



Plantation

## Raising the Bar on Sustainable Palm Oil

Maybank Investment Bank & Bursa Malaysia's ESG in Investing

28<sup>th</sup> April 2021

# Introduction to Sime Darby Plantation



## Who we are



Source: SDP Annual Report 2019, data as at December 2019

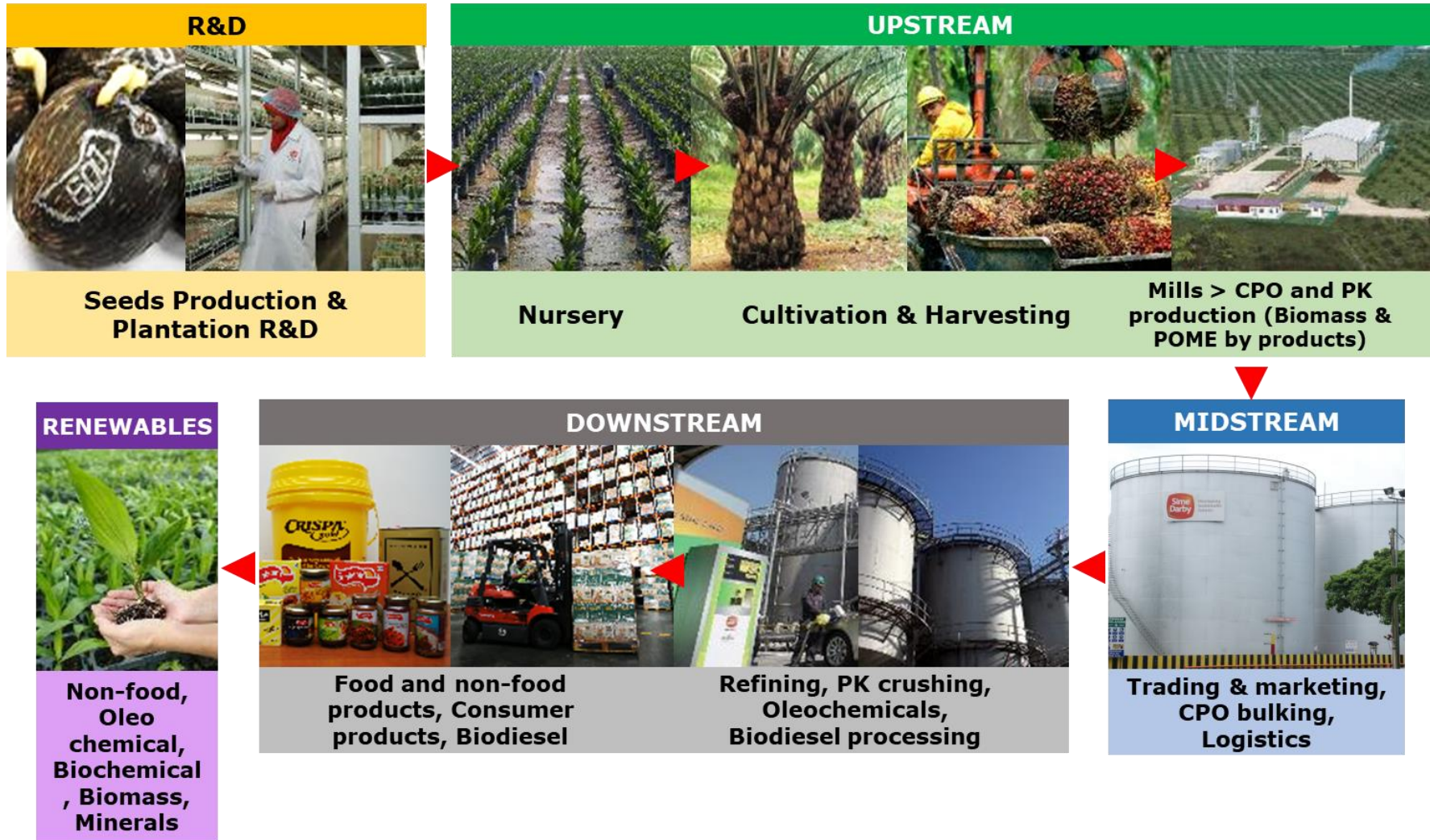
**We are the largest grower of palm oil by hectareage**



# Introduction to Sime Darby Plantation



Our integrated business model has a strong presence throughout the palm oil value chain



We pursue sustainability in a way that creates value to our organisation, in line with the Sustainable Development Goals (SDG)



## Our Sustainability Purpose



People



Planet



Prosperity

### Contribute to a better society



Respect and uphold fundamental human rights



Engage and empower communities towards inclusive development



Provide a safe and healthy working environment

### Minimise environmental harm



Protect and conserve biodiversity and ecosystems



Reduce climate change impacts and enhance resilience



Promote responsible consumption and production

### Deliver sustainable development



Instil a culture of integrity and operational excellence



Promote supply chain transparency and sustainability



Adopt and enhance leading quality and sustainability standards

# Introduction to Sime Darby Plantation

We are guided by our sustainability charters, which monitor, verify and report the implementation of our commitments



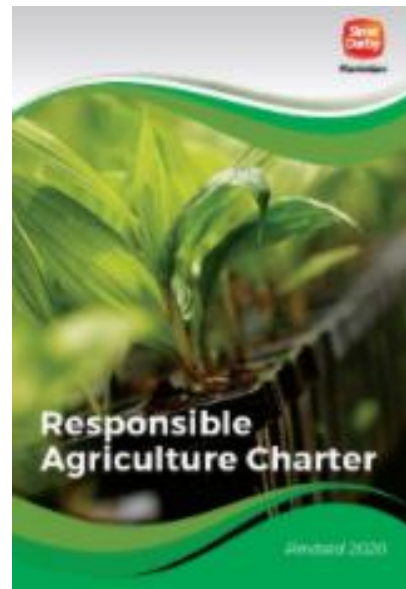
**People**



Our **Human Rights Charter** articulates our commitment towards respecting human rights in line with the United Nations Guiding Principles (UNGPs) on Business and Human Rights.



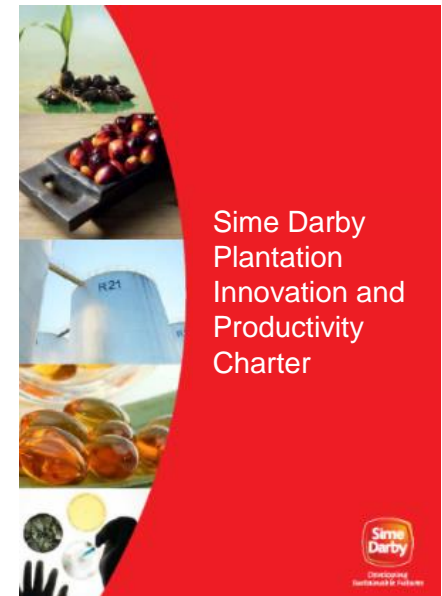
**Planet**



Our **Responsible Agriculture Charter** articulates our commitment towards environmentally, socially and economically responsible agricultural practices.



**Prosperity**



Our **Innovation and Productivity Charter** articulates our commitment towards higher productivity across the value chain to help deliver sustainable prosperity.



100% of our global operations are certified to multiple sustainability standards

**Annual Global CSPO Production Capacity**



Other Certified Players 81%

Sime Darby 19%

2.496mil MT



**Plantation**

**100%**  
RSPO-certified



**MALAYSIA**  
**100%**



**INDONESIA**  
**100%**



**SOLOMON ISLANDS**  
**100%**

**MSPO CERTIFICATION STATUS**

Malaysian Sustainable Palm Oil (MSPO)



**100%**  
MSPO-certified

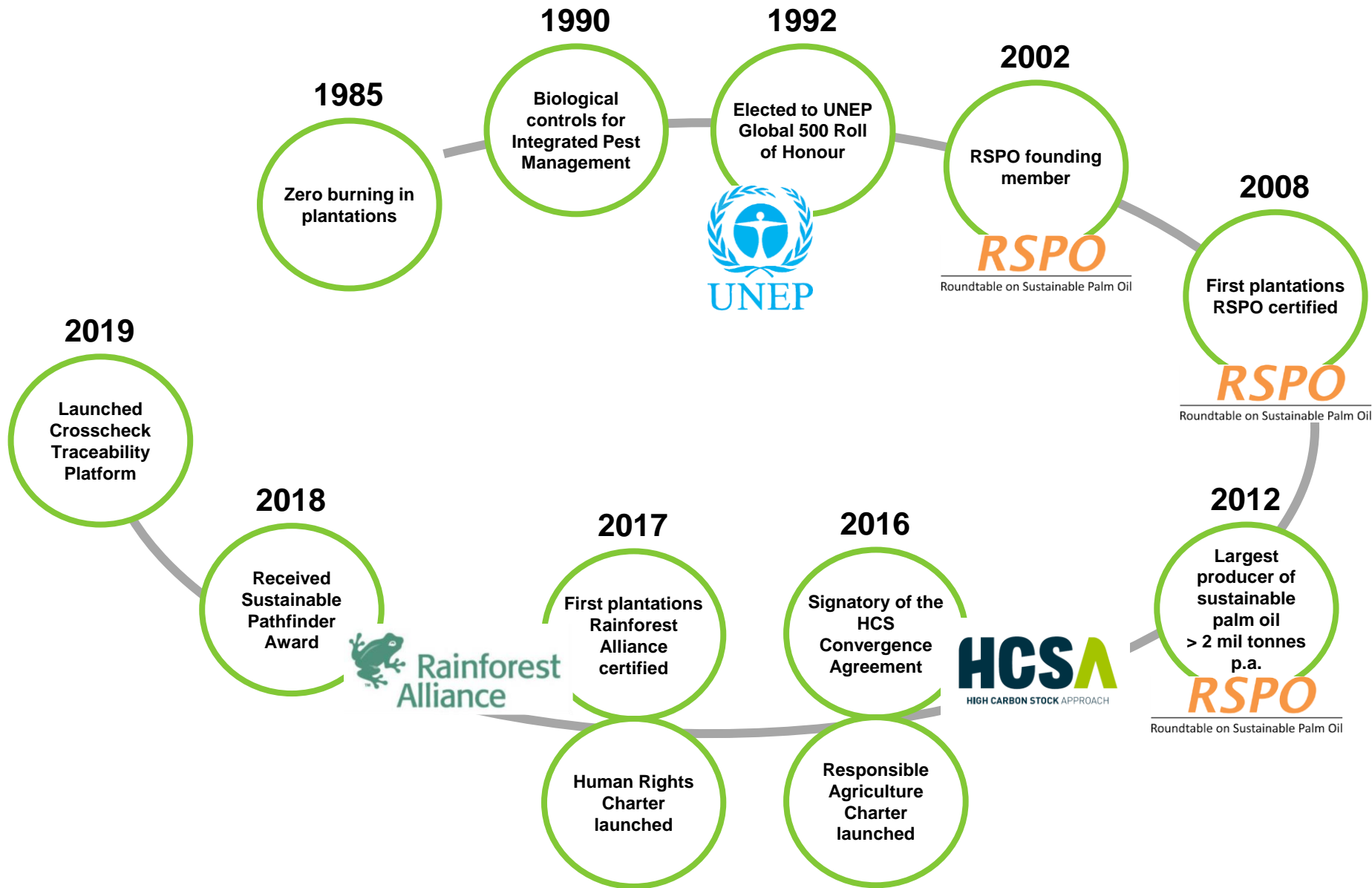
**ISPO CERTIFICATION STATUS**

Indonesian Sustainable Palm Oil (ISPO)



**100%**  
ISPO-certified

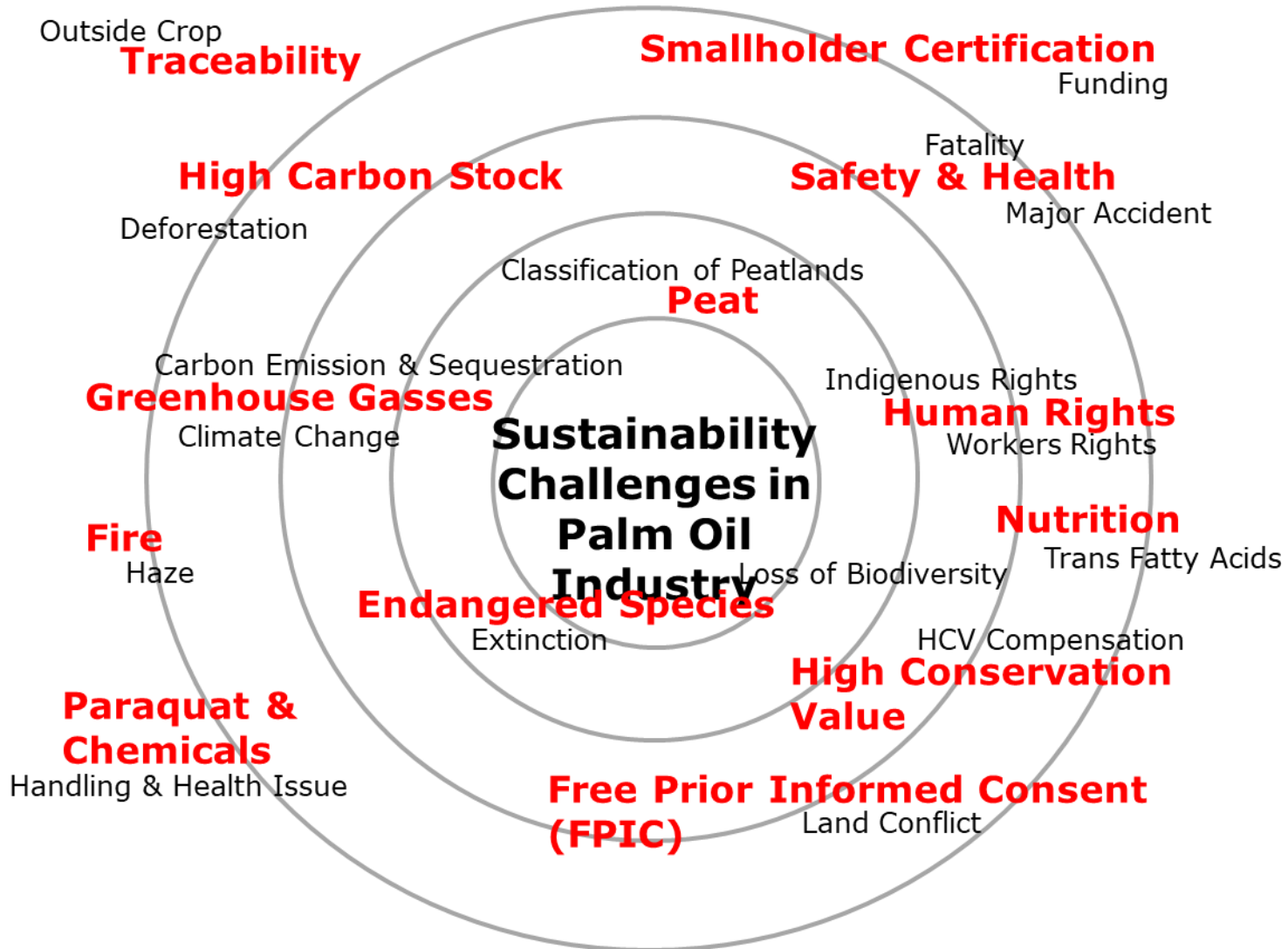
## Our sustainability journey



# The challenges we face



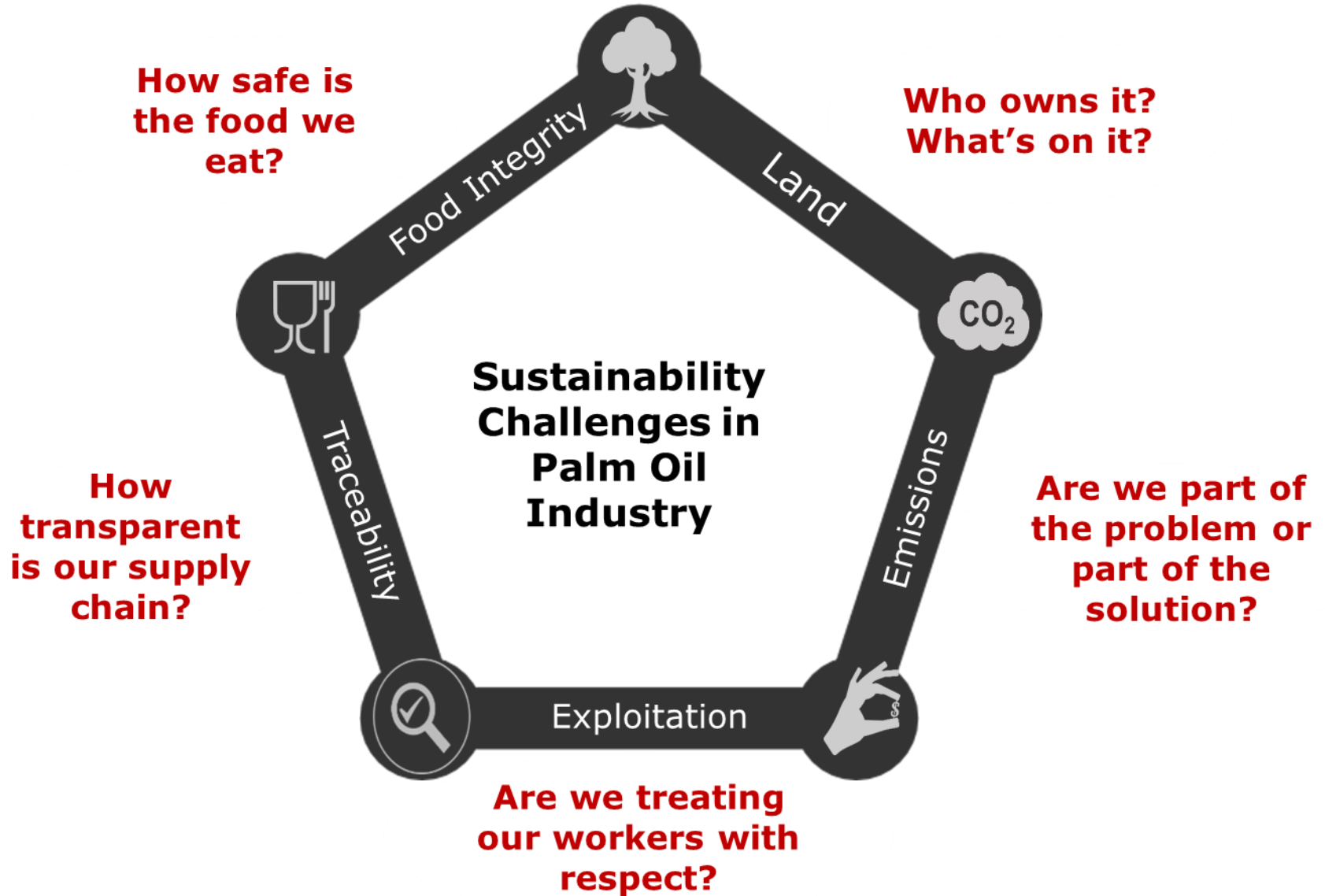
There are many challenges faced by the industry...





# The challenges we face

... however, we have distilled these into 5 key areas



# Tackling Deforestation

In our own operations, any new development would require assessments to be done to avoid deforestation



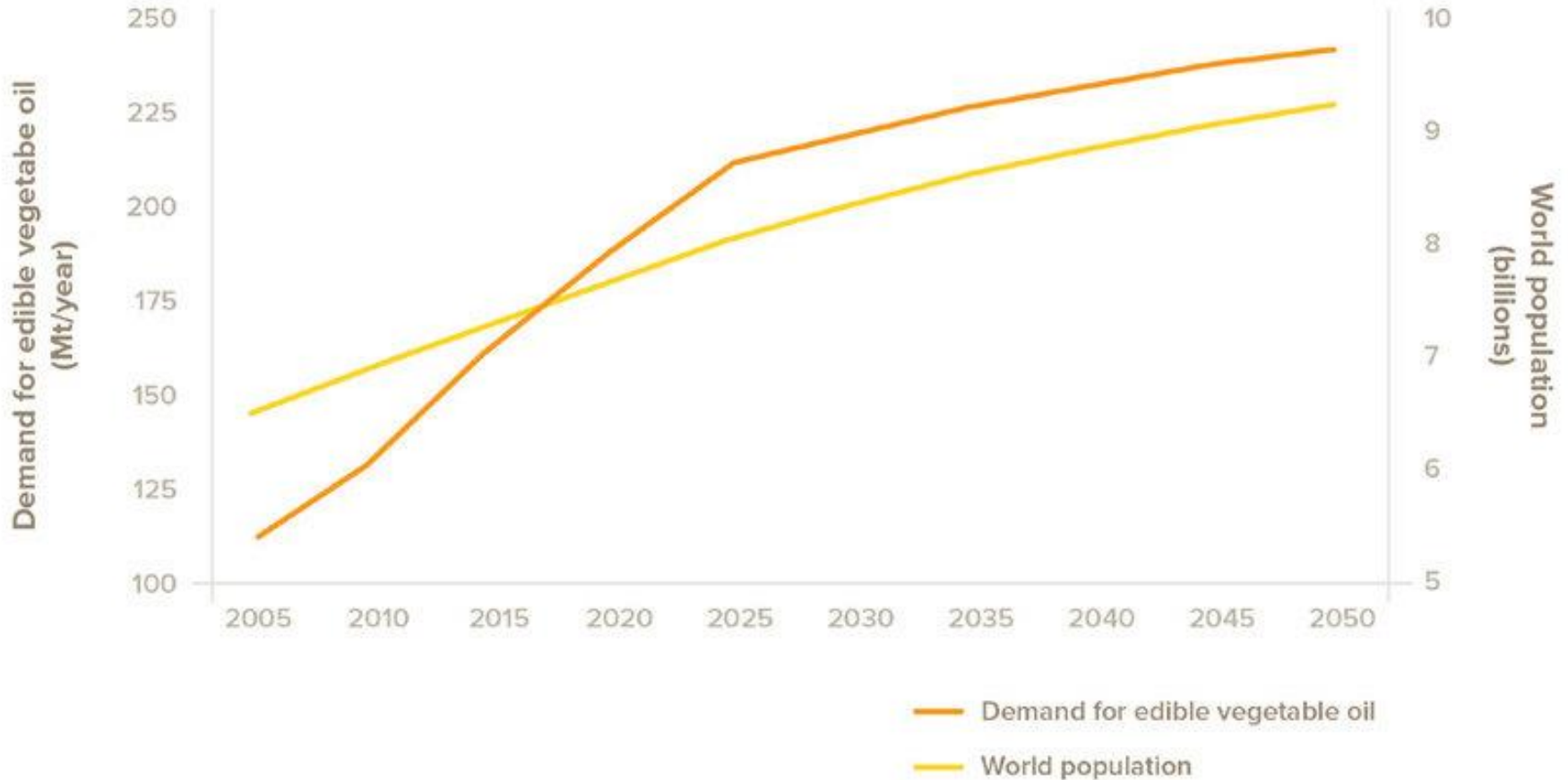
## High Conservation Value (HCV) Areas

HCV1	• Significant biodiversity value	HCV4	• Critical ecosystem services
HCV2	• Natural habitat landscapes	HCV5	• Community livelihoods
HCV3	• Rare, threatened or endangered ecosystems	HCV6	• Community culture and tradition

If we do meet these criteria, we will not proceed

# Tackling Deforestation

The pressure for more oil will increase to meet global population







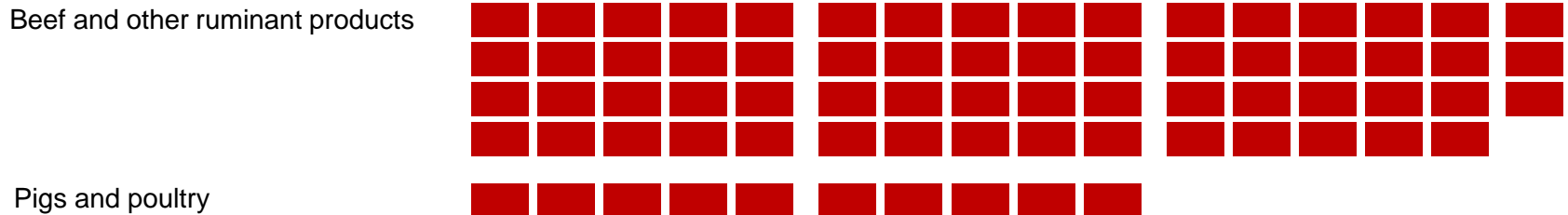
# Tackling Deforestation

There have been allegations against the palm oil industry being the main cause of deforestation

## Total Forest Loss, 1990-2008 (mha)

■ = 1 million ha

### Livestock



### Crops

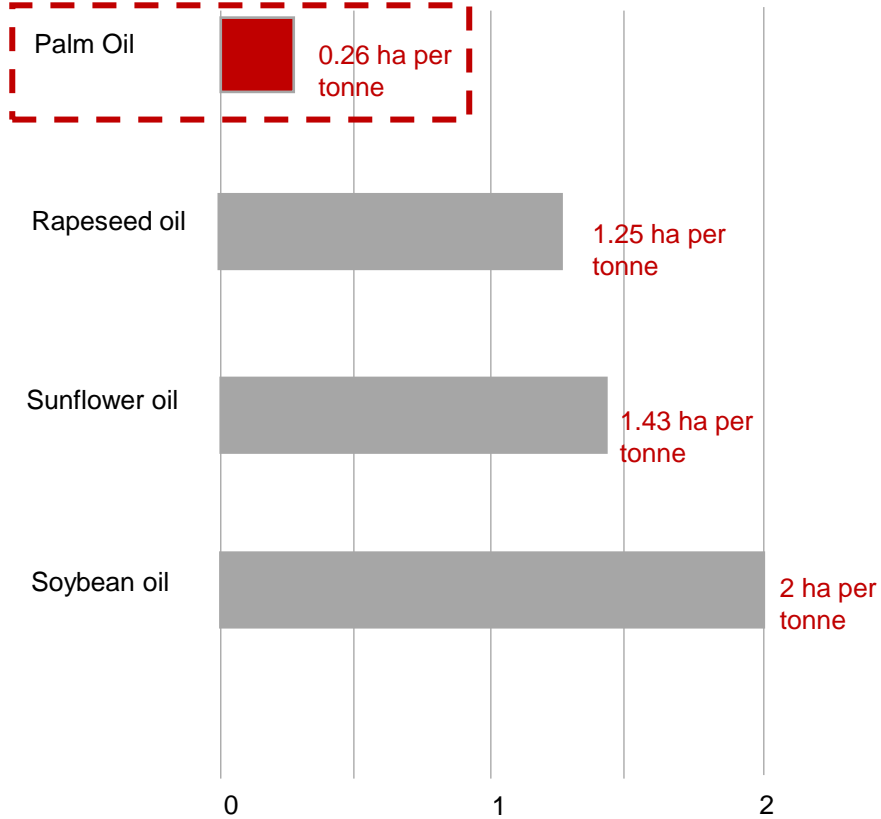


# Tackling Deforestation

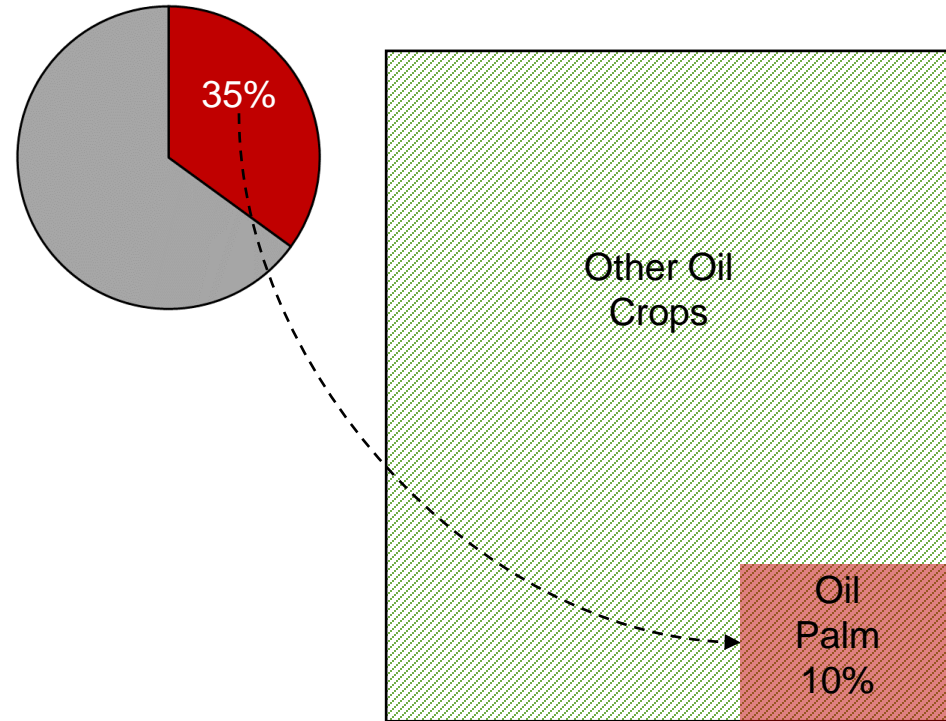


However, substituting palm oil with other crops would potentially cause more deforestation

Land Required to produce 1 tonne of major types of oil



Oil palm produces 35% of all vegetable oil on less than 10% of the land allocated to oil crops



# Tackling Deforestation

Due to challenges in opening up new land, SDP has undergone 'Breakthrough Innovation'



## BREAKTHROUGH INNOVATION

### Innovation to increase yield

Innovation to increase yield is critical to our growth as a company – and also to driving more sustainable production of palm oil in the future: it is how our industry can produce more oil without further clearance of forest land. Many forms of innovation come together to create a step change in yield.



### Drawing the line on deforestation

At Sime Darby Plantation, we're working towards a deforestation-free palm oil industry – and we believe that breakthrough innovation on yield opens up a new route to achieving that ambition.



# Tackling Deforestation

One key breakthrough innovation is our Genome Select™ planting material which could give up to 20% more yield on existing land



**2017**

Planted 2,300 new Genome Select™ mother palms

**2018**

Scaled up commercial planting to 1,000 ha per year

**2019**

- Commercially available seeds with genetic traceability
- Conducted first commercial harvesting of Genome Select™

**End of 2020**

- Completion of first year of commercial yield
- Scaled up seed production

**Target by 2023**

Seed production supply to meet annual replanting requirements for our Malaysian operations

Source: SDP Sustainability Report 2019

As of June 2020, we have made our genome research publicly available. The genome sequence shared is 80% more detailed than previously available findings. We want for other researchers to accelerate their ability to increase oil palm yield

# Conservation and Biodiversity

As of December 2019, we have a total of 46,435 ha identified as HCV and CSA land across our global operations

	Malaysia	Indonesia	Papua New Guinea & Solomon Islands
<b>Total Landbank (ha)</b>	<b>343,327</b>	<b>287,479</b>	<b>146,096</b>
<b>Total HCV and CSA land (ha)</b>	<b>5,778</b>	<b>20,436</b>	<b>20,221</b>

*Note: HCV refers to High Conservation Value, CSA refers to Conservation Set Aside*



# Conservation and Biodiversity



We also work with parties such as the Yayasan Sime Darby (YSD) for many conservation and reforestation efforts

## Our tree planting efforts include:

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

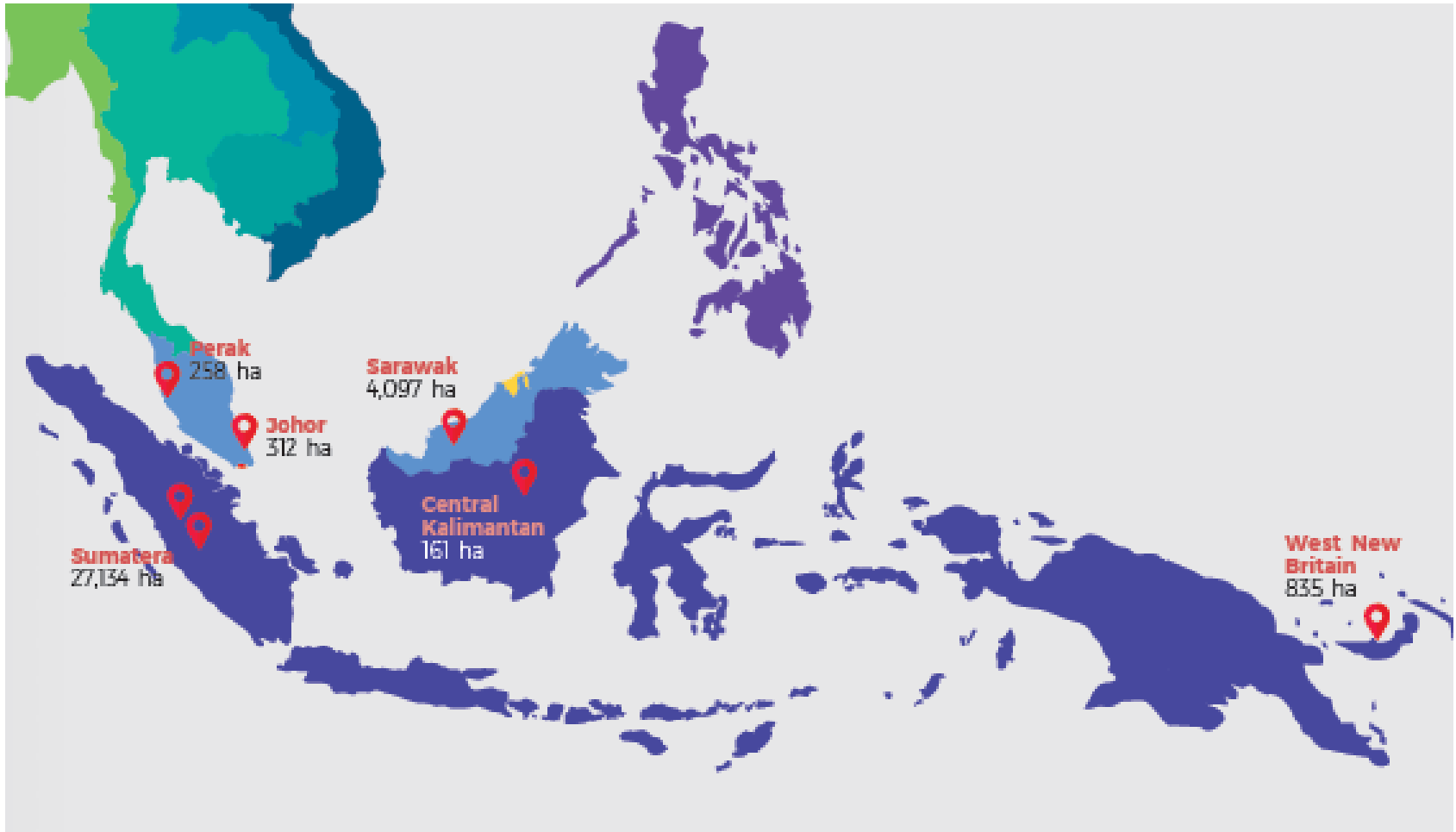
Source: SDP Sustainability Report 2019, data as at 31 December 2019

**As of December 2019, we have planted 1,448,822 trees**



# Managing Peat

Proper maintenance of peat areas is important to mitigate climate change impacts



Source: SDP Sustainability Report 2019, data as at 31 December 2019

As of December 2019, in total we have 32,797.28 ha of peat land

Effective management of our existing peat areas is crucial



Canal in a peat plantation



Weir to control water level in canal



Water level monitoring point (optimally 50-70cm below the bank)

# Fire and Haze

The fire and haze issue continues to be a transboundary issue of concern to us



Source: SDP Sustainability Report 2019, data as at December 2019

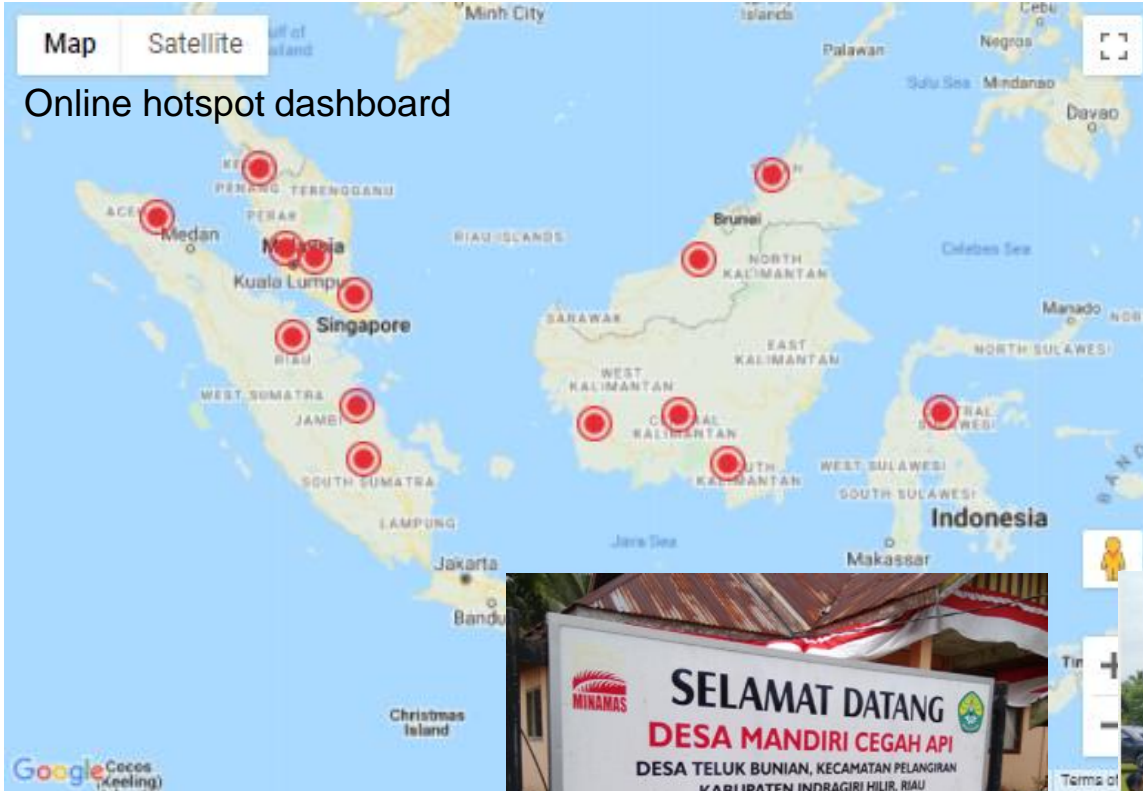
We report number of confirmed fires by country and details such as causes of fire in our Annual and Sustainability Reports.

We also have a commitment to monitor a 5km radius beyond our concession areas



# Fire and Haze

Many measures are put in place to mitigate this issue



Online hotspot dashboard

**Latest Hotspot Detected:**  
**03 Aug 2020**  
**Ahora-Beuru Village Oil Palm (VOP)**

**Total number of hotspots detected:**  
**2824**

**Total number of confirm fire:**  
**2445**

**Total Number of Confirm Fires Within Sime Darby Concession Area:**  
**255(10.43%)**

**Total Number of Fires Outside Sime Darby**



Our Hotspot Dashboard provides near real-time fire hotspot monitoring with data retrieved via satellite systems.



# Fire and Haze

We are working with universities in Indonesia to engage communities



To date, SDP's Sustainable Community-based Fire Prevention or Desa Mandiri Cegah Api programme has covered more than:




- 60,000 beneficiaries
- in 29 villages, about 161,000 ha of land
- In SDP's 11 subsidiaries in Sumatera and Kalimantan.



# Carbon Emissions Reduction

We have a 40% CO<sub>2</sub>-e intensity reduction target by 2030



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

Source: SDP Sustainability Report 2019, data as at December 2019

Globally our operations are >80% on renewable energy

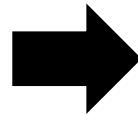
# Supply Chain Sustainability



With satellite technology accessible to stakeholders, no one is hidden

31 January 2019

19 July 2020



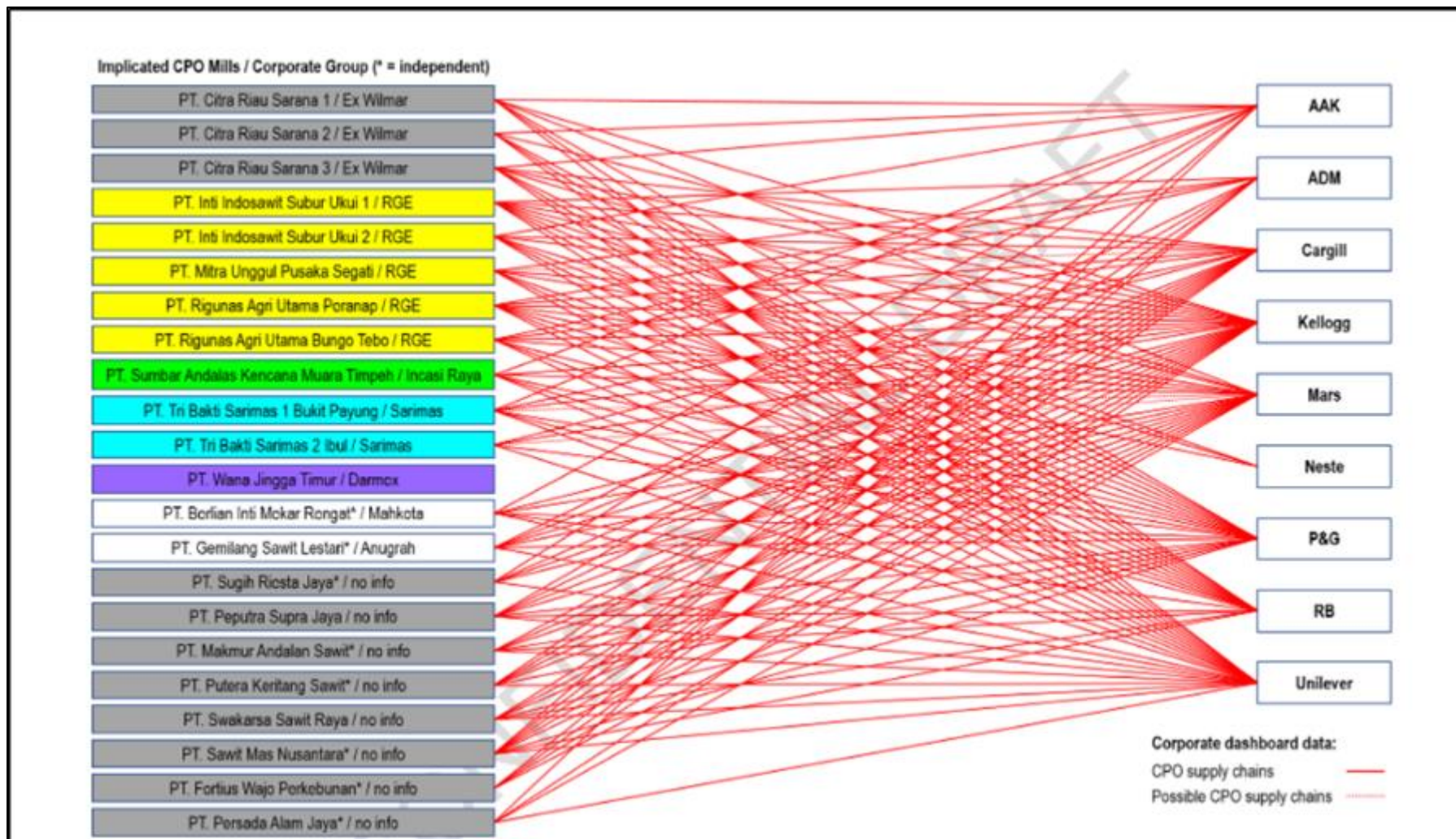
Source: *Mighty Earth, Rapid Response Palm Oil Report (August 2020)*



Supply chain transparency enables bad practices to be easily linked

Companies with undesirable practices identified by NGOs

Companies with sustainability commitments for supply chains



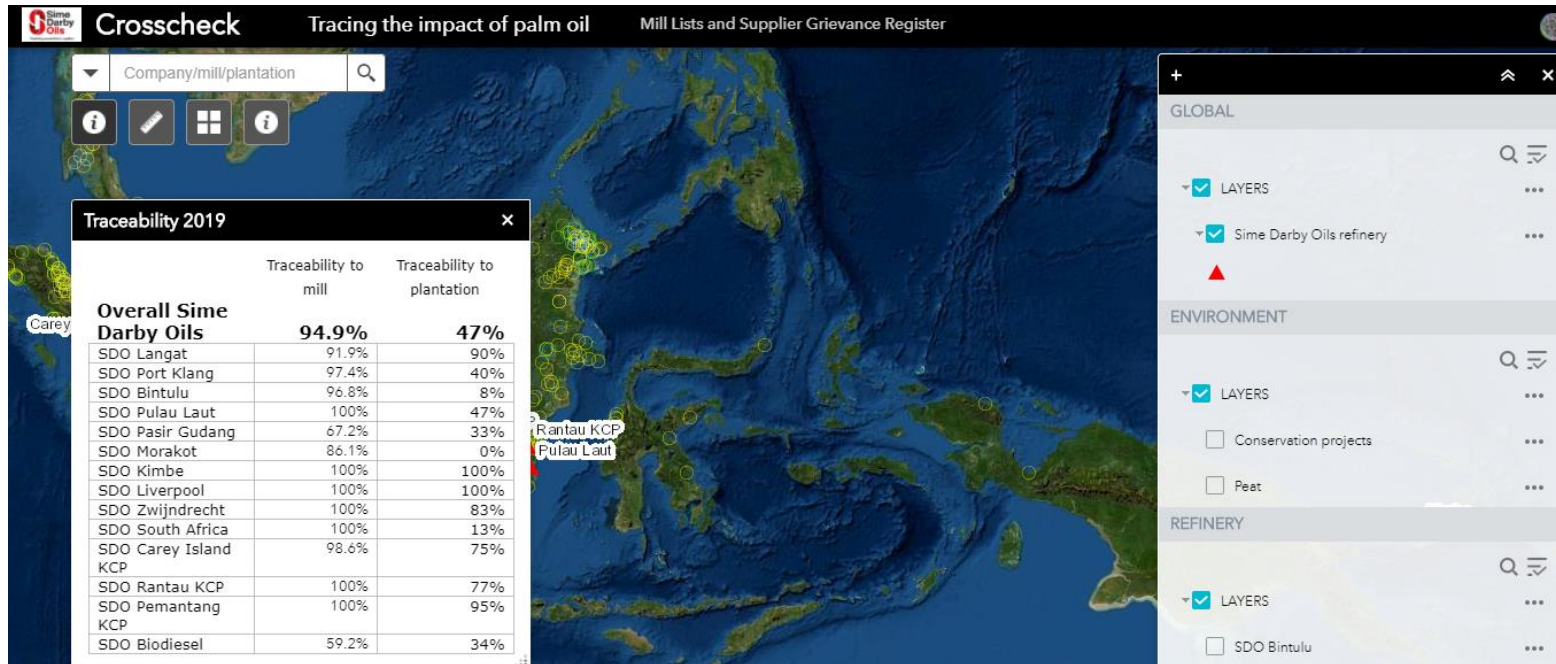
Source: Eye on the Forest Report (June 2018)



# Supply Chain Sustainability



SDP has launched Crosscheck to demonstrate transparency of its supply chain



**Crosscheck is an open access digital tool making traceability possible in the following ways:**

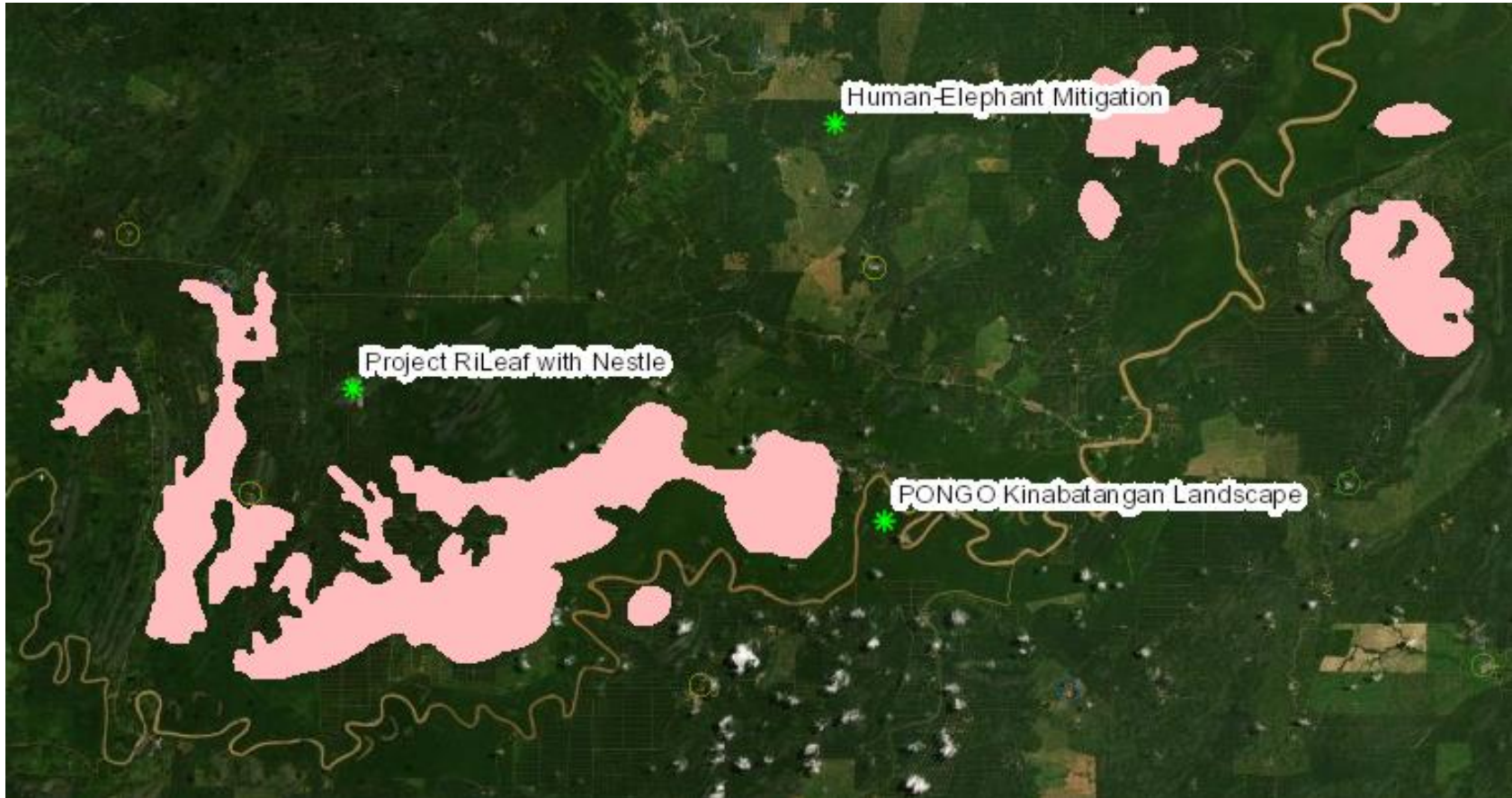
- It traces our supply to specific mills and plantation (where available)
- It links mills to its owners and provides information on the network of relationships within our supply chain
- It provides location of any mill / estate and highlights risk areas
- It is a publicly available platform

Source – Link to Crosscheck :

<https://sd-platinum.maps.arcgis.com/apps/webappviewer/index.html?id=e29b476ae8c64e5e875cdfa8fc0ab731>

# Supply Chain Sustainability

Our latest iteration provides traceability to plantation, where available, and details of our many conservation and restoration efforts globally



Source: Crosscheck, as at August 2020

# Supply Chain Sustainability

We have our ongoing programme to ensure smallholders in our supply chain grow their crop responsibly

SMALLHOLDERS SUPPLYING TO SDP MILLS IN 2019			
Malaysia	Indonesia	Papua New Guinea & Solomon Islands	OVERALL
Total number of smallholders <b>20,578</b>	Total number of smallholders <b>27,441</b>	Total number of smallholders <b>17,324</b>	<b>65,343</b>
Number of direct smallholders <b>33</b>	Number of direct smallholders <b>27,441</b>	Number of direct smallholders <b>17,324</b>	<b>44,798</b>
Number of indirect smallholders (via traders) <b>20,545</b>	Number of indirect smallholders (via traders) <b>-</b>	Number of indirect smallholders (via traders) <b>-</b>	<b>20,545</b>
Number of RSPO certified smallholders <b>-</b>	Number of RSPO certified smallholders <b>13,811</b>	Number of RSPO certified smallholders <b>17,324</b>	<b>31,135</b>
Percentage of RSPO certified smallholders <b>0%</b>	Percentage of RSPO certified smallholders <b>50%</b>	Percentage of RSPO certified smallholders <b>100%</b>	<b>70%</b>





# Supply Chain Sustainability



In Thailand, we have managed to get 592 smallholders certified to the Roundtable on Sustainable Palm Oil (RSPO)



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

Source: SDP Sustainability Report 2019, data as at December 2019

**In Thailand, our refinery SDO Morakot is the first to supply fully segregated RSPO palm oil in the country**

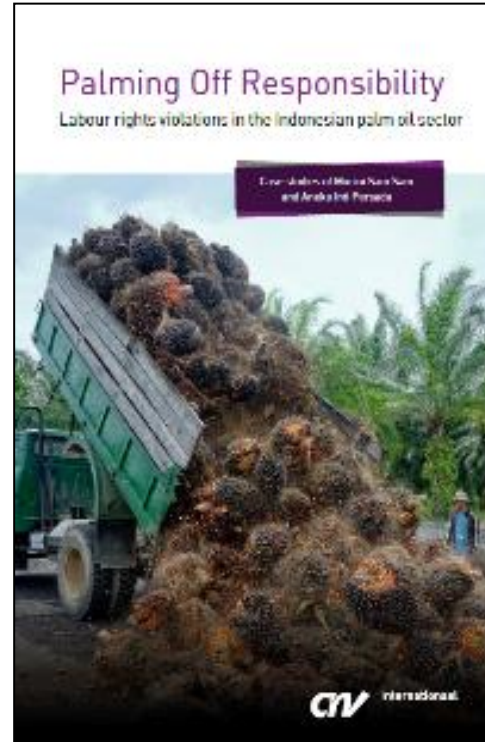


# Exploitation

There is increased scrutiny on the social side of sustainability in the palm oil sector



- Forced Labour
- Child Labour
- Safety & Health
- Living Wage
- Working Hours
- Sexual Harassment



## Our material Human Rights risks

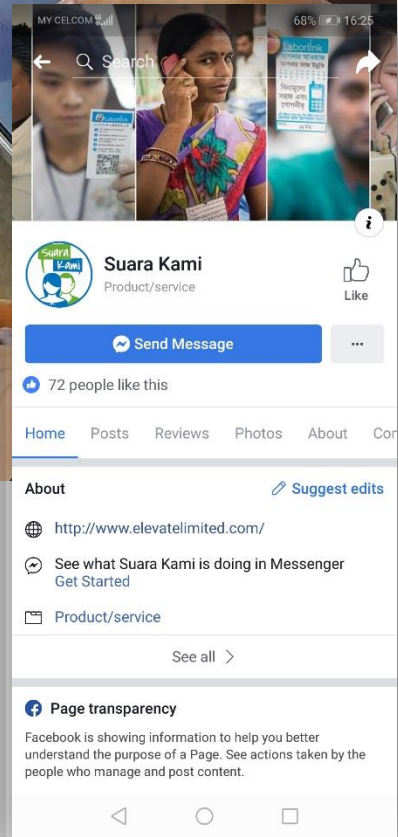
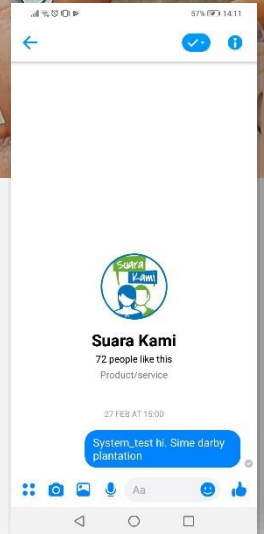
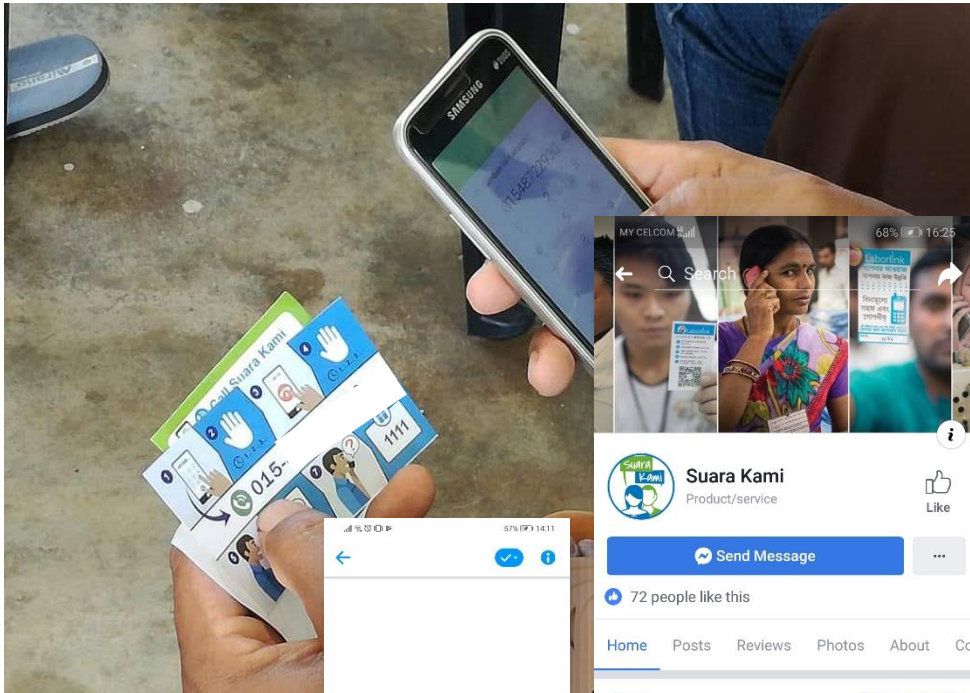
Severity

<ul style="list-style-type: none"> <li>• Fatalities</li> </ul>			<ul style="list-style-type: none"> <li>• Ethical Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Working Hours/ Overtime</li> </ul>
	<ul style="list-style-type: none"> <li>• Local Community Rights</li> <li>• Indigenous Peoples' Rights</li> </ul>	<ul style="list-style-type: none"> <li>• Forced Labour/ Modern Slavery</li> <li>• Health &amp; Safety in the Workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Labour Rights</li> <li>• Women's Rights/ Gender Equality</li> <li>• Land Rights/Land Tenure Risks</li> </ul>	<ul style="list-style-type: none"> <li>• Terms of Employment (Contract, Casual)</li> </ul>
		<ul style="list-style-type: none"> <li>• Discrimination/ harassment</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom of Association &amp; Collective Bargaining</li> </ul>	
<ul style="list-style-type: none"> <li>• Child labour</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Wage, Living Wage and Benefits</li> </ul>			

Likelihood

# Exploitation

Progress is being made in ensuring the respect for human rights is implemented throughout our global operations



**Suara Kami**

“साहाय्य दरकार?” “Need help?”

“Perlukan bantuan?” “सहयोग चाहियो?”

**CALL**  
18 008

**TEXT**  
011 301

facebook messenger



# Exploitation

The hotline has been rolled out across our plantations in Malaysia to cover ~30,000 workers





# Exploitation



The latest iteration of the RSPO Principles and Criteria has included living wage elements in 2018



RSPO to release benchmarks by country / region

Calculation will be based on actual spent of the following areas, but not limited to:

If event there is a gap, company will develop and implementation plan to close the gap.

Geographical Costs



## IMPORTANT ELEMENTS TO CONSIDER



Scrutiny and pressure continues to build to improve labour standards, including growing regulatory measures



U.S. Customs and  
Border Protection  
*Office of Public Affairs*

## News Release

December 30, 2020

Contact: [CBP Media Relations](#)  
(202) 344-1780

### ***CBP Issues Withhold Release Order on Palm Oil Produced by Forced Labor in Malaysia***

WASHINGTON — Effective December 30, 2020, U.S. Customs and Border Protection (CBP) personnel at all U.S. ports of entry will detain palm oil and products containing palm oil produced by Sime Darby Plantation Berhad and its subsidiaries, joint ventures, and affiliated entities in Malaysia.

The issuance of a Withhold Release Order against Sime Darby Plantation palm oil is based on information that reasonably indicates the presence of all 11 of the International Labour Organization's [forced labor indicators](#) in Sime Darby Plantation's production process.

Federal statute [19 U.S.C. 1307](#) prohibits the importation of merchandise mined, manufactured, or produced, wholly or in part, by convict labor, forced labor, and/or indentured labor, including forced or indentured child labor. This Withhold Release Order will require the detention at all U.S. ports of entry of raw palm oil and processed products containing palm oil produced by Sime Darby Plantation. CBP provides importers of detained shipments an opportunity to export their shipments or demonstrate that the merchandise was not produced with forced labor.

Palm oil is a common ingredient in products that U.S. consumers encounter every day in grocery and convenience stores. According to U.S. Department of Agriculture reports, palm oil is increasingly found in processed foods, cosmetics, pharmaceuticals, soap and biodiesel.

**We have commissioned an independent labour assessment to review the allegations, and partnered with Human Rights specialists to help strengthen our practices.**

## In Summary



There is still a lot of work to be done...

- There is **an increased scrutiny and expectations** from stakeholders around the responsible production of palm oil
- There are **many initiatives that are already underway** in Sime Darby Plantation to implement responsible agriculture practices on the ground
- However, the challenge now is **how to propagate our commitments further down our supply chain**, taking into account the complexity of the global palm oil supply chain
- Therefore, Sime Darby Plantation can't do it alone; **collaborations and partnerships are the way forward to move the industry to adopt more responsible business practices**, where all stakeholders would need to be involved



# Questions?

**THANK YOU**



**Plantation**