



Plantation

SIME DARBY PLANTATION BERHAD

**SUSTAINABILITY COMMITTEE
TERMS OF REFERENCE**

Updated as at 29 August 2018

Contents

1.	PURPOSE.....	3
2.	COMPOSITION AND APPOINTMENT	4
3.	AUTHORITY	4
4.	FUNCTIONS AND DUTIES	5
5.	MEETINGS	7
6.	ANNUAL PERFORMANCE ASSESSMENT	9
7.	REVIEW OF THE TERMS OF REFERENCE	10
	APPENDIX 1: CORPORATE SUSTAINABILITY PRINCIPLES	11
	APPENDIX 2: GLOSSARY	15

1. PURPOSE

- 1.1 The Sustainability Committee (SC) is established as a committee of the Sime Darby Plantation Berhad (SDP) Board of Directors (Board) to assist the Board in fulfilling its oversight responsibilities in relation to the SDP group of companies' (Group) objectives, policies and practices pertaining to *sustainability* which comprise the following:
- 1.1.1 Contribute to a better society.
 - 1.1.2 Minimise environmental harm.
 - 1.1.3 Deliver sustainable development.
- 1.2 The SC's oversight responsibilities shall be in line with the SDP Group's strategic *sustainability* goals listed as follows:
- 1.2.1 Leverage on *sustainability* to create value.
 - 1.2.2 Effectively manage *sustainability* risks and *critical sustainability issues*.
 - 1.2.3 Encourage *sustainability* through progressive and innovative leadership.
 - 1.2.4 Instil a performance culture.
 - 1.2.5 Provide effective *sustainability* reporting.
- 1.3 The primary objectives of the SC are as follows:
- 1.3.1 To have full responsibility for reviewing the *sustainability* strategy and performance at the Board level.
 - 1.3.2 To oversee the monitoring, reporting and verification of the Sustainability Key Performance Indicators of the SDP Group and their implementation through the Group Blueprint and Roadmaps.
 - 1.3.3 To emphasise and facilitate the adoption of a mind-set in favour of *sustainability* throughout the Group.
 - 1.3.4 To work to a set of Corporate Sustainability Principles (the Charter) as appended to these terms of reference.
 - 1.3.5 To perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board.

2. COMPOSITION AND APPOINTMENT

- 2.1 The SC members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members. All members of the SC shall be Non-Executive Directors.
- 2.2 No alternate Director shall be appointed as a member of the SC.
- 2.3 The Chairman of the SC shall be a Non-Executive Director appointed by the Board.
- 2.4 The SC members may relinquish their membership in the SC with prior written notice to the Group Secretary. If a member of the SC resigns, then the Board shall, as soon as possible, but not later than three (3) months from that event, appoint such number of new members as may be required.
- 2.5 The Board may appoint an Independent Sustainability Advisor who for the duration of their appointment will be an ex officio member of the SC.

3. AUTHORITY

- 3.1 The SC is authorised by the Board and at the expense of the Group to perform the following:
 - 3.1.1 Secure the resources in order to perform its duties as set out in its terms of reference.
 - 3.1.2 Have full access to all information pertaining to the Company and Group, their records, properties and personnel.
 - 3.1.3 Investigate any activity within its terms of reference and shall have direct communication channels with Senior Management, the Independent Sustainability Advisor or any consultant and any person appointed by the SC. The SC shall have a role to scrutinise and question programmes/initiatives and practices to ensure transparency and oversee implementation of programmes/initiatives across the Group.
 - 3.1.4 Obtain external legal or other independent professional advice as necessary.
 - 3.1.5 Authorise an investigation into any matters within its terms of reference.
- 3.2 The SC shall report to the Board on matters considered and its recommendations thereon, pertaining to the *sustainability* of the SDP Group.

4. FUNCTIONS AND DUTIES

The main functions and duties of the SC shall include but are not limited to the following:

4.1 ***Sustainability and Operational Excellence (OE)***

- 4.1.1 Review the effectiveness of the SDP Group's strategies, policies, principles and practices pertaining to *sustainability* and OE on a world-wide basis.
- 4.1.2 Provide oversight and input to Management to ensure that the SDP Group's strategies, goals and principles pertaining to *sustainability* and OE (i.e. in respect of the environment, employees and communities in which it operates) are aligned with, promote and encourage the SDP Group's commitment towards *sustainability*. The Group's Corporate *Sustainability* Principles are set out in Appendix 1.
- 4.1.3 Advise on the Group's *Sustainability* Report and any other issue-specific reports (if any) prior to reporting to the Board including:
 - Changes in *sustainability* policies, standards and procedures, and its implementation;
 - Assessment of issues material to the achievement of *sustainability* by the SDP Group and efforts to address the material issues;
 - Compliance to the Group's *sustainability* policies as set out in the Group Policies and Authorities (GPA).
- 4.1.4 Review issues relating to *sustainability* arising from independent audits and assurance reports as well as any matters highlighted by the consultants.
- 4.1.5 Consider and recommend to the Board positioning on relevant emerging *sustainability* issues.
- 4.1.6 Provide the Board with assurance on the quality and technical content of the *sustainability* information used by the Board and of the *sustainability* information issued publicly by the SDP Group.
- 4.1.7 Oversee the *stakeholder* dialogue process and its outcomes addressing social and environmental matters with regard to the strategic *sustainability* goals, in particular, matters that may affect the Group's reputation. This shall include

key concerns/allegations that are raised by *stakeholders*, evolving public sentiments and government regulations.

4.2 Oversight of the Independent Sustainability Advisor

- 4.2.1 Approve the appointment of the Independent Sustainability Advisor, based on the recommendation of the Executive Deputy Chairman & Managing Director (EDCMD) and Chief Sustainability Officer including the appropriate level of remuneration.
- 4.2.2 Assign tasks to the Independent Sustainability Advisor, including:
- To provide an independent third party review and feedback to the Sustainability Committee on the progress of the Group in implementing its sustainability programme against its commitments and the expectations of its wide range of stakeholders.
 - To provide an independent third party view to the Sustainability Committee on the expectations of stakeholders around responsible production of agriculture and to provide advice and insights on emerging trends, issues and challenges that may materially impact the Group.
 - To provide insights to the Sustainability Committee and Management on how the Group will be able to improve on its sustainability programme in light of emerging megatrends, rising expectations of stakeholders and emerging best practices globally.

4.3 Other Matters

- 4.3.1 Ensure that proper processes and procedures are in place to comply with all relevant laws, regulations and rules which could have a significant impact on the implementation of the *Sustainability Principles*.
- 4.3.2 Perform delegations of authority and responsibilities of the SC as the SC deems appropriate and periodically review such delegations.
- 4.3.3 Undertake any such other functions as may be determined by the Board from time to time.

5. MEETINGS

5.1 Frequency

- 5.1.1 The SC shall meet on a quarterly basis. Additional meetings shall be scheduled as considered necessary by the Chairman of the SC or should circumstances require.
- 5.1.2 The Chief Sustainability Officer shall attend meetings of the SC as permanent invitee unless otherwise decided by the Chairman. The EDCMD, Chief Advisor & Value Officer, Chief Financial Officer, Chief Operating Officer, Upstream, Chief Operating Officer, Downstream, Chief Internal Auditor, Chief Risk Officer and the consultants and advisors shall normally be invited to attend the meetings.
- 5.1.3 Other members of the Board may attend meetings upon the invitation of the SC. Heads of Business Units and Departments may be invited to the meetings, where necessary.

5.2 Notice and Agenda

- 5.2.1 The Group Secretary shall issue and circulate the notice of the SC meetings confirming the venue, time and date to SC members at least five (5) working days before each meeting to the committee members and all those who are required to attend the meeting.
- 5.2.2 The agenda for each meeting including relevant documents and information requested by the SC shall be circulated at least five (5) working days before each meeting to the SC members.
- 5.2.3 The SC meeting agendas shall be the responsibility of the Chairman with input from the SC members. The Chairman may also invite other members of Management and other persons to participate in this process, if necessary.
- 5.2.4 Upon the request of a member of the SC, the Group Secretary shall, at any time call for a meeting of the SC. Each member of the SC shall receive notice of such meeting orally in person or in writing or by telephone or by facsimile or electronic transmission or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

5.3 Quorum

5.3.1 The quorum for a meeting of the SC shall be three (3) members. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

5.4 Meeting Mode

5.4.1 A meeting of the SC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the SC.

5.4.2 The SC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the SC duly convened. Approval of the SC obtained by an SC Circular Resolution must be signed or approved by all SC members subject to 5.5.2.

5.5 Voting

5.5.1 All resolutions of the SC shall be adopted by a simple majority vote, each member having one vote. In case of an equality of votes, the Chairman of the SC shall have a second or casting vote.

5.5.2 An SC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

5.6 Meeting Minutes

5.6.1 The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the SC. The minutes shall include compiled Board instructions as Matters Arising for discussion at each SC meeting to ensure proper follow through.

- 5.6.2 Minutes shall be distributed to SC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.
- 5.6.3 Copies of minutes of each meeting shall be distributed to all members of the Board, SC, EDCMD, Chief Advisor & Value Officer, Chief Financial Officer, Chief Operating Officer, Upstream, Chief Operating Officer, Downstream, Chief Sustainability Officer, Chief Internal Auditor and Chief Risk Officer to ensure proper key actions are acted upon.
- 5.6.4 The SC, through its Chairman, shall update the Board on the activities undertaken by the SC at each Board meeting.

5.7 Secretary

- 5.7.1 The Secretary to the SC shall be the Group Secretary or a person recommended by the Group Secretary and approved by the Board.
- 5.7.2 The Secretary plays an important role in organising and providing assistance at SC meetings and has the following key responsibilities:
- ensure meetings are arranged and held accordingly;
 - assist the Chairman in planning the SC's activities;
 - draw up meeting agendas in consultation with the SC Chairman and draft its scheduled activities for the financial year;
 - ensure structured communication channels between the Board and the SC;
 - ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the SC before disseminating them to the Board;
 - maintain the minutes; and
 - ensure SC recommendations presented to the Board are supported by papers that explain the rationale for the SC's recommendations.

6. ANNUAL PERFORMANCE ASSESSMENT

- 6.1 The SC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this terms of reference and report the results to the Board.

6.2 The Board shall review the composition, performance and effectiveness of the SC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.

6.3 All such assessments shall be properly documented.

7. REVIEW OF THE TERMS OF REFERENCE

7.1 The SC shall recommend any changes to its terms of reference in such manner as the SC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance (MCCG), Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the SC's role.

APPENDIX 1: CORPORATE SUSTAINABILITY PRINCIPLES

- Principle 1:** Implement and maintain ethical business practices and sound systems of corporate governance.
- Principle 2:** Integrate *sustainable* development considerations within the corporate decision-making process.
- Principle 3:** Uphold fundamental human rights and respect cultures, customs and values in dealings with our *stakeholders*.
- Principle 4:** Implement risk management strategies based on valid data and sound science.
- Principle 5:** Continually improve our environmental, safety and health performance.
- Principle 6:** Comply with and, where practicable, exceed relevant national laws and regulation related to *sustainability*.
- Principle 7:** Contribute to conservation of biodiversity and adopt integrated approaches to land use planning, where appropriate.
- Principle 8:** Facilitate and encourage responsible product design, use and disposal of our products.
- Principle 9:** Contribute to the social, economic and institutional development of the communities in which we operate.
- Principle 10:** Implement effective and transparent engagement, communication and commit to independently verified reporting arrangements with our *stakeholders*, where appropriate.

Principle 1 Guidance

Implement and maintain ethical business practices and sound systems of corporate governance

- Develop and implement company statements of ethical business principles and practices that management is committed to enforcing.
- Implement policies and practices that ensure best practice in avoiding bribery and corruption, including the provision of appropriate training for all key staff.
- Comply with or exceed the requirements of host-country laws and regulations.
- Work with governments, industry and other *stakeholders* to achieve appropriate and effective public policy, laws, regulations and procedures that facilitate the Group's contribution to *sustainable* development within national *sustainable* development strategies.

Principle 2 Guidance

Integrate sustainable development considerations within the corporate decision-making process

- Integrate *sustainable* development principles into the Group's policies and practices.
- Plan, design, operate and close operations in a manner that enhances *sustainable* growth and development on a worldwide basis.
- Implement good practice and innovate to improve social, environmental and economic performance while enhancing shareholder value.
- Encourage customers, business partners and suppliers of goods and services to adopt principles and practices that are comparable to our own.
- Provide *sustainable* development training to ensure adequate competency at all levels among our own employees and those of contractors.
- Support public policies and practices that foster open and competitive markets.

Principle 3 Guidance

Uphold fundamental human rights and respect cultures, customs and values in dealings with our stakeholders.

- Ensure fair remuneration and work conditions for all employees, and implement appropriate procedures to avoid the use of force, forced or child labour.
- Provide for the constructive engagement of employees on matters of mutual concern.
- Implement policies and practices designed to eliminate harassment and unfair discrimination in all aspects of our activities.
- Ensure that all relevant staff, including security personnel, are provided with appropriate cultural and human rights training and guidance.
- Minimise involuntary resettlement, and compensate fairly for adverse effects on the community where they cannot be avoided.
- Respect the culture and heritage of local communities, including indigenous people.

Principle 4 Guidance

Implement risk management strategies based on valid data and sound science

- Consult with *stakeholders* in the identification, assessment and management of all significant social, health, safety, environmental and economic impacts associated with our activities.
- Inform *stakeholders* of significant risks from the Group's operations and agree with them the measures that will be taken to manage the potential risks effectively.
- Develop, maintain and test effective emergency response procedures in collaboration with its *stakeholders*.

Principle 5 Guidance

Continually improve our environmental, safety and health performance

- Implement management systems focused on continual improvement in all of our activities that could have a significant impact on the environment and/or the health and safety of our own employees, those of contractors and the communities where we operate.
- Assess the environmental, safety and health risks and opportunities associated with changes to existing projects and new expansions/projects.
- Take all practical and reasonable measures to eliminate unplanned or unscheduled environmental releases and workplace fatalities, injuries and diseases among our own employees and those of contractors.
- Provide all employees with environmental, safety and health training, and require employees of contractors to undergo such training.
- Implement regular health surveillance and risk-based monitoring of employees.
- Rehabilitate and reintegrate employees into operations following illness or injury, where feasible.

Principle 6 Guidance

Comply with and, where practicable, exceed relevant national laws and regulation related to sustainability.

- Identify relevant *sustainability* related laws and regulations in the jurisdictions we operate.
- Identify opportunities for exceeding *sustainability* related laws and regulations in the jurisdictions we operate.
- Where no laws exist, adopt universally agreed norms of behaviour.
- Ensure that those with *sustainability* responsibilities are aware of them and act accordingly

Principle 7 Guidance

Contribute to conservation of biodiversity and adopt integrated approaches to land use planning, where appropriate

- Respect legally designated protected areas.
- Disseminate scientific data on and promote practices and experiences in biodiversity assessment and management.
- Support the development and implementation of scientifically sound, inclusive and transparent procedures for integrated approaches to land use planning and biodiversity conservation.

Principle 8 Guidance

Facilitate and encourage responsible product design, use and disposal of our products.

- Actively promote understanding of our products and their life-cycle effects on human health and the environment.
- Conduct or support research and innovation that promotes the use of products and technologies that are safe and efficient in their use of energy, natural resources and other materials.
- Develop and promote the concept of integrated materials management throughout our products value chain.
- Provide regulators and other *stakeholders* with scientifically sound data and analysis regarding our products and operations as a basis for regulatory decisions.
- Support the development of scientifically sound policies, regulations and product standards.

Principle 9 Guidance

Contribute to the social, economic and institutional development of the communities in which we operate

- Engage at the earliest practical stage with *stakeholders* to discuss and respond to issues and conflicts concerning the management of social impacts.
- Ensure that appropriate systems are in place for ongoing interaction with *stakeholders*, making sure that minorities and other marginalised groups have equitable and culturally appropriate means of engagement.
- Contribute to community development surrounding our expansion projects in collaboration with host communities and their representatives.
- Encourage partnerships and dialogues with governments and non-governmental organisations to ensure that programmes (such as community health, education, local business development) are well designed and effectively delivered.
- Enhance social and economic development by seeking opportunities to address poverty.

Principle 10 Guidance

Implement effective and transparent engagement, communication and commit to independently verified reporting arrangements with our stakeholders, where appropriate

- Regularly report on our economic, social and environmental performance and its contribution to *sustainable* development.
- Provide information that is timely, accurate and relevant.
- Engage with and respond to *stakeholders* through open consultation processes.

APPENDIX 2: GLOSSARY**1. Stakeholders**

Stakeholders are persons or organisations that can affect, be affected by, or perceive itself to be affected by a decision or activity of SDP. To “perceive itself to be affected” means the perception has been made known to the organisation and stakeholders can include customers, communities, suppliers, regulators, nongovernment, organisations, investors, employees. Stakeholders must be relevant to SDP’s activities and have legitimate concerns.

2. Sustainability

Sustainability is the state of the global system, which includes environmental, social and economic aspects and may be achieved through sustainable development, in which the needs of the present are met without compromising the ability of future generations to meet their own needs. The environmental, social and economic aspects interact, are interdependent and are often referred to as the three dimensions of sustainability, e.g. People, Planet and Prosperity. SDP’s progress towards sustainability will be measured against a set of principles defined in Appendix 1.

3. Critical sustainability issues

Critical sustainability issues are those issues that pose the most strategically significant risk, as a result of (i) their probability or likelihood and of (ii) the significance of their disruptive consequences to the SDP brand. These may include issues related to Free, Prior and Informed Consent (FPIC), human rights, safety and health, climate change, biodiversity, and business ethics.