint venture partners of appropriate credit history and transact and deposit with bank and financial institution with good credit ratings. Third party agencies' ratings are considered, if available. In addition, the customers' most recent financial statements, payment history and other relevant information are considered in the determination of credit risk. Customers are assessed at least annually and more frequently when information on significant changes in the customers' financial position becomes known. Credit terms and limit are set based on the assessment. Where appropriate, guarantees or securities are obtained to limit credit risk. Sales to customers are usually suspended when earlier amounts are overdue exceeding 180 days.

B) Collateral

The Group and the Company have a maximum exposure which approximate the carrying amount as stated in the statements of financial position less collateral received amounting to RM179.9 million and RM7.4 million (2020: RM417.2 million and RM3.2 million) respectively.

C) Impairment of financial assets and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group and the Company have the following financial instruments that are subject to the ECL model:

Measurement of ECL – simplified approach

- Trade receivables
- Intercompany receivables (trade) – inclusive of amounts due from associates, joint ventures, subsidiaries and related parties

Measurement of ECL – general 3-stage approach

- Intercompany receivables (non-trade) – inclusive of amounts due from subsidiaries
- Advances for plasma plantation projects
- Financial guarantee contracts issued
- Other receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

Reconciliation of loss allowance for trade and other receivables, intercompany receivables (trade and non-trade) and advances for plasma plantation projects.

GROUP	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from associates RM'000	Amounts due from joint ventures RM'000	Advances for plasma plantation projects RM'000	Total RM'000
2021							
At 1 January		**28,186**	**3,573**	**–**	**44,567**	**21,853**	**98,179**
Charge for the financial year	6(e)	**–**	**2,582**	**–**	**–**	**7,692**	**10,274**
(Write offs)/write-back		**(2,708)**	**2,130**	**–**	**(160)**	**–**	**(738)**
Transfer to non-current assets held for sales		**(7,342)**	**–**	**–**	**–**	**(7,641)**	**(14,983)**
Reversal for the financial year	7	**(4,545)**	**(3)**	**–**	**–**	**–**	**(4,548)**
Exchange differences		**(197)**	**31**	**–**	**–**	**286**	**120**
At 31 December		**13,394**	**8,313**	**–**	**44,407**	**22,190**	**88,304**
2020							
At 1 January		24,648	3,081	618	44,224	23,838	96,409
Charge for the financial year	6(e)	9,795	531	–	159	1,624	12,109
Write offs		(6,532)	–	(618)	–	–	(7,150)
Reversal for the financial year	7	–	–	–	–	(2,984)	(2,984)
Exchange differences		275	(39)	–	184	(625)	(205)
At 31 December		28,186	3,573	–	44,567	21,853	98,179

COMPANY	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from associates RM'000	Amounts due from joint ventures RM'000	Amount due from subsidiaries RM'000	Total RM'000
2021							
At 1 January		**1,146**	**1,871**	**–**	**40,160**	**321,390**	**364,567**
Charge for the financial year	6(e)	**–**	**2,547**	**–**	**–**	**1,782**	**4,329**
Write offs		**(391)**	**(8)**	**–**	**(160)**	**–**	**(559)**
Reversal for the financial year	7	**–**	**–**	**–**	**–**	**(14,742)**	**(14,742)**
At 31 December		**755**	**4,410**	**–**	**40,000**	**308,430**	**353,595**
2020							
At 1 January		766	2,692	618	40,001	320,629	364,706
Charge for the financial year	6(e)	443	42	–	159	761	1,405
Write offs		(63)	(204)	(618)	–	–	(885)
Reversal for the financial year	7	–	(659)	–	–	–	(659)
At 31 December		1,146	1,871	–	40,160	321,390	364,567

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

A summary of the assumptions underpinning the Group's and the Company's ECL are as follows:

- Trade receivables using simplified approach

The ECL rates are based on 5-year historical credit losses experienced by the Group and the Company. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. However, based on the Group's and the Company's assessment, the ability to collect has minimal correlation with macroeconomic factors as these are consumers products. No significant changes to estimation techniques or assumptions were made during the reporting year.

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021				
Upstream				
Local customers:				
Current	**18,070**	**0.0%**	**–**	**18,070**
Past due by:				
– 1 to 30 days	**40,599**	**0.0%**	**–**	**40,599**
– 31 to 60 days	**2,175**	**0.0%**	**–**	**2,175**
– 61 to 90 days	**6**	**0.0%**	**–**	**6**
– 91 to 180 days	**5**	**0.0%**	**–**	**5**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**473**	**82.0%**	**(388)**	**85**
	61,328		**(388)**	**60,940**
Export customers:				
Current	**253,933**	**0.0%**	**–**	**253,933**
Past due by:				
– 1 to 30 days	**6,070**	**0.0%**	**–**	**6,070**
– 31 to 60 days	**47**	**0.0%**	**–**	**47**
– 61 to 90 days	**18**	**0.0%**	**–**	**18**
– 91 to 180 days	**368**	**0.0%**	**–**	**368**
– 181 to 360 days	**476**	**0.0%**	**–**	**476**
– more than 360 days	**8**	**0.0%**	**–**	**8**
	260,920		**–**	**260,920**

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021 (continued)				
Downstream				
Local customers:				
Current	**597,029**	**0.0%**	**–**	**597,029**
Past due by:				
– 1 to 30 days	**332,507**	**0.0%**	**–**	**332,507**
– 31 to 60 days	**80,254**	**0.0%**	**–**	**80,254**
– 61 to 90 days	**30,509**	**4.1%**	**(1,253)**	**29,256**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**610**	**41.6%**	**(254)**	**356**
– more than 360 days	**13,295**	**80.6%**	**(10,714)**	**2,581**
	1,054,204		**(12,221)**	**1,041,983**
Export customers:				
Current	**515,471**	**0.0%**	**(18)**	**515,453**
Past due by:				
– 1 to 30 days	**74,192**	**0.1%**	**(90)**	**74,102**
– 31 to 60 days	**18,659**	**2.1%**	**(384)**	**18,275**
– 61 to 90 days	**5,567**	**0.0%**	**–**	**5,567**
– 91 to 180 days	**4,022**	**0.0%**	**–**	**4,022**
– 181 to 360 days	**659**	**37.9%**	**(250)**	**409**
– more than 360 days	**276**	**0.0%**	**–**	**276**
	618,846		**(742)**	**618,104**

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021 (continued)				
Other Operations				
Local customers:				
Current	**8,563**	**0.0%**	**–**	**8,563**
Past due by:				
– 1 to 30 days	**443**	**0.0%**	**–**	**443**
– 31 to 60 days	**39**	**0.0%**	**–**	**39**
– 61 to 90 days	**4**	**0.0%**	**–**	**4**
– 91 to 180 days	**3**	**0.0%**	**–**	**3**
– 181 to 360 days	**36**	**0.0%**	**–**	**36**
– more than 360 days	**97**	**44.3%**		**54**
	9,185		**(43)**	**9,142**

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2020				
Upstream				
Local customers:				
Current	22,126	0.0%	–	22,126
Past due by:				
– 1 to 30 days	35,839	0.0%	–	35,839
– 31 to 60 days	8,134	0.4%	(31)	8,103
– 61 to 90 days	345	82.0%	(283)	62
– 91 to 180 days	–	0.0%	–	–
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	5,513	38.4%	(2,116)	3,397
	71,957		(2,430)	69,527
Export customers:				
Current	3,168	0.0%	–	3,168
Past due by:				
– 1 to 30 days	119,911	0.0%	–	119,911
– 31 to 60 days	24,789	18.3%	(4,541)	20,248
– 61 to 90 days	–	0.0%	–	–
– 91 to 180 days	–	0.0%	–	–
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	–	0.0%	–	–
	147,868		(4,541)	143,327
Downstream				
Local customers:				
Current	309,935	0.0%	–	309,935
Past due by:				
– 1 to 30 days	195,149	0.0%	(1)	195,148
– 31 to 60 days	35,685	0.0%	–	35,685
– 61 to 90 days	29,001	4.5%	(1,296)	27,705
– 91 to 180 days	685	2.0%	(14)	671
– 181 to 360 days	1,688	28.3%	(478)	1,210
– more than 360 days	14,761	83.0%	(12,251)	2,510
	586,904		(14,040)	572,864

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2020 (continued)				
Downstream (continued)				
Export customers:				
Current	505,571	0.0%	–	505,571
Past due by:				
– 1 to 30 days	114,631	0.0%	(13)	114,618
– 31 to 60 days	25,536	0.0%	(5)	25,531
– 61 to 90 days	1,232	12.1%	(149)	1,083
– 91 to 180 days	1,256	5.3%	(67)	1,189
– 181 to 360 days	893	24.6%	(220)	673
– more than 360 days	7,125	92.6%	(6,597)	528
	656,244		(7,051)	649,193
Other Operations				
Local customers:				
Current	1,328	0.0%	–	1,328
Past due by:				
– 1 to 30 days	48	0.0%	–	48
– 31 to 60 days	–	0.0%	–	–
– 61 to 90 days	1	0.0%	–	1
– 91 to 180 days	33	0.0%	–	33
– 181 to 360 days	6	0.0%	–	6
– more than 360 days	–	0.0%	–	–
	1,416		–	1,416
Export customers:				
Current	–	0.0%	–	–
Past due by:				
– 1 to 30 days	3,003	0.0%	–	3,003
– 31 to 60 days	1,761	0.0%	–	1,761
– 61 to 90 days	883	0.0%	–	883
– 91 to 180 days	560	0.0%	–	560
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	156	79.5%	(124)	32
	6,363		(124)	6,239

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

COMPANY	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021				
Upstream				
Local customers:				
Current	**–**	**0.0%**	**–**	**–**
Past due by:				
– 1 to 30 days	**495**	**0.0%**	**–**	**495**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**401**	**91.3%**	**(366)**	**35**
	896		**(366)**	**530**
Export customers:				
Current	**–**	**0.0%**	**–**	**–**
Past due by:				
– 1 to 30 days	**985**	**0.0%**	**–**	**985**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**1**	**0.0%**	**–**	**1**
– more than 360 days	**2**	**0.0%**	**–**	**2**
	988		**–**	**988**

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

COMPANY	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021 (continued)				
Downstream				
Local customers:				
Current	**154,449**	**0.0%**	**–**	**154,449**
Past due by:				
– 1 to 30 days	**12,435**	**0.0%**	**–**	**12,435**
– 31 to 60 days	**1,953**	**0.0%**	**–**	**1,953**
– 61 to 90 days	**1,427**	**0.0%**	**(22)**	**1,405**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**367**	**100.0%**	**(367)**	**–**
	170,631		**(389)**	**170,242**
Export customers:				
Current	**67,692**	**0.0%**	**–**	**67,692**
Past due by:				
– 1 to 30 days	**50,871**	**0.0%**	**–**	**50,871**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**1,027**	**0.0%**	**–**	**1,027**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**–**	**0.0%**	**–**	**–**
	119,590		**–**	**119,590**
2020				
Upstream				
Local customers:				
Current	864	0.0%	–	864
Past due by:				
– 1 to 30 days	–	0.0%	–	–
– 31 to 60 days	–	0.0%	–	–
– 61 to 90 days	–	0.0%	–	–
– 91 to 180 days	336	100.0%	(336)	–
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	–	0.0%	–	–
	1,200		(336)	864

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

COMPANY	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2020 (continued)				
Upstream (continued)				
Export customers:				
Current	–	0.0%	–	–
Past due by:				
– 1 to 30 days	1,102	0.0%	–	1,102
– 31 to 60 days	–	0.0%	–	–
– 61 to 90 days	–	0.0%	–	–
– 91 to 180 days	–	0.0%	–	–
	1,102		–	1,102
Downstream				
Local customers:				
Current	100,955	0.0%	–	100,955
Past due by:				
– 1 to 30 days	91,495	0.0%	–	91,495
– 31 to 60 days	20	0.0%	–	20
– 61 to 90 days	–	0.0%	–	–
– 91 to 180 days	–	0.0%	–	–
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	367	100.0%	(367)	–
	192,837		(367)	192,470
Export customers:				
Current	11,075	0.0%	–	11,075
Past due by:				
– 1 to 30 days	1,531	0.0%	–	1,531
– 31 to 60 days	773	0.6%	(5)	768
– 61 to 90 days	5	100.0%	(5)	–
– 91 to 180 days	16	100.0%	(16)	–
– 181 to 360 days	81	100.0%	(81)	–
– more than 360 days	336	100.0%	(336)	–
	13,817		(443)	13,374

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Intercompany receivables (trade) – inclusive of amounts due from associates, joint ventures, subsidiaries and related parties using simplified approach

  Intercompany receivables (trade) represent amounts outstanding arising from sales of goods. In arriving at loss allowance, the same assumptions as trade receivables have been applied. As a result, management is of the view that adequate loss allowance has been recognised as at the date of reporting.

- Intercompany receivables (non-trade) – inclusive of amounts due from subsidiaries using general 3-stage approach

  The Company provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Company monitors the performance of the subsidiaries regularly.

  Management has assessed the loss allowance for amount due from subsidiaries individually taking into consideration of the financial position and the plans in place for the respective subsidiaries. As at this reporting date, management is of the view that adequate loss allowance has been recognised.

- Advances for plasma plantation projects using general 3-stage approach

  In Indonesia, oil palm plantation owners/operators are required to participate in selected programs to develop plantations for smallholders (herein referred to as "plasma farmers"). The Group is involved in "Perusahaan Inti Rakyat Transmigrasi" and "Kredit Koperasi Primer untuk Anggotanya" which require the Group to serve as a contractor for developing the plantations, train and develop the skills of the plasma farmers, and purchase the fresh fruit bunches harvested by plasma farmers at prevailing prices determined by the Indonesian Government.

  The advances made by the Group in the form of plasma plantation development costs are recoverable from the plasma farmers upon the completion of the plasma plantation projects, either from the plasma farmers directly, through the assignment to plasma farmers of the loans obtained for the projects or netted-off with the FFB purchased from the plasma farmers. Impairment losses are made when the estimated recoverable amounts are less than the outstanding advances.

- Financial guarantee contracts using general 3-stage approach

  The Group is exposed to credit risk arising from financial guarantee contracts given to banks for joint ventures' and plasma stakeholders' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the joint ventures or plasma stakeholders. Management has reviewed the financial position of the joint ventures and plasma stakeholders as at the reporting date and was of the view that the financial guarantee contracts are unlikely to be called by the lenders.

  The Company is exposed to credit risk arising from financial guarantee contracts given to banks for joint ventures' and subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the joint ventures and subsidiaries. Historically, the Group and the Company have not defaulted in any borrowings and with the stringent monitoring over the treasury process, management is of the view that the financial guarantee contracts are unlikely to be called by the joint ventures' and subsidiaries' lenders.

- Other receivables using general 3-stage approach

  The Group's and the Company's net other receivables are amounting to RM556.1 million and RM81.6 million (2020: RM531.0 million and RM11.1 million) respectively as at 31 December 2021. Management has assessed the other receivables comprises mainly of amounts due from brokers, arising from the Group's trading operations individually and determined that the majority of the other receivables were fully recoverable and adequate loss allowance has been recognised.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iv) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group's and the Company's exposure to these risks arise primarily from the mismatch of maturities of financial assets and liabilities. To mitigate these risks to an acceptable level, the Group maintains sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group maintains centralised treasury functions where all strategic funding requirements are managed.

Whilst the Company's current liabilities exceeded its current assets by RM1,594.1 million (2020:RM2,489.4 million), the Directors are of the view that the Company is able to meet its obligations based on the cash flow forecast of the Company for the next twelve months from the reporting date. In addition, the Company has an undrawn committed borrowing facilities approximate RM1.8 billion as at 31 December 2021. The future dividend distribution from its subsidiaries are expected to alleviate the liquidity position of the Company.

The undiscounted contractual cash flows of the Group's and the Company's financial liabilities are as follows:

GROUP	On demand or within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2021						
Trade and other payables	**1,605,532**	**–**	**–**	**35,727**	**1,641,259**	**1,641,259**
Borrowings						
– principal	**2,232,115**	**763,253**	**2,782,646**	**472,662**	**6,250,676**	**6,250,676**
– interest	**51,269**	**59,479**	**30,485**	**68,536**	**209,769**	**15,697**
Amounts due to related parties	**19,160**	**–**	**–**	**–**	**19,160**	**19,160**
Lease liabilities	**29,925**	**26,503**	**50,526**	**149,812**	**256,766**	**178,073**
Derivatives						
Net-settled commodities options, futures and forward contracts						
– Payments	**222,800**	**–**	**–**	**–**	**222,800**	**222,800**
	4,160,801	**849,235**	**2,863,657**	**726,737**	**8,600,430**	**8,327,665**
2020						
Trade and other payables	1,147,547	–	–	79,883	1,227,430	1,227,430
Borrowings						
– principal	2,285,286	875,833	3,025,422	495,662	6,682,203	6,682,203
– interest	70,881	84,193	97,823	95,690	348,587	36,633
Amounts due to related parties	17,835	–	–	–	17,835	17,835
Lease liabilities	32,597	26,362	54,551	134,206	247,716	189,752
Net-settled commodities options, futures and forward contracts						
– Payments	344,098	–	–	–	344,098	344,098
	3,898,244	986,388	3,177,796	805,441	8,867,869	8,497,951

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iv) Liquidity and cash flow risks (continued)

The undiscounted contractual cash flows of the Group's and the Company's financial liabilities are as follows: (continued)

COMPANY	On demand or within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2021						
Trade and other payables	**322,305**	**–**	**–**	**–**	**322,305**	**322,305**
Borrowings						
– principal	**923,859**	**215,387**	**2,752,029**	**–**	**3,891,275**	**3,891,275**
– interest	**20,436**	**37,062**	**2,250**	**–**	**59,748**	**2,231**
Intra-group payables	**1,321,174**	**511,656**	**–**	**–**	**1,832,830**	**1,832,830**
Lease liabilities	**855**	**855**	**2,565**	**5,130**	**9,405**	**6,286**
	2,588,629	**764,960**	**2,756,844**	**5,130**	**6,115,563**	**6,054,927**
2020						
Trade and other payables	274,750	–	–	–	274,750	274,750
Borrowings						
– principal	1,922,448	797,009	2,481,032	–	5,200,489	5,200,489
– interest	40,238	53,551	20,270	–	114,059	7,076
Intra-group payables	1,145,307	–	494,475	–	1,639,782	1,639,782
Lease liabilities	855	1,710	1,710	5,842	10,117	6,679
	3,383,598	852,270	2,997,487	5,842	7,239,197	7,128,776

As at 31 December 2021, the Group's and the Company's maximum potential liabilities under financial guarantee contracts amounted to RM77.6 million and RM600.0 million respectively (2020: RM59.2 million and RM684.8 million respectively). Financial guarantee contracts are assumed to be immediately payable on demand.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(v) Price risk

The Group and the Company are largely exposed to commodity price risk due to fluctuations in crude palm oil and other palm products futures prices.

The Group and the Company enter into commodities options and futures contracts to minimise exposure to adverse movements in crude palm oil and other palm products prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's and the Company's expected purchase, sale or usage requirements. Contracts that are not held for the purpose of physical delivery are accounted for as derivatives and are disclosed in Note 30(b).

The following table contains details of the commodities options and futures contracts that are accounted as derivatives.

(i) Cash flow hedges

	Notional Amount RM	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
GROUP – 2021				
Sale contracts	**377,182**	**Less than 12**	**131,600**	**2,866**
GROUP – 2020				
Sale contracts	1,650,232	Less than 12	574,050	2,875
Purchase contracts	56,179	Less than 12	16,700	3,364

(ii) Non-hedging derivatives

	Notional Amount RM	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
GROUP – 2021				
Sale contracts	**575,949**	**Less than 12**	**105,004**	**5,485**
Purchase contracts	**139,609**	**Less than 12**	**29,583**	**4,719**
GROUP – 2020				
Sale contracts	333,632	Less than 12	102,755	3,247
Purchase contracts	111,293	Less than 12	39,538	2,815
COMPANY – 2020				
Sale contracts	2,062	Less than 12	650	3,172
Purchase contracts	597	Less than 12	250	2,388

47. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments measured at fair value

In estimating the financial instruments carried at fair value, there are, in general, three different levels which can be defined as follows:

(i) Level 1 – Quoted prices in active markets for identical assets or liabilities;
(ii) Level 2 – Valuation inputs (other than level 1 input) that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 – Valuation inputs that are not based on observable market data.

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at the end of the reporting date based on the three different levels as defined above:

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets				
Investments at FVOCI	**–**	**–**	**29,639**	**29,639**
Derivatives				
– commodities options and futures contracts	**3,123**	**–**	**–**	**3,123**
– commodities forward contracts	**–**	**7,301**	**–**	**7,301**
– forward foreign exchange contracts	**–**	**15,969**	**–**	**15,969**
	3,123	**23,270**	**29,639**	**56,032**
Financial liabilities				
Derivatives				
– commodities futures contracts	**(177,333)**	**–**	**–**	**(177,333)**
– commodities forward contracts	**–**	**(45,467)**	**–**	**(45,467)**
– forward foreign exchange contracts	**–**	**(5,213)**	**–**	**(5,213)**
– interest rate swap contracts	**–**	**(1,266)**	**–**	**(1,266)**
	(177,333)	**(51,946)**	**–**	**(229,279)**
2020				
Financial assets				
Investments at FVOCI	–	–	27,068	27,068
Derivatives				
– commodities options and futures contracts	5,163	–	–	5,163
– commodities forward contracts	–	47,108	–	47,108
– forward foreign exchange contracts	–	15,319	–	15,319
	5,163	62,427	27,068	94,658
Financial liabilities				
Derivatives				
– commodities futures contracts	(222,527)	–	–	(222,527)
– commodities forward contracts	–	(121,571)	–	(121,571)
– forward foreign exchange contracts	–	(8,380)	–	(8,380)
– interest rate swap contracts	–	(7,273)	–	(7,273)
	(222,527)	(137,224)	–	(359,751)

47. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at the end of the reporting date based on the three different levels as defined above: (continued)

COMPANY	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets				
Investments at FVOCI	**–**	**–**	**26,070**	**26,070**
Derivatives				
– commodities options and futures contracts	**–**	**–**	**–**	**–**
– forward foreign exchange contracts	**–**	**1,081**	**–**	**1,081**
	–	**1,081**	**26,070**	**27,151**
Financial liabilities				
Derivatives				
– commodities options and futures contracts	**–**	**–**	**–**	**–**
– forward foreign exchange contracts	**–**	**(988)**	**–**	**(988)**
– interest rate swap contracts	**–**	**(1,266)**	**–**	**(1,266)**
	–	**(2,254)**	**–**	**(2,254)**
2020				
Financial assets				
Investments at FVOCI	–	–	23,387	23,387
Derivatives				
– commodities options and futures contracts	255	–	–	255
– forward foreign exchange contracts	–	3,018	–	3,018
	255	3,018	23,387	26,660
Financial liabilities				
Derivatives				
– commodities options and futures contracts	(208)	–	–	(208)
– forward foreign exchange contracts	–	(116)	–	(116)
– forward foreign exchange contracts	–	(7,273)	–	(7,273)
	(208)	(7,389)	–	(7,597)

If quoted market prices in active markets are available, these are considered Level 1. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category. It is classified into the Level 3 category if significant unobservable inputs are used.

The fair values of derivatives are determined using quoted price of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quoted for similar instruments, appropriately adjusted or present value techniques, based on available market data, or option pricing models are used. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

There were no transfers between the levels of the fair value hierarchy during the financial year.

47. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments measured at amortised costs

The carrying amounts of non-current financial assets and liabilities are measured at amortised cost.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Short-term financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(ii) Long-term financial instruments

The fair value of the Group's long-term financial instruments approximate their carrying values and it is estimated by discounting the future contractual cash flows at the current market rate available to the Group for similar instruments.

48. CAPITAL MANAGEMENT

(a) Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholder value. This is achieved through reviewing and managing its equity, debt and cash. Equity attributable to equity holders of the Company includes share capital, reserves and retained earnings.

The Group seeks to achieve optimal capital structure taking into account returns expected by shareholders, cost of debts, capital expenditure, investment opportunities, projected cash flows and externally imposed financial covenants. The Group has consistently paid out around 50% to 70% of its annual profit attributable to equity holders of the Company as dividends and reinvests the rest. Whilst the current practice provides a reasonable balance between expansion and cash dividends, the Group may adjust the dividend payout, equity levels and debt levels to achieve the optimal capital structure.

(i) Rating by External Rating Agencies

The Company and its capital market programmes are rated by both local and international rating agencies:

Rating Agency	Company/Programme	Rating as at	Rating
Fitch Ratings	Company and the USD1.5 billion Multi-currency Sukuk Programme	29.03.2022	BBB
Moody's Investors Service	Company and the USD1.5 billion Multi-currency Sukuk Programme	06.04.2020	Baa2
Malaysian Rating Corporation Berhad	RM3.0 billion Perpetual Subordinated Sukuk Programme (Perpetual Sukuk)	18.11.2021	AAIS

(ii) Gearing ratio and interest cover

Gearing ratio and interest cover are some of the ratios used in capital management. Gearing ratio is calculated as gross debt divided by total equity. Gross debt is calculated as the total of borrowings and amount due to a subsidiary (including "current and non-current" as shown in the Company's statements of financial position). Interest cover is calculated as profit before interest and tax excluding impairment on investments in subsidiaries and joint ventures divided by total finance costs (gross).

The ratios are as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
Gearing ratio (%)	**35.0**	41.1	**33.7**	55.2
Interest cover (times)				
– continuing operations	**26.1**	10.1	**26.2**	7.8

(b) Externally imposed financial covenants and capital structure

In addition to optimising capital structure and complying with externally imposed financial covenants, the Group is also required to comply with statutory requirements in certain countries where the Group operates. This includes minimum capital requirement and the requirement to maintain legal reserves which are non-distributable.

The Group was in compliance with externally imposed financial covenants and capital requirements for the financial year ended 31 December 2021 and 31 December 2020.

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

(i) Subsidiaries which are active as at 31 December 2021 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
Agri Sumber Prestari Sdn Bhd	Malaysia	**100.0**	–	1	Supply of local manpower and related services to agriculture industry
Chartquest Sdn Bhd	Malaysia	**61.1**	61.1	1	Cultivation of oil palm
Chermang Development (Malaya) Sdn Bhd	Malaysia	**83.9**	83.9	1	Investment holding
Consolidated Plantations Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Guthrie Industries Malaysia Sendirian Berhad	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Guthrie International Investments (L) Ltd	Labuan, Malaysia	**100.0**	100.0	1	Investment holding
Kumpulan Jelei Sendirian Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Mostyn Palm Processing Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sanguine (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm
Sime Darby Plantation Agri-Bio Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing and marketing of rat baits and trading of agricultural related products
Sime Darby Plantation Austral Holdings Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Oils Bintulu Sdn Bhd	Malaysia	**60.0**	60.0	1	Processing of palm oil and palm kernel oil
Sime Darby Oils Biodiesel Sdn Bhd	Malaysia	**100.0**	100.0	1	Production and sale of biodiesel and related products
Sime Darby Plantation Biotechnology Lab Sdn Bhd	Malaysia	**100.0**	100.0	1	Provision of oil palm tissue culture services
Sime Darby Plantation Consulting Sdn Bhd (formerly known as Sime Darby Consulting Sdn Bhd)	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Oils Nutrition Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing of Palm Tocotrienol Vitamin E The company has been activated on 1 July 2021
Sime Darby Oils North America Inc.	United States	**100.0**	100.0	4	Marketing of vegetables oil and fat products and provision of technical product support
Sime Darby Oils Professional Sdn Bhd	Malaysia	**100.0**	100.0	1	Distribution and marketing of cooking oil, tocotrienols and palm related products

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
Sime Darby Oils Trading Sdn Bhd	Malaysia	**100.0**	100.0	1	Trading of crude palm oil and palm oil products and as sub-marketing agent of commodities for its related companies
Sime Darby Plantation Global Berhad	Malaysia	**100.0**	100.0	1	Special purpose vehicle for the issuance of securities programme
Sime Darby Oils Trading (Labuan) Limited	Labuan, Malaysia	**100.0**	100.0	1	Trading of commodities
Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	Malaysia	**100.0**	100.0	1	Processing of edible oil and related products
Sime Darby Plantation Latex Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment property company
Sime Darby Plantation (Sabah) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Sime Darby Plantation (Sarawak) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Sime Darby Plantation Childcare Centre Sdn Bhd	Malaysia	**100.0**	100.0	1	Operating childcare services to employees
Sime Darby Plantation Intellectual Property Sdn Bhd	Malaysia	**100.0**	100.0	1	Acquiring, developing and investing in trademarks, patents and intellectual property rights
Sime Darby Plantation Thailand Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Plantation Research Sdn Bhd	Malaysia	**100.0**	100.0	1	Research and development services to group companies in relation to tropical agriculture
Sime Darby Plantation Renewable Energy Sdn Bhd	Malaysia	**100.0**	100.0	1	Providing advisory and supervisory services on the renewable operation
Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd	Malaysia	**100.0**	100.0	1	Agricultural research and advisory services, production and sale of oil palm seeds and seedlings
Sime Darby Plantation Technology Centre Sdn Bhd	Malaysia	**100.0**	100.0	1	Research and development services in biotechnology and agriculture
Sime Darby Plantation Ecogardens Sdn Bhd	Malaysia	**100.0**	100.0	1	Business of owning, operating and managing rest/guest house, cafeterias/canteens and renting of conventional and recreational facilities

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
The China Engineers (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Wangsa Mujur Sdn Bhd	Malaysia	**72.5**	72.5	1	Cultivation of oil palm
PT Aneka Intipersada	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Aneka Sawit Lestari	Indonesia	**100.0**	100.0	2	Production and sale of oil palm planting materials
PT Anugerah Sumbermakmur	Indonesia	**100.0**	100.0	2	Investment holding
PT Asricipta Indah	Indonesia	**90.0**	90.0	2	Investment holding
PT Bahari Gembira Ria	Indonesia	**99.97**	99.97	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bersama Sejahtera Sakti	Indonesia	**91.12**	91.12	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bhumireksa Nusasejati	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bina Sains Cemerlang	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Budidaya Agrolestari	Indonesia	**100.0**	100.0	2	Cultivation of oil palm
PT Sime Darby Oils Pulau Laut Refinery	Indonesia	**100.0**	100.0	2	Processing of palm oil products
PT Guthrie Pecconina Indonesia	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Indotruba Tengah	Indonesia	**50.0**	50.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Kartika Inti Perkasa	Indonesia	**60.0**	60.0	2	Investment holding
PT Kridatama Lancar	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Ladangrumpun Suburabadi	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Laguna Mandiri	Indonesia	**88.6**	88.6	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
PT Lahan Tani Sakti	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Langgeng Muaramakmur	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Minamas Gemilang	Indonesia	**100.0**	100.0	2	Investment holding
PT Muda Perkasa Sakti	Indonesia	**100.0**	100.0	2	Investment holding
PT Padang Palma Permai	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Paripurna Swakarsa	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Perkasa Subur Sakti	Indonesia	**100.0**	100.0	2	Processing of palm oil and palm kernel
PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	**100.0**	100.0	2	Cultivation of oil palm
PT Sajang Heulang	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sandika Natapalma	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sime Darby Oils International Indonesia	Indonesia	**100.0**	–	2	Investment holding, trade and services
PT Sime Darby Oils Utama Indonesia	Indonesia	**100.0**	–	2	Investment holding, trade and services
PT Sime Darby Plantation Agri Bio	Indonesia	**100.0**	100.0	2	Trading of agricultural related products
PT Sime Darby Oils Indonesia	Indonesia	**100.0**	100.0	2	Provision of procurement, marketing and sale of edible oils
PT Sedjahtera Indo Agro	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sritijaya Abaditama	Indonesia	**60.0**	60.0	2	Investment holding
PT Swadaya Andika	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Tamaco Graha Krida	Indonesia	**90.0**	90.0	2	Cultivation of oil palm and processing of palm oil and palm kernel

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
PT Teguh Sempurna	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Tunggal Mitra Plantations	Indonesia	**60.0**	60.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
Kula Palm Oil Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
New Britain Palm Oil Limited	Papua New Guinea	**100.0**	100.0	2	Investment holding, cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Poliamba Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Ramu Agri-Industries Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and growing canes, cattle rearing, processing and sale of palm oil, palm kernel oil, sugar, ethanol and beef
Markham Farming Company Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel, palm kernel oil and coconut
Guadalcanal Plains Palm Oil Limited	Solomon Islands	**80.0**	80.0	3	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
New Britain Plantation Services Pte. Ltd.	Singapore	**100.0**	100.0	2	Investment holding and management of oil palm plantations and seed production
Sime Darby Oils Trading Private Limited	Singapore	**100.0**	100.0	2	Trading of palm oil, coconut oil and other edible oils The company has been activated on 28 August 2021
Ultra Oleum Pte. Ltd.	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Oils Liverpool Refinery Limited	United Kingdom	**100.0**	100.0	2	Refining of crude palm oil
Sime Darby Oils International Limited	Singapore	**100.0**	100.0	2	Management consultancy services and investment holding
Sime Darby Oils Singapore Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Plantation Investment (Liberia) Private Limited	Singapore	**100.0**	100.0	2	Investment holding

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
Sime Darby Plantation China Oils And Fats Company Limited	Hong Kong SAR	**100.0**	100.0	2	Investment holding
Sime Darby Plantation Hong Kong Nominees Limited	Hong Kong SAR	**100.0**	100.0	2	Investment holding
Sime Darby Oils Nonthaburi Co., Ltd	Thailand	**99.9**	99.9	2	Processing of soya bean oil and related products
Sime Darby Oils Morakot Public Company Limited	Thailand	**99.9**	99.9	2	Processing and marketing of edible oil and related products
Sime Darby Oils Holdings (Thailand) Limited	Thailand	**100.0**	100.0	2	Investment holding
The China Engineers (Thailand) Limited	Thailand	**99.9**	99.9	2	Investment holding
Sime Darby Plantation International Investments Limited	Cayman Islands	**100.0**	100.0	4	Investment holding
Golden Hope Overseas Capital	Mauritius	**100.0**	100.0	2	Investment holding
Mulligan International B.V.	Netherlands	**100.0**	100.0	2	Investment holding
Sime Darby Oils Netherlands B.V.	Netherlands	**100.0**	100.0	2	Investment holding
Sime Darby Oils Zwijndrecht Refinery B.V.	Netherlands	**100.0**	100.0	2	Processing and marketing of edible oil and related products
Sime Darby Oils Europe B.V.	Netherlands	**100.0**	100.0	2	Commodity trading, raw material procurement, logistics and market risk management
Sime Darby Oils CleanerG B.V. (formerly known as Sime Darby Oils Speciality Ingredients B.V.)	Netherlands	**100.0**	100.0	4	Acquiring, processing, producing and selling of special ingredients for use in food, feed, nutritional, pharmaceutical and cosmetic industry and consumer market
Sime Darby Oils Speciality Ingredients B.V.	Netherlands	**100.0**	–	4	Manufacturing and selling of range of fluidized, hydrolised, fractionated and compounded lecithin products
Sime Darby Oils South Africa (Pty) Ltd.	South Africa	**100.0**	100.0	2	Refining and marketing of edible oil related products

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(ii) Joint ventures which are active as at 31 December 2021 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
Emery Oleochemicals (M) Sdn Bhd	Malaysia	**–**	50.0	3	Investment holding, production and sale of fatty acids, fatty alcohols, refined glycerine, oilfield chemicals, ozone acids, plastic additives, methyl esters and other oleochemical derivatives
Emery Specialty Chemicals Sdn Bhd	Malaysia	**–**	50.0	3	Investment holding
Emery Oleochemicals UK Limited	United Kingdom	**50.0**	–	3	Distribution of specialty chemical products
SD Plantation TNB Renewables Sdn Bhd	Malaysia	**51.0**	51.0	1	Production and sale of renewable energy using palm oil effluents
Guangzhou Keylink Chemicals Co. Ltd.	China	**49.0**	49.0	3	Manufacturing of surface active agents
Rizhao Sime Darby Oils & Fats Co. Ltd.	China	**45.0**	45.0	2	Storage and marketing of palm oil related products

(iii) Associates which are active as at 31 December 2021 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	2020	Auditors	Principal activities
Barlow Bulking Sdn Bhd	Malaysia	**32.0**	32.0	3	Provision of bulking and marketing facilities for edible oil producers and millers
Nescaya Maluri Sdn Bhd	Malaysia	**40.0**	40.0	3	Investment holding and licensing
Muang Mai Guthrie Public Company Limited	Thailand	**49.0**	49.0	3	Processing of rubber
Thai Eastern Trat Co., Ltd.	Thailand	**40.0**	40.0	2	Processing of palm oil and palm kernel
Yayasan Sime Darby	Malaysia	**@**	@	1	Administration of scholarship awards and educational loans, undertake sports, environmental conservation and sustainability projects

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2021 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2021	2020		
Derawan Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Jerai Sendirian Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Linggi Sendirian Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Sua Betong Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Tebong Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Temiang Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Sahua Enterprise Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Bukit Talang Smallholders Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Sime Darby Plantation (Peninsular) Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Golden Hope Overseas Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Sime Darby Oils Carey Island KCP Sdn Bhd	Malaysia	**100.0**	–	1	Dormant
Sime Darby Oils Commodities Sdn Bhd	Malaysia	**100.0**	–	1	Dormant
Sime Darby Oils Langat Refinery Sdn Bhd	Malaysia	**100.0**	–	1	Dormant
Sime Darby Oils Port Klang Refinery Sdn Bhd	Malaysia	**100.0**	–	1	Dormant
PT Guthrie Abdinusa Industri	Indonesia	**70.0**	70.0	2	Dormant
PT Sime Darby Plantation Commodities Trading	Indonesia	**100.0**	100.0	2	Dormant
Sime Darby Edible Products Tanzania Limited	Tanzania	**100.0**	100.0	4	Dormant
Trolak Estates Limited	Scotland	**100.0**	100.0	5	Dormant
Dusun Durian Plantations Limited	United Kingdom	**100.0**	100.0	5	Dormant
Kinta Kellas Rubber Estate Plc.	United Kingdom	**100.0**	100.0	5	Dormant

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2021 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	Group's effective interest (%) 2020	Auditors	Principal activities
Malaysian Estates Plc.	United Kingdom	**100.0**	100.0	5	Dormant
The Kuala Selangor Rubber Plc.	United Kingdom	**100.0**	100.0	5	Dormant
The London Asiatic Rubber and Produce Company Limited	United Kingdom	**100.0**	100.0	5	Dormant
The Pataling Rubber Estates Limited	United Kingdom	**100.0**	100.0	5	Dormant
The Straits Plantations Limited	United Kingdom	**100.0**	100.0	5	Dormant
The Sungei Bahru Rubber Estates Plc.	United Kingdom	**100.0**	100.0	5	Dormant

(v) Subsidiaries placed under members' voluntary liquidation/deregistered are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2021	Group's effective interest (%) 2020	Auditors	Principal activities
Eminent Platform Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Golden Hope Agrotech Consultancy Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Golden Hope Fruit Industries Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Nature Ambience Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Sime Darby Plantation Cameroon Ltd.	Cameroon	**100.0**	100.0	4	In members' voluntary liquidation
Sime Darby Edible Products India Private Limited	India	**–**	100.0	4	Liquidated
Vertical Drive Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Sime Darby Oils & Fats Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation

49. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(vi) Joint venture which is dormant/inactive as at 31 December 2021 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2021	2020		
MYBiomass Sdn Bhd	Malaysia	–	30.0	3	Liquidated

Notes:

1. Subsidiaries, joint ventures and associates which are audited by PricewaterhouseCoopers PLT, Malaysia.

2. Subsidiaries, joint ventures and associates which are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

3. Subsidiaries, joint ventures and associates which are audited by firms other than member firms of PricewaterhouseCoopers International Limited.

4. No legal requirement to appoint statutory auditors.

5. Subsidiaries which are exempted from having their financial statements audited in UK pursuant to exemption available under section 480 of the UK Companies Act 2006.

+ Notwithstanding that the Group holds more than 50% equity interest in SD Plantation TNB Renewables Sdn Bhd, the investment is classified as a joint venture (and not a subsidiary) as significant decisions require unanimous consent from all its shareholders.

@ Yayasan Sime Darby is a company without share capital, limited by guarantee.

50. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

In July 2020, a non-governmental organisation, Liberty Shared ("the petitioner"), made public a summary of a petition it had filed against the Group to the United States Customs and Border Protection ("USCBP"). Subsequently, the Group engaged the petitioner and the USCBP, seeking clarification on the allegations and appropriate next steps.

On 30 December 2020 the USCBP issued a press release stating that a Withhold Release Order ("WRO") had been imposed on palm products produced in the Group's Malaysian operations. The Group continued to engage with the USCBP, as well as relevant Malaysian authorities, customers, financiers, investors, analysts, and various other key stakeholders.

On 1 March 2021, the Group appointed an ethical trade consultancy, Impactt Limited ("Impactt"), to conduct a comprehensive third-party evaluation of labour practices across its Malaysian operations, mapped against the International Labour Organisation's 11 indicators of forced labour. The Group's Board Sustainability Committee has undertaken the important oversight function over the evaluation exercise.

Although Impactt's work was initially scheduled to be completed by May 2021, it was unavoidably delayed due to strict nation wide movement restrictions and the closing of Malaysia's international borders to curb the spread of the COVID-19 virus.

With the easing of restrictions on interstate travel within Malaysia and the subsequent phased reopening of intra and international borders with shorter quarantine requirements in late 2021, Impactt has been able to resume work on the assessment.

On 28 January 2022, the USCBP issued a notice of finding against the Group.

On 15 February 2022, the Group announced several improvements and changes to its governance structures, policies and procedures and the implementation of new measures, all with the primary goal of ensuring the wellbeing of its workers. The Group has reimbursed most of its foreign workers currently within its employ who may have paid recruitment fees to secure employment with the Group. A sinking fund has also been established to reimburse former foreign workers who were in SDP's employ on or after 1 November 2018, who may have paid recruitment fees to secure employment with the Group, in contravention of SDP's zero recruitment fee policy. Additionally, the Group has established an improved Responsible Recruitment Procedure. The Group has also established new platforms for better social dialogue with its workers.

As of March 2022, Impactt has completed the first verification report on the status of SDP's operations mapped against the ILO indicators. The report is currently being finalised and will be submitted to USCBP together with other supporting documentation once completed. The Group will continue to engage with the USCBP to facilitate their review of the documentation provided.

51. SUBSEQUENT EVENTS AFTER REPORTING DATE

(a) Civil claim against PT MGG and PT ASM for IDR5.9 trillion

See details of the material litigation in Note 45(d).

(b) Subscription of shares from the Company's wholly-owned subsidiary

On 26 January 2022, the Company subscribed 88,389,408 ordinary shares in its wholly-owned subsidiary, Sime Darby Oils International Limited, amounting to RM275.6 million (USD65.6 million) in kind by capitalising the non-current amounts due from subsidiaries.

(c) Completion of internal restructuring

As part of the restructuring disclosed in Note 20, the Company has on 11 March 2022 completed the disposal of the entire equity interest in Sime Darby Oils Trading (Labuan) Ltd to Sime Darby Oils Pasir Gudang Refinery Sdn Bhd for a purchase consideration of RM41.0 million.

(d) Forest area concession licenses

Certain subsidiaries in Indonesia are subject to revocation and evaluation of forest area concession licenses in accordance with the decree of the Ministry of Environment and Forestry ("KLHK") of the Republic of Indonesia No. SK.01/MENLHK/SETJEN/KUM.1/1/2022 dated 5 January 2022. Based on the decree, the total area of the subsidiaries which are subject to the revocation and evaluation of forest concession licenses was 40,065 and 69,619 hectares respectively.

The subsidiaries have submitted an objection to the Minister's decree above by explaining the historical status of the land ownership and development in the respective area. At this stage, the Minamas group has obtained the Hak Guna Usaha ("HGU") from the Indonesian Land Agency ("Badan Pertanahan Nasional") which is under the Ministry of Agrarian and Spatial Planning of the Republic of Indonesia.

As of the date of the approval of these financial statements, the Indonesian subsidiairies have not obtained any response from KLHK.

e) Completion of the land disposals

As at the date of these financial statements, the Group and the Company have completed the disposal of 2 parcels of land totalling 88.8 hectares, which were previously classified as non-current assets held for sale as disclosed in Note 32(a).

Arising from the completion of the land disposals, a gain of RM47.0 million, net of costs to sell and real property gain tax has been recognised by the Group and the Company respectively.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 April 2022.

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) Of The Companies Act 2016

We, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr. Haji Megat Khas and Mohamad Helmy Othman Basha, two of the Directors of Sime Darby Plantation Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 119 to 247 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the Board of Directors dated 22 April 2022.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN DATUK SERI DR. HAJI MEGAT KHAS
DIRECTOR

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
22 April 2022

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, Renaka Ramachandran, the Officer primarily responsible for the financial management of Sime Darby Plantation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 119 to 247 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

RENAKA RAMACHANDRAN
OFFICER

Subscribed and solemnly declared by the abovenamed Renaka Ramachandran at Selangor, Malaysia on 22 April 2022.

Before me,

PESURUHJAYA SUMPAH
B 520
SHAHRUDIN
BIN ESA
1.1.2021-31.12.2023
MALAYSIA

B-1-08, Blok B, Oasis Square,
Ara Damansara, Jalan PJU 1A/7A,
47301 Petaling Jaya, Selangor.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members Of Sime Darby Plantation Berhad
(Incorporated in Malaysia) Registration No. 200401009263 (647766-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sime Darby Plantation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 119 to 247.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

To The Members Of Sime Darby Plantation Berhad
(Incorporated in Malaysia) Registration No. 200401009263 (647766-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of the carrying value of the goodwill arising from the New Britain Palm Oil Limited ("NBPOL") Acquisition Refer to Notes 3(g)(i), 3(l)(i), 4(a) and 23(i) to the financial statements. The intangible assets of the Group include goodwill of RM2,117.6 million which arose from the acquisition of NBPOL group during the financial year ended 30 June 2015. The goodwill was partly allocated to PT Minamas Gemilang and its subsidiaries ("Minamas Group") cash generating unit ("CGUs") as the Minamas Group operations are expected to benefit from the additional planting material synergies arising from the acquisition of NBPOL. In accordance with the Group's accounting policy, the Group undertakes an impairment assessment of goodwill on an annual basis or more frequently whenever events or circumstances occur indicate that an impairment may exist. Management performed impairment assessments of the two CGUs based on the value-in-use ("VIU") determined using discounted cash flow models, which were approved by the Directors. A range of sensitivity analysis was also performed by management. We focused on the recoverability of the carrying amount of goodwill due to the significance of the amount and significant judgement involved in determining the key assumptions used to derive the recoverable amounts of the CGUs, comprising the projection period, fresh fruit bunches ("FFB") yields, crude palm oil ("CPO") selling prices and the discount rates as disclosed in Note 23 to the financial statements. Based on management's assessment, no impairment was required as the recoverable amounts exceeded the carrying amount of goodwill in the two CGUs as at 31 December 2021.	We performed the following audit procedures in relation to the impairment assessment of the carrying value of goodwill: 1. Evaluated the reasonableness of the key assumptions used by management in the approved cash flow projections by: (i) agreeing the projection period to the remaining lease terms for the respective CGUs; and (ii) comparing the FFB yields and CPO selling prices to historical results, forecasted commodity prices and industry data where appropriate. 2. Assessed the reliability of management's cash flow projections by comparing the Group's previous years' forecasted results against past trends of actual results. 3. Involved our valuation experts to assess the discount rates used in determining the recoverable amounts of the respective CGUs and also determined whether the change in the discount rates used compared to the rates used in the previous financial year is reasonable. 4. Assessed the appropriateness of sensitivity analysis performed by management, including the disclosures of a reasonable possible change in the key assumptions and the corresponding effect on the respective recoverable amounts by re-performing the sensitivity analysis. 5. Checked the mathematical accuracy of the VIU cash flows. Based on the above procedures, we did not note any material exception to management's assessment of the recoverability of the Group's carrying amount of goodwill arising from the acquisition of NBPOL as at 31 December 2021.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of the carrying value of Property, Plant and Equipment ("PPE") – Immature rubber plantations of the Group and the Company Refer to Notes 3(d), 3(l)(i), 4(a) and 16(c) to the financial statements. Management performed an impairment assessment of the Group's and the Company's Property, Plant and Equipment ("PPE") – Immature rubber plantations ("Immature rubber plantations") in Malaysia, as there were indicators of impairment as disclosed in Note 16(c) to the financial statements. The impairment assessment was based on the VIU determined using the discounted cash flow model, which was approved by the Directors. We focused on the recoverability of the carrying amount of the Group's and the Company's Immature rubber plantations due to the resulting material impairment charge and the significant judgement involved in determining the key assumptions used in deriving the recoverable amount of the Immature rubber plantations comprising the latex prices, rubber yields and the discount rate. Based on management's assessment, an impairment loss of RM279.0 million and RM223.7 million was recognised for the Group's and the Company's Immature rubber plantations respectively as at 31 December 2021, as disclosed in Note 16(c) to the financial statements.	We performed the following audit procedures in relation to the impairment assessment of the carrying value of Immature rubber plantations: 1. Discussed with management to understand the indicators of the impairment and basis of calculating the VIU. 2. Evaluated the reasonableness of the key assumptions used by the management in the cash flow projections by comparing latex price and rubber yields to historical results, forecasted latex prices and industry data where appropriate. 3. Assessed the appropriateness of the valuation methodology used by management and involved our valuation experts to assess the appropriateness of the discount rate used in determining the recoverable amount of the assets. 4. Checked the mathematical accuracy of the VIU cash flows. Based on the above procedures we did not note any material exception to management's impairment assessment of the recoverability of the carrying amount of the Immature rubber plantations as at 31 December 2021.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the remaining sections of the 2021 Annual Report of Sime Darby Plantation Berhad, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

To The Members Of Sime Darby Plantation Berhad
(Incorporated in Malaysia) Registration No. 200401009263 (647766-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 49 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SRIDHARAN NAIR
02656/05/2022 J
Chartered Accountant

Kuala Lumpur
22 April 2022

PROPERTIES OF THE GROUP

As at 31 December 2021

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES						
Malaysia						
Kedah Darul Aman						
Anak Kulim, Bukit Hijau, Bukit Selarong, Jentayu, Padang Buluh, Somme, Sungai Dingin	Freehold	18,829	1978-2006	16	Oil palm and rubber estates and a palm oil mill	363
Bukit Hijau	Leasehold expiring 2068	9	2006	–	Rubber estate	^
Perak Darul Ridzuan						
Bagan Datoh, Bikam, Chersonese, Cluny, Elphil, Flemington, Holyrood, Kalumpong, Kamuning, Kinta Kellas, Sabrang, Selaba, Seri Intan, Sogomana, Sungei Samak, Sungei Wangi, Tali Ayer	Freehold	36,899	1978-2001	12-28	Oil palm and rubber estates and 5 palm oil mills	1,078
Chersonese, Cluny, Kalumpong, Kamuning, Kinta Kellas, Sogomana, Sungai Samak, Sungei Wangi, Tali Ayer	Leasehold expiring 2035-2897	5,446	1978-1987	–	Oil palm estates	76
Pahang Darul Makmur						
Bukit Puteri, Chenor, Jabor, Jentar, Kerdau, Mentakab, Sungai Mai	Freehold	9,333	1985-2006	25	Oil palm estates and 2 palm oil mills	303
Bukit Puteri, Chenor, Kerdau, Sungai Mai	Leasehold expiring 2057-2086	10,621	1985-1992	15-25	Oil palm estates and a palm oil mill	115
Selangor Darul Ehsan						
Banting, Bestari Jaya, Bukit Cheraka, Bukit Kerayong, Bukit Lagong, Bukit Rajah, Bukit Rotan, Bukit Talang, Dusun Durian, East Carey Island, Elmina, Sabak Bernam, Sepang, Sungai Buloh, Teluk Panglima Garang, Tennamaram, West Carey Island	Freehold	35,663	1978-2013	4-30	Oil palm estates, 4 palm oil mills, biodiesel and kernel crushing plants, rat bait factory, laboratories, research centres, warehouse and a training centre	1,280
East Carey Island, Port Klang, Sungai Buloh, Tennamaram	Leasehold expiring 2029-2086	170	1978-2010	45	Oil palm estates and a bulking plant	22
Negeri Sembilan Darul Khusus						
Bradwall, Bukit Pelandok, Bukit Pilah, Kok Foh, Labu, New Labu, Muar River, P.D. Lukut, Pertang, Rantau, Salak, Sengkang, Siliau, Sungai Gemas, Sungai Sabaling, St Helier, Sua Betong, Sungai Bharu, Tampin Linggi, Tanah Merah	Freehold	36,019	1978-2009	9-24	Oil palm and rubber estates, 4 palm oil mills and a research laboratory	772
Kok Foh, Sungai Bharu	Leasehold expiring 2034-2072	146	1982-1993	–	Oil palm estates	3

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Malaysia (continued)						
Melaka						
Bukit Asahan, Diamond Jubilee, Kempas, Kemuning, Serkam	Freehold	14,741	1978-2011	14-22	Oil palm estates and 2 palm oil mills	293
	Leasehold expiring 2025-2071	470	1982-1992	–	Oil palm estates	3
Johor Darul Takzim						
Batu Anam, Bintang, Bukit Badak, Bukit Benut, Bukit Paloh, CEP Nyior, CEP Renggam, Cha'ah, Gunung Mas, Hadapan, Kempas Klebang, Kulai, Lambak, Lanadron, Layang, New Pagoh, Nordanal, North Labis, Pagoh, Pengkalan Bukit, Sembrong, Seri Pulai, Sungai Senarut, Sungai Simpang Kiri, Tangkah, Tun Dr. Ismail, Ulu Remis, Welch, Yong Peng	Freehold	54,214	1978-2012	4-25	Oil palm and rubber estates, 4 palm oil mills, a research centre and 2 rubber factories	1,462
Cenas, CEP Nyior, Cha'ah, Lanadron, Layang, Muar River, Pekan, Sembrong, Sungai Senarut, Sungai Simpang Kiri, Ulu Remis	Leasehold expiring 2068-2918	18,611	1978-2012	25-29	Oil palm estates and 2 palm oil mills	229
Sabah						
Binuang, Giram, Imam, Jeleta Bumi, Kunak, Melalap, Merotai, Mostyn, Sandakan Bay, Sapong, Segaliud, Sentosa, Sungang, Table, Tiger, Tigowis, Tingkayu, Tun Tan Siew Sin, Tunku	Leasehold expiring 2038-2940	53,645	1978-1983	14-35	Oil palm estates, 5 palm oil mills, a bulking plant and a research centre	1,442
Sarawak						
Bayu, Belian, Chartquest, Damai, Derawan, Dulang, Kelida, Lavang, Paroh, Pekaka, Rajawali, Rasan, Ruai, Sahua, Samudera, Semarak, Takau	Leasehold expiring 2045-2082	46,999	1990-2004	18-26	Oil palm estates and 4 palm oil mills	892
Upstream Malaysia Properties		341,815				8,333

PROPERTIES OF THE GROUP

As at 31 December 2021

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Indonesia						
Kalimantan – West						
Awatan, Beturus, East, Kelampai, Lembiru, Pelanjau, Sei Mawang, Sungai Putih, West	Leasehold expiring 2030	36,880	2001-2013	10-19	Oil palm estates, 2 palm oil mills and a bulking plant	249
Kalimantan – Central						
Baras Danum, Batang Garing,Hatan Tiring, Kawan Batu, Kuala Kuayan, Pemantang, Sapiri, Sekunyir, Seruyan, Sukamandang, Barito	Leasehold expiring 2033-2034	39,116	2001-2018	13-24	Oil palm estates, 3 palm oil mills, a bulking plant and a kernel crushing plant	406
Kalimantan – South						
Angsana, Bakau, Bebunga, Betung, Binturung, Gunung Aru, Gunung Kemasan, Gunung Sari, Lanting, Laut Timur, Matalok, Mustika, Pantai Bonati, Pantai Timur, Pondok Labu, Rampa, Randi, Rantau, Sangkoh, Sekayu, Selabak, Sesulung, Sungai Cengal	Leasehold expiring 2032-2039	86,643	2001-2012	4-25	Oil palm estates, 8 palm oil mills, 2 bulking plants and a kernel crushing plant	1,438
Sulawesi – Central						
Ungkaya	Leasehold expiring 2024	4,712	2001-2011	9-26	Oil palm estate, a palm oil mill and a bulking plant	99
Sumatera – Jambi						
Panjang	Leasehold expiring 2038	4,000	2001-2007	13	Oil palm estate and a palm oil mill	45
Sumatera – South						
Bumi Ayu, Bukit Pinang, Karang Ringin, Mangun Jaya, Napal, Rantau Panjang, Sungai Jernih, Sungai Pinang	Leasehold expiring 2033-2034	21,241	2001-2002	18-20	Oil palm estates and 2 palm oil mills	317
Sumatera – East Aceh						
Batang Ara, Blang Simpo 1 & 2, Tamiang	Leasehold expiring 2022-2037	8,742	2001-2008	23-38	Oil palm estates and a palm oil mill	157
Sumatera – Riau						
Alur Damai, Aneka Persada, Mandah, Menggala 1 – 3, Nusa Lestari, Nusa Persada, Pinang Sebatang, Rotan Semelur, Teluk Bakau, Teluk Siak	Leasehold expiring 2031-2036	54,835	2001-2015	7-25	Oil palm estates, 5 palm oil mills and a research centre	905
Upstream Indonesia Properties		256,169				3,616

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Papua New Guinea						
West New Britain, Morobe, Oro, Milne Bay, New Ireland, Markham Valley	Leasehold expiring 2022-2113	138,331	2018	1-48	Oil palm estates, a sugar cane, plantation, grazing, pastures, a refinery, 2 biogas plants, a sugar factory, 12 palm oil mills, 6 kernel crushing plants, and 2 abattoirs	3,360
Solomon Islands						
Guadalcanal	Leasehold expiring 2043-2065	8,315	2015	5-15	Oil palm estates, a palm oil mill and a kernel crushing plant	302
Upstream Properties		744,630				15,611
DOWNSTREAM AND OTHERS PROPERTIES						
Malaysia						
Selangor Darul Ehsan						
Teluk Panglima Garang	Freehold	2	2012	–	Vacant land	4
North Port Edible Oil Refinery Complex, Teluk Panglima Garang	Leasehold expiring 2076-2105	17	2006-2012	10-12	Refineries	128
Johor Darul Takzim						
Pasir Gudang	Leasehold expiring 2035-2043	6	1974-1985	45	Refinery	10
Sarawak						
Kawasan Perindustrian Kidurong, Bintulu	Leasehold expiring 2072	14	2004	7-13	Refinery and a kernel crushing plant	26
Downstream and Others Properties – Malaysia		39				168

PROPERTIES OF THE GROUP

As at 31 December 2021

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
OVERSEAS						
Indonesia						
Desa Sei Taib, Kecamatan Pulau Laut, Kalimantan	Leasehold expiring 2044	32	2014	6-7	Refinery	112
Thailand						
Sukhumvit Road, Bangkok	Freehold	–	1986-2011	13-32	Office buildings	5
Poochaosamingprai Road, Samut Prakan	Freehold	5	1986	1-32	2 Refineries	33
Tiwanon Road, Nonthaburi	Freehold	13	2014	35-40	Crushing and refining plant and office building	86
The Netherlands						
Lindtsedijk, Zwijndrecht	Freehold	11	2002	7-89	Refinery and a research centre	139
South Africa						
Boksburg	Leasehold expiring 2023	1	2004	9	Refinery	^
United Kingdom						
Liverpool	Leasehold expiring 2034	3	2015	6-11	Refinery and office building	81
Papua New Guinea						
Markham Valley	Leasehold expiring 2033	1	2018	4-11	2 copra mills	166
Downstream and Others Properties – Overseas		66				622
Downstream and Others Properties		105				790
GENERAL						
Malaysia						
Selangor Darul Ehsan						
Plantation Tower, Oasis, Ara Damansara	Freehold	2	2012	7	Office complex	237
Negeri Sembilan Darul Khusus						
Port Dickson	Freehold	3	2018	26-62	Holiday bungalow	9
Pahang Darul Makmur						
Cameron Highlands	Leasehold expiring 2026-2082	2	2018	34-91	Holiday bungalow	2
Plantation Properties – General		7				248
Total Plantation Properties		744,742				16,649

+ The age of building is in respect of the building, mill and plant

^ NBV less than RM1 million

ANALYSIS OF SHAREHOLDINGS

As at 1 April 2022

Total Number of Issued Shares : 6,915,714,601
Class of Shares : Ordinary Shares
Voting Rights : One vote per ordinary share in the case of a poll and one vote per person on a show of hand

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,820	11.21	71,367	0.01
100 to 1,000	6,146	24.42	3,686,423	0.05
1,001 to 10,000	12,001	47.68	39,818,901	0.58
10,001 to 100,000	3,243	12.88	90,925,678	1.31
100,001 to less than 5% of issued capital	957	3.80	2,249,983,786	32.53
5% and above of issued capital	3	0.01	4,531,228,446	65.52
Total	25,170	100.00	6,915,714,601	100.00

Classification of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	20,610	81.88	121,994,675	1.76
Banks/Finance Companies	89	0.35	4,534,994,306	65.58
Investment Trusts/Foundations/Charities	15	0.06	639,959	0.01
Industrial and Commercial Companies	558	2.22	78,851,111	1.14
Government Agencies/Institutions	1	0.00	1,065,890	0.02
Nominees	3,895	15.48	2,178,063,385	31.49
Others	2	0.01	105,275	0.00
Total	25,170	100.00	6,915,714,601	100.00

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

As disclosed in the Directors' Report of the Financial Statements as set out on page 115, save for Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas, no other Directors of the Company have any interest, direct or indirect, in shares, or debentures of, the Company or in a related corporation.

ANALYSIS OF SHAREHOLDINGS

As at 1 April 2022

TOP 30 SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	% of Issued Shares
1	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	3,201,101,077	46.29
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	906,145,777	13.10
3	Kumpulan Wang Persaraan (Diperbadankan)	423,981,592	6.13
4	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	162,023,064	2.34
5	AmanahRaya Trustees Berhad Amanah Saham Malaysia	157,771,454	2.28
6	Permodalan Nasional Berhad	146,211,323	2.11
7	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	92,041,237	1.33
8	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Berhad	72,037,717	1.04
9	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	64,845,037	0.94
10	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	53,650,000	0.78
11	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	49,728,249	0.72
12	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	49,417,179	0.72
13	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	47,244,170	0.68
14	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	45,712,269	0.66
15	Lembaga Tabung Haji	44,430,000	0.64
16	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	42,267,811	0.61
17	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	41,264,228	0.60
18	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	40,462,700	0.59

No.	Name of Shareholder	No. of Shares Held	% of Issued Shares
19	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	33,519,453	0.48
20	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn Bhd (1)	32,556,200	0.47
21	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	26,263,600	0.38
22	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Kuwait Investment Office (KIO)	22,402,600	0.32
23	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	20,500,084	0.30
24	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	19,526,100	0.28
25	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	18,460,500	0.27
26	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	18,025,502	0.26
27	AmanahRaya Trustees Berhad Public Islamic Equity Fund	17,584,198	0.25
28	Pertubuhan Keselamatan Sosial	17,174,535	0.25
29	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	15,608,303	0.23
30	Cartaban Nominees (Tempatan) Sdn Bhd PBTB for Takafulink Dana Ekuiti	13,423,199	0.19
Total		**5,895,379,158**	**85.24**

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	No. of Shares Held (Direct Interest)	% of Issued Shares	No. of Shares Held (Indirect/ Deemed Interest)	% of Issued Shares
1	AmanahRaya Trustees Berhad				
	– Amanah Saham Bumiputera	3,201,101,077	46.287	–	–
2	Employees Provident Fund Board	905,963,277	13.100	83,975,872	1.214
3	Kumpulan Wang Persaraan (Diperbadankan)	424,252,912	6.135	19,853,200	0.287

ADDITIONAL COMPLIANCE INFORMATION

Information pertaining to Sime Darby Plantation Berhad (SDP or Company) and Group for the financial year under review is as follows:

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There was no proceed raised from corporate proposals during the financial year ended 31 December 2021.

AUDIT AND NON-AUDIT FEES

(i) The amount of audit fees paid or payable to the external auditors, Messrs PricewaterhouseCoopers PLT (PwC), for services rendered to the Group and the Company for the financial year ended 31 December 2021 amounted to RM12.2 million and RM1.8 million, respectively.

(ii) The amount of non-audit fees paid or payable to the external auditors, PwC, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2021 amounted to RM3.6 million and RM1.9 million, respectively.

MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving interests of Directors and Major Shareholders during the financial year ended 31 December 2021.

MATERIAL CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans by the Company involving interests of Directors and Major Shareholders during the financial year ended 31 December 2021.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Eighteenth Annual General Meeting (AGM) held on 17 June 2021, the Company did not seek for any renewal of the mandate of recurrent related party transactions (RRPT) of a revenue or trading nature, to be entered into by the Company and/or its subsidiaries (RRPT Mandate).

All RRPT are therefore non-mandated with effect from 17 June 2021, hence cumulative transactions in the rolling 12 months will be monitored against the announcement threshold of 1% of the net assets attributable to the shareholders of SDP (current threshold RM136 million).

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the mandated RRPT of a revenue or trading nature entered into up to 16 June 2021 by the Company and/or its subsidiaries were as follows:

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Subsidiaries of Sime Darby Berhad (SDB)				
1.	SDP	Kumpulan Sime Darby Berhad (KSDB)	Leaseback of the Malaysia Vision Valley (MVV) Land 1 from KSDB to SDP for the SDP Group to carry out planting/ replanting, maintenance of oil palm, harvesting and selling of fresh fruit bunches (FFB) for 3,177.7 hectares of Labu and New Labu Estates located at Mukim Labu, Seremban, Negeri Sembilan. The rental expenses are payable on monthly basis.	5.9

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Subsidiaries of Sime Darby Berhad (SDB) (continued)				
2.	SDP and its following subsidiaries: • Sime Darby Plantation (Sabah) Sdn Bhd (SDP Sabah) • Sime Darby Plantation Sarawak Sdn Bhd (SDP Sarawak) • Sime Darby Plantation Research Sdn Bhd (SDP Research) • Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd (SDP SAS) • Sime Darby Plantation Agri-Bio Sdn Bhd • Sime Darby Plantation Technology Centre Sdn Bhd (SDP TC) • The China Engineers (Malaysia) Sdn Bhd (TCEM) • Wangsa Mujur Sdn Bhd (WMSB)	• Sime Darby Auto ConneXion Sdn Bhd • Sime Darby Auto Hyundai Sdn Bhd	Purchase of motor vehicles and charges for vehicle maintenance services on an ad hoc basis.	0.2
3.	SDP and its following subsidiaries: • SDP Sabah • SDP Sarawak • SDP TC • Sime Darby Plantation Biotech Lab Sdn Bhd	Sime Darby Rent-A-Car Sdn Bhd	Car leasing charges payable on an ad hoc basis.	0.4
4.	SDP and its following subsidiaries: • SDP Sabah • SDP Sarawak • SDP Research • SDP SAS • TCEM • WMSB • Guthrie Industries Malaysia Sendirian Berhad (GIM) • Chartquest Sdn Bhd • New Britain Palm Oil Limited (NBPOL) • Sanguine (Malaysia) Sdn Bhd (Sanguine) • Sime Darby Oils Bintulu Sdn Bhd (SDOB)	• Hastings Deering (PNG) Limited • Hastings Deering (Solomon Islands) Limited • Sime Darby Industrial Sdn Bhd	Purchase of heavy equipment and spare parts, and receipt of maintenance services on an ad hoc basis.	7.4

ADDITIONAL COMPLIANCE INFORMATION

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Sime Darby Property Berhad (SD Property) and its subsidiaries				
5.	SDP and its following subsidiaries: • Sime Darby Plantation Latex • SDP Sabah • Sanguine	SD Property and its following subsidiaries: – Sime Darby Property (Ampar Tenang) Sdn Bhd – Sime Darby Property (Nilai) Sdn Bhd – Sime Darby Property (Sabah) Sdn Bhd – Sime Darby Property (Lukut) Sdn Bhd – Sime Darby Property (Nilai Realty) Sdn Bhd – Sime Darby Property (Lembah Acob) Sdn Bhd – Sime Darby Property (Utara) Sdn Bhd – Sime Darby Property (Pagoh) Sdn Bhd	Rental expenses from leasing of the following agricultural lands: – Bukit Kerayong – Sua Betong – Mostyn – Padang Buluh – Lanadron – Bukit Lagong – New Labu – Labu – Elmina	3.9
Transaction with Yayasan Sime Darby[1]				
6.	SDP	Yayasan Sime Darby	Rental income from office space located at Level 2, Block C, Plantation Tower for a period of 12 months commencing 1 July 2018 with an option to extend for a further three (3) years. The rental income is receivable on monthly basis.	0.2
GRAND TOTAL				**18.0**

Notes:

1 SDP, SDB and SD Property are the registered corporate members of Yayasan Sime Darby, a company limited by guarantee.

2 AmanahRaya Trustees Berhad – Amanah Saham Bumiputera (ASB) is a major shareholder of SDP with 46.29% direct equity interest in SDP as at 1 April 2022 and is deemed interested in the Recurrent Related Party Transactions (Interested Major Shareholder). ASB is also a Major Shareholder of SDB and SD Property with 40.46% direct equity interest in SDB and 44.46% direct equity interest in SD Property, as at 1 April 2022. ASB is also a Major Shareholder of UMWH, holding 43.25% direct equity interest as at 1 April 2022.

FINANCIAL CALENDAR

For the financial year ended 31 December 2021

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

1st Quarter ended 31 March 2021 : 20 May 2021
2nd Quarter ended 30 June 2021 : 18 August 2021
3rd Quarter ended 30 September 2021 : 18 November 2021
4th Quarter ended 31 December 2021 : 18 February 2022

DIVIDEND

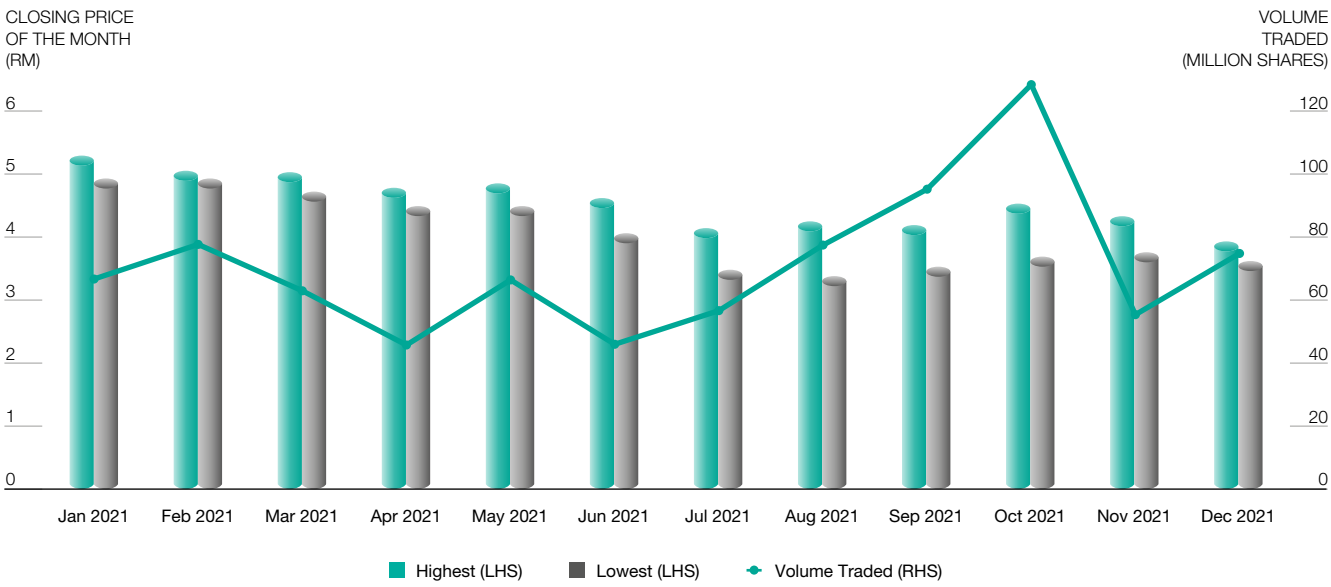
	Announcement Date	Entitlement Date	Payment Date
Interim dividend of 7.90 sen per ordinary share	18 August 2021	28 October 2021	12 November 2021
Final single tier dividend of 12.38 sen per ordinary share	18 February 2022	28 April 2022	17 May 2022

NINETEENTH ANNUAL GENERAL MEETING

Notice Date : 29 April 2022
Meeting Date : 16 June 2022

SHARE PRICE MOVEMENT

For the financial year ended 31 December 2021



	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Highest (RM)	5.21	4.97	4.95	4.70	4.77	4.54	4.06	4.17	4.11	4.45	4.25	3.85
Lowest (RM)	4.85	4.85	4.64	4.41	4.41	3.98	3.40	3.30	3.45	3.61	3.68	3.54
Volume Traded (Million shares) (RHS)	65.48	76.47	61.75	44.54	65.20	44.77	55.45	76.26	94.00	127.19	54.17	73.60

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting (AGM) of Sime Darby Plantation Berhad (SDP or Company) will be held virtually from Ballroom 3, Level 2, New World Petaling Jaya Hotel, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia as the Broadcast Venue and via the TIIH Online website at https://tiih.online on Thursday, 16 June 2022 at 10.00 a.m. for the transaction of the following businesses:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and the Auditors thereon.
   Refer to Explanatory Note 1

2. To approve the payment of Directors' remuneration to the Non-Executive Directors as disclosed in the Audited Financial Statements for the financial year ended 31 December 2021. **(Resolution 1)**
   Refer to Explanatory Note 2

3. To approve the payment of Directors' benefits payable to the Non-Executive Directors as disclosed in Explanatory Note 2 from 17 June 2022 until the next AGM of the Company to be held in 2023. **(Resolution 2)**
   Refer to Explanatory Note 2

4. To re-elect the following Directors who retire pursuant to Rule 103 of the Constitution of the Company and who being eligible, offer themselves for re-election:

   (i) Tan Ting Min **(Resolution 3)**
   (ii) Mohamad Helmy Othman Basha. **(Resolution 4)**
   Refer to Explanatory Note 3

5. To appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to determine their remuneration. **(Resolution 5)**
   Refer to Explanatory Note 4

6. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to participate at this Nineteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 63 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 June 2022. Only a depositor whose name appears on the Record of Depositors as at 7 June 2022 shall be entitled to participate at the said meeting or appoint proxies to participate and/or vote on his/her behalf.

By Order of the Board

Azrin Nashiha Abdul Aziz (LS0007238)
Company Secretary

Selangor Darul Ehsan, Malaysia
29 April 2022

NOTES:

Proxy and/or Authorised Representative

1. The venue of the Nineteenth Annual General Meeting (AGM) is strictly a Broadcast Venue as the conduct of the Nineteenth AGM will be a virtual meeting. The Broadcast Venue is also for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

   Shareholders will not be allowed to attend the Nineteenth AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend (including posing questions in real time to the Board in the form of typed texts) and vote (collectively, participate) remotely at the Nineteenth AGM through the Remote Participation and Voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn Bhd through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Nineteenth AGM.

2. A member of the Company entitled to participate at the Nineteenth AGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to participate at the Nineteenth AGM on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a member of the Company.

3. A member of the Company may appoint any person to be his/her proxy without any restriction as to the qualification of such person.

4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Nineteenth AGM of the Company shall be put to vote by way of a poll.

5. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.

6. Where a member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.

7. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised, or in any other manner authorised by the Constitution of the Company. Any alteration to the instrument appointing a proxy must be initialled.

8. The appointment of proxy(ies) may be made in a hardcopy form or by electronic means as follows:

   (i) In Hardcopy Form

   The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur no later than Wednesday, 15 June 2022 at 10.00 a.m.

   (ii) By Tricor Online System (TIIH Online)

   The Proxy Form can be electronically lodged with the Share Registrar of the Company via TIIH Online (applicable to individual share owner only). The website to access TIIH Online is https://tiih.online (Kindly refer to the Administrative Details for the Nineteenth AGM on the "Procedure for Electronic Lodgement of the Form of Proxy" on how to submit the e-Proxy).

Explanatory Notes

1. Audited Financial Statements for the Financial Year Ended 31 December 2021

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of Companies Act 2016 (CA 2016) for discussion only. The Audited Financial Statements do not require shareholders' approval and as such, will not be put forward for voting.

2. Directors' Remuneration – Fees and Benefits Payable to the Non-Executive Directors

Rule 82.1 of the Constitution of the Company provides that the fees and benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting. Pursuant to Section 230 of CA 2016, fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board agreed that shareholders' approval be sought on the Directors' remuneration in two (2) separate resolutions as follows:

(i) Resolution 1 – Payment of Directors' Remuneration to the Non-Executive Directors for the Financial Year Ended 31 December 2021

Please refer to page 151 of the Notes to the Financial Statements for the amount of Directors' Remuneration at the Sime Darby Plantation Berhad (SDP) and the Group levels, to be approved at the Nineteenth Annual General Meeting (AGM) comprising fees and benefits amounting to RM4.475 million. The remuneration of each Director is set out in the Corporate Governance Report on page 59.

(ii) Resolution 2 – Payment of Directors' Benefits Payable to the Non-Executive Directors from 17 June 2022 until the next AGM of the Company to be held in 2023

The benefits payable to the Non-Executive Directors (NED) comprise allowances and other emoluments payable to the Chairman and members of the Board.

The Company is seeking shareholders' approval for benefits payable to the NEDs from 17 June 2022, until the next AGM to be held in 2023 in accordance with the benefits structure, set out below, as and when incurred:

Description	Company	Amount
Meeting Allowance	• PT Minamas Gemilang/PT Anugerah Sumbermakmur Board of Commissioners	RM1,000 per meeting
	• Sime Darby Oils International Limited Board of Directors	SGD300 per meeting
	• New Britain Palm Oil Limited Board of Directors	PGK750 per meeting
Other Benefits	• Company car, petrol and driver for Non-Executive Chairman	
	• Telecommunication devices/facilities, medical and insurance coverage	

3. Resolutions 3 and 4 – Re-election of Directors Pursuant to Rule 103 of the Constitution

Rule 103 of the Constitution expressly states that at least one-third (1/3) of the Directors for the time being shall retire from office at each AGM. A Director retiring at a general meeting shall retain office until the conclusion of the meeting. In addition, Rule 104 of the Constitution states that all Directors shall retire from office once at least in each three (3) years. A retiring Director shall be eligible for re-election.

Tan Ting Min and Mohamad Helmy Othman Basha being eligible, have offered themselves for re-election at the Nineteenth AGM pursuant to Rule 104 of the Constitution.

The Nomination & Remuneration Committee (NRC) has considered the performance and contribution (including fit and proper assessment) of each of the retiring Directors and has also assessed the independence of Tan Ting Min. Based on the results of the Board & Directors' Effectiveness Evaluation conducted for the financial year ended 31 December 2021, the retiring Directors met the performance criteria required of an effective and high-performance Board.

The Board endorsed the NRC's recommendation that the above Directors standing for re-election are eligible to stand for re-election. All Directors standing for re-election have abstained from deliberation and decision on their own eligibility to stand for re-election at the relevant Board meeting and will continue to abstain from deliberations and decisions on their own eligibility to stand for re-election at this AGM.

Zainal Abidin Jamal, Non-Independent Non-Executive Director, and Lou Leong Kok, Independent Non-Executive Director, have informed the Board of their intention to retire and therefore will not be seeking re-election at the AGM. Hence, Zainal Abidin Jamal and Lou Leong Kok will retain office until the conclusion of this AGM in accordance with Rule 103 of the Constitution.

4. Resolution 5 – Re-appointment of Auditors

The Governance & Audit Committee (GAC), at its meeting held on 20 April 2022, undertook an annual assessment of the suitability and independence of the external auditors, PricewaterhouseCoopers PLT (PwC), in accordance with the policy on External Auditor Appointment & Selection. The GAC considered the following factors in its assessment:

(i) Calibre of external audit firm
(ii) Quality of processes/performance
(iii) Audit team
(iv) Independence and objectivity
(v) Audit scope and planning
(vi) Audit fees
(vii) Audit communications.

In addition, the GAC has also considered the information in the Annual Transparency Report of the external audit firm with reference to Guidance 9.3 of the Malaysian Code on Corporate Governance 2021.

The GAC was satisfied with the suitability of PwC based on the quality of audit, performance, competency and sufficiency of resources provided by PwC to the SDP Group as prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The GAC was also satisfied in its review that the provision of non-audit services by PwC to the Group and the Company for the financial year ended 31 December 2021 did not in any way impair their objectivity and independence as the external auditors of the Company.

The Board had, at its meeting held on 22 April 2022, approved the GAC's recommendation that shareholders' approval be sought at the Nineteenth AGM on the appointment of PwC, the present external auditors, as the external auditors of the Company for the financial year ending 31 December 2022, as set out under Resolution 5. PwC have indicated their willingness to continue their services for the financial year ending 31 December 2022.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profile of the Directors who are standing for re-election as enumerated in Resolutions 3 and 4 above at the Nineteenth AGM of Sime Darby Plantation Berhad are set out in the "Directors' Profiles" section on pages 80 to 83 of the Company's Annual Report 2021.

The details of any interest in securities held by the said Directors are set out in the "Directors' Report" section on page 115 of the Company's Annual Report 2021.

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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