Sime Darby Plantation runs a diverse set of businesses worldwide, with a global reach and expertise spread beyond topographic boundaries. Guided by a clear vision and strategy, we are committed to deliver sustainable returns without compromising on improvements for people, planet, and prosperity. We believe in our people’s ability to maximise our operational and strategic potential. Even in the toughest of times, our value-driven culture, strong focus on sustainability, and innovation continue to help us remain resilient and maintain our position as an industry leader in good agricultural practices.
World’s Biggest Producer of Certified Sustainable Palm Oil

- Plays a leading role in the development and promotion of sustainable practices in the palm oil sector
- One of the founding members of the Roundtable on Sustainable Palm Oil
- Industry leader in good agricultural practices

Sustainability Principles & Values:
- Delivering Economic Growth
- Respect for the Environment
- Respect for Community
- Accountability & Transparency to Stakeholders

Core Values:
- Integrity
- Respect & Responsibility
- Excellence
- Enterprise

Upstream Activities:
- Malaysia
- Indonesia
- Liberia
- Papua New Guinea
- Solomon Islands

Downstream Operation is Present in 17 Countries:
- Malaysia
- Singapore
- Indonesia
- South Korea
- Brazil
- India
- Thailand
- Vietnam
- Japan
- China
- Germany
- United Kingdom
- South Africa
- Netherlands
- United States of America
- Papua New Guinea
- Solomon Islands

Produces approximately 2.4 million tonnes equivalent to 4% of world’s annual crude palm oil output

OVERVIEW OF SIME DARBY PLANTATION
- Our Profile & Global Presence
- Key Milestones
- Our Supply Chain

FINANCIAL REVIEW
- Financial Review
- Key Highlights

ACHIEVEMENTS
- Awards and Recognition FY1415 – FY1516
- Media Highlights

WHAT’S INSIDE
This Sustainability Report is our second stand-alone Report that covers the Plantation Division’s sustainability performance, initiatives and achievements that complements the Sime Darby Group Annual Report 2016 where highlights from our other divisions, namely Industrial, Motors, Property, and Logistics, are illustrated.

Reporting Period and Scope This Report covers our global operations for the Financial Year ending 30 June 2016. It contains information that span throughout our supply chain, but excludes our operations in Papua New Guinea, Solomon Islands and United Kingdom.

Report Boundaries As part of our materiality analysis, we mapped and analysed key issues identified through our annual review of the Plantation Sustainability Blueprint, management meetings, and based on the stakeholder engagement survey results in 2016. Our materiality analysis and stakeholder engagement are detailed in the relevant section of this report.

Global Reporting Initiative The content of this Report is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (Version G4) at a Core level. This report is intended for release on a biennial basis.

Greenhouse Gas Protocol Carbon emission data shown in this report is for the period 1 January – 31 December 2015 and is part of the Group carbon inventory that is collated annually using the Sustainability Management System (SMS), and is in accordance with the Greenhouse Gas (GHG) Protocol for Scope 1 and Scope 2 emissions.

Assurance All financial data in this report has been independently assured as part the Group annual financial audit, while safety, carbon emissions and Lean Six Sigma (LSS) performance data has been verified through a limited assurance engagement.

1 Please refer to the GRI Content Index.
2 Please refer to Sime Darby Group Annual Report 2016 for further details.
Performance Highlights

### FINANCIAL

- **Revenue (RMm)**: 11,876.5
- **Profit Before Interest and Taxation (PBIT) (RMm)**: 1,052.4
- **Return on Average Invested Capital (ROAIC)**: 4.3%

### HEALTH & SAFETY

- **Lost Time Incident Frequency Rate (LTIFR)**: 9.3 incidents per million manhours worked
- **Fatal Accident Rate (FAR)**: 2.0 for every 100 million hours worked
- **More than 69,000 SIME cards were received in FY1516**

### SOCIAL

- **Gender Committee**
  - In all our operations to facilitate women development at the workplace
- **Female Estate Assistant Managers**: 16
- **Female Mill Assistant Managers**: 4
- **Scholarships**
  - Merit and need-based educational assistance in countries of our operation
- **Plantation Human Rights Task Force (PHRITF)**
  - Formed in January 2016 to identify issues around human rights that are material to our operations

### ENVIRONMENT

- **RSPO Certification**
  - 98% of our SOUs are RSPO-certified
- **CSPO**
  - 2,196,186 MT
- **CSPK**
  - 495,172 MT
- **HCS Study**
  - We are currently carrying out trials of the HCS+ and HCS Approach methodologies in our Liberian operations
- **Notable Prime Minister’s Hibiscus Award**
  - SDP won this award for the first time in 2015 for our commitment in environmental management
Managing Director’s Statement

Dear Stakeholders,

We are pleased to share with you our 2016 Sime Darby Plantation Sustainability Report. Similar to its inaugural edition back in 2014, this report contains updates on our sustainability journey as we stride towards meeting our environmental and social goals. This will include achievements made in various critical issues as well as a disclosure on the challenges we faced along the way. Guided by our Sustainability Strategy, I am proud that we have made significant progress in fulfilling both internal and external commitments made. However, we recognise that our biggest challenge is to increase sustainability awareness throughout our supply chain, especially when it involves independent suppliers. We will continue to develop initiatives on this front and many other outstanding issues over the next few years.
TRACEABILITY

In the age of social media, companies have to be highly conscious of how their brands are perceived by customers. Growing consumer interest in the original source of their food products has further heightened the importance of traceability in our supply chain. We realise the challenges that lie ahead in achieving full traceability, especially when it involves external suppliers. Nevertheless, guided by advanced systems and a structured Responsible Sourcing Guideline, we are committed to strive towards 100% traceability in our supply chain.

PEOPLE

Employees are our most important asset. We care about the livelihood and well-being of not only our workers and employees, but also their families and the surrounding communities in our areas of operation. I am truly sad to report that we had a few fatalities in our operations in the past two years, despite our strict practices and policies on safety and health. Accidents can come in the most unexpected way, under conditions that are sometimes beyond our control. However, be assured that we will continue to strive in providing better working environment and trainings for our employees and contractors towards ensuring their safety and preventing accidents at the workplace. Although the number of fatalities in our operations has been on a downward trend over the past few years, our efforts will not stop here. I truly believe that we can reduce such incidents even further in the near future.

The protection of human rights regardless of sex, race and nationality continues to be an integral part of our value system wherever we operate. Sime Darby Plantation will continue to support the principles charted in the United Nations Global Compact, as well as other sustainability standards. We strive to ensure that all our employees are equally entitled to their rights without any discrimination. As a big portion of our workforce is made up of migrant workers, we are committed to ensure the credibility and transparency of their recruitment process, and that they receive sufficient protection from human trafficking and exploitation in any form, for as long as they remain a member of our workforce family.

Finally, it is important for me to highlight that the achievements highlighted in this report is the result of the collective energy of our employees who truly believe in the importance of upholding sustainability in our operations. Without their commitment, efforts, innovative ideas and winning mindset, the company would not have been able to achieve anything, let alone continue pushing the bar higher in implementing and embedding sustainable agro-management practices throughout our operations.

It is my sincere hope that as you read through the pages of this report, you will also aspire and appreciate what all of us can do, collectively, to improve the world that we live in for the benefit of our future generation. Thank you for reading this report and for your interest in our journey.

DATUK FRANKI ANTHONY DASS
Managing Director,
Sime Darby Plantation
Sime Darby Plantation is the largest division of the Sime Darby Group, a Malaysia-based public listed conglomerate with a business that spans the entire palm oil value chain. As one of the founding members of the Roundtable on Sustainable Palm Oil (RSPO), we are now the largest producer of sustainable palm oil worldwide, a testament to our commitment in embedding sustainability in the core of our operations. We now manage approximately 629,000 ha of planted areas in Malaysia, Indonesia, Liberia, Papua New Guinea (PNG) and the Solomon Islands.

Our upstream operations encompass more than 254 estates and 71 mills. Our current Downstream operations comprise production of oils and fats, oleochemicals, biodiesel, other palm oil derivatives and renewables as well as the sales and marketing of these products in 17 countries. Additionally, our Midstream segment is involved in trading, marketing and logistics services. Sime Darby Plantation is backed by a diverse workforce of more than 100,000 people.

Our Key Markets
Malaysia, India, Thailand, Indonesia, United Kingdom, South Africa, Germany, China, Netherlands and Vietnam.
As signatory of the Sustainable Palm Oil Manifesto we will test both HCS+ and HCS Approach methodologies to develop a single HCS methodology.

Sime Darby Group launched the Responsible Agriculture Charter (RAC) in September 2016.
Our Supply Chain

PALM OIL VALUE CHAIN

603,254 hectares of oil palm
Planted in Malaysia, Indonesia, Liberia, Papua new Guinea and Solomon Islands

R&D
• Research & Advisory
• Seeds & Agriculture
• Biotechnology & Breeding

CUSTOMERS
• Customer Requirements

ESTATES

MILLS
• Processing Technology
• Product Innovation Centres

REFINERIES
• Processing Technology
• Product Innovation Centres

EDIBLE OIL & FATS

BIO DIESEL

Oleochemical

Value Chain
• R&D Advisory & Research

98% of mills RSPO-certified

100% Downstream Business Units RSPO-certified
Our Core Values

01. Integrity
02. Respect & Responsibility
03. Excellence
04. Enterprise

Our Vision

To be a leading integrated global plantation company

Sustainability Principles and Values

- Generate prosperity
- Continuously improve operational efficiency and sustainable production
- No deforestation of primary and virgin forest
- No new development on peatland
- Leader in sustainable practices
- Deliver long term benefits to local communities
- Respect fundamental human rights and social values
- Good corporate governance and high ethical values
- Continuous engagement with all stakeholders – Government, Regulators, NGOs and Communities

<table>
<thead>
<tr>
<th>Delivering Economic Growth</th>
<th>Respect for the Environment</th>
<th>Respect for the Community</th>
<th>Accountability &amp; Transparency to Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>Leaf</td>
<td>People</td>
<td>Monitor</td>
</tr>
</tbody>
</table>

Disclose       Engage       Empower       Protect       Enhance       Respect
We recognise sustainability as a key business differentiator and as such value it as a driver of our business. The Main Board is accountable for sustainability strategy and performance while our President and Group Chief Executive has overall management responsibility for sustainability; and the Group Chief Sustainability Officer is responsible for overall operational sustainability performance.

The Plantation Division is led by its Managing Director (MD) who is actively involved in our sustainability direction and performance. The MD sets the agenda for sustainability initiatives and drives business units towards industry-leading achievements. The Plantation Division’s Flagship Board assumes accountability for the Division’s sustainability strategy and performance. The MD heads the Plantation Sustainability Committee and is a member of the Group Management Sustainability Committee which reviews our overall sustainability direction. The Plantation Sustainability Blueprint is reviewed annually with inputs from business units and receives final approval from the MD. The Blueprint guides our strategic actions in accomplishing sustainability targets.

**Sustainability Governance**

**Our Sustainability Framework**

**5 YEAR ROLLING STRATEGIC GOALS**

**Sustainability Purpose**
Contribute to a Better Society, Minimise Environmental Harm, Deliver Sustainable Development

**BLUEPRINT, ROADMAPS and KPIs**

**Sustainability Beliefs**
Disclose, Engage, Empower, Protect, Enhance, Respect

**Corporate Values**
Integrity, Respect & Responsibility, Enterprise, Excellence

**Sustainable Development Goals**
ANTI-CORRUPTION
Sime Darby Plantation has a zero-tolerance approach towards bribery and corruption in any form and is committed to behaving professionally, fairly and with integrity in all our business dealings throughout our operating areas. We regularly engage with external agencies to support efforts to eradicate corruption, including with the Malaysian Anti-Corruption Commission (MACC) and Transparency International-Malaysia (TI-M).

GRIEVANCE AND WHISTLEBLOWING POLICY
We aim to settle any grievance between the Company and an employee or third party fairly, quickly and internally. Our Grievance Policy provides a framework to support this process. An anonymous whistleblowing channel is also available to receive complaints, so that further necessary action can be taken by the management.
## Risk Management

### Key Plantation Sustainability Related Risks and Mitigation Measures

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation Measures</th>
</tr>
</thead>
</table>
| **SAFETY AND HEALTH**                 | Major accidents due to non-compliance to policies and procedures that may lead to death or severe injury | 1. Environment, Safety & Health (ESH) and Emergency Response policies & procedures established and implemented  
2. ESH performance monitoring & reporting implemented  
3. Regular safety training, dialogues & roadshows and dedicated OSH departments/committees  
Further details can be found in the Safety & Health section of this report |
| **LOCAL COMMUNITY GRIEVANCES**        | Challenges arising from local community grievances due to real or perceived concerns that may lead to operational disruptions and loss of goodwill | 1. Establishment of clear Free, Prior & Informed Consent (FPIC) procedures  
2. Grievance mechanisms implemented and issues addressed  
3. Regular engagement with stakeholders  
Further details can be found in the Working with Our Local Communities section of this report |
| **CLIMATE CHANGE**                    | Impacts from climate change i.e. rainfall patterns, water scarcity, drought may adversely impact operations | 1. Water and soil conservation efforts including initiatives to create water bodies/reservoirs  
2. Flood mitigation measures  
3. Reduction in operational carbon emissions as part of national and international reduction efforts  
4. R&D efforts into resilient planting material (e.g. drought-resistance, genome etc.)  
5. Fire prevention system & SOP to prevent and combat fires within 5km radius of operating areas |
| **THREAT OF A MAJOR PLANT DISEASE OUTBREAK** | The potential threat of disease outbreak and/or pests either not being identified in a timely manner or not being mitigated effectively could potentially result in significant tracts of plantation being affected and/or being wiped out | 1. Breeding & utilisation of disease tolerant planting materials  
2. Regular onsite monitoring and control vis-à-vis pests and disease outbreak at estates |
| **HUMAN RIGHTS**                       | Potential allegations of human rights abuses by NGOs/governments in relation to labour practices | 1. GCAD, Group Compliance, Group HR, Group SQM and SDP’s HR are conducting an assessment on internal HR practices. These practices are assessed in terms of its effectiveness and compliance with UN’s Guiding Principles on Human Rights |

### Risk Management (Continued)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation Measures</th>
</tr>
</thead>
</table>
| **HUMAN RIGHTS**                       |                                                                            | 2. Formation of Plantation Human Rights Task Force to coordinate assessments to identify areas for improvement where there may be potential human rights violations  
3. Engagement with external consultant to provide assessments and constructive advice on human rights practices |
| **WASTE MANAGEMENT**                   | Impact of overflowing effluent waste to monsoon drains, streams/rivers causing pollution which can result in prosecution, fines, disruption in operations and severe reputational damage | 1. Established SOP on waste/effluent management  
2. Dedicated training courses (i.e. Certified Environment Professional in the Palm Oil Mill Effluent) conducted  
3. ESH performance monitoring & reporting implemented |
| **FIRE & HAZE**                        | Open burning and trans-boundary haze from Indonesia                        | 1. Zero open burning policy established and implemented  
2. Use of satellite surveillance to monitor hotspots 24/7  
3. Regular engagement with local authorities  
4. Emergency response and fire prevention teams established |
| **DEFORESTATION**                      | New compliance requirement that does not allow development on natural ecosystem and land with High Carbon Stock (HCS) and High Conservation Value (HCV) | 1. Commitment to avoid deforestation of primary forest as well as HCS & HCV area  
2. Engagement with standard setters and NGOs  
3. Part of HCS convergence negotiations |
| **RSPO**                               | NGO attacks on palm products and related products due to inconsistent practices which are against RSPO’s P&C’s | 1. Observe best agro-management practices in all field operations  
2. RSPO, ISCC & SCCS Certification  
3. Monitoring & reporting of RSPO Certification Audit non-compliance status  
4. Sustainability Management System Manual implemented |
At Sime Darby Plantation, we recognise engagement with stakeholders as fundamental to the way we do business. In line with our commitment as a palm oil producer, we strive to comprehend the expectations of our stakeholders. Their feedback is vital for us to gauge our performance and implement higher sustainability standards across our operations.

Internally, we organised meetings with relevant key functions to obtain their input on issues that they perceive to be material for SDP. Additionally, Sime Darby conducted external stakeholder engagement surveys in 2016, to gauge feedback and analyse gaps in our previous reporting. The surveys, together with comments obtained from our internal team, helped us to have a better understanding of issues material to stakeholders.

Our key stakeholder groups are listed in the following page, together with an overview of our engagement activities in the past year and the major concerns raised.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Types of Engagement</th>
<th>Sustainability Topics Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Engagement survey, periodic meetings, engagements and sharing on latest developments within SDP</td>
<td>Environmental and social issues such as deforestation, human rights, biodiversity, and high carbon stock</td>
</tr>
<tr>
<td>Employees</td>
<td>Annual employee engagement survey, Open Days, volunteer programmes, recreational events, trainings</td>
<td>Briefing and training on sustainability, health, and safety, as well as sustainability direction</td>
</tr>
<tr>
<td>Non-governmental Organisations</td>
<td>Meetings, telephone conversations, engagement surveys</td>
<td>Collaboration: • traceability • social and environmental projects through YSD • health projects with IFRC &amp; other societies</td>
</tr>
<tr>
<td>Industry Groups</td>
<td>Working groups, task force, technical committees</td>
<td>Green technology, RSPO &amp; MSPO standards developments, carbon</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>Periodic meetings, on-site inspections, correspondence on regulations</td>
<td>Compliance, regulations</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Regular on site meetings with PAC, RSPO RT, RSPO complaints &amp; grievance</td>
<td>Land rights, FPIC, fire and haze prevention</td>
</tr>
<tr>
<td>Academic Institutions</td>
<td>Collaboration: • fire/haze management • zero waste management</td>
<td>Education on zero-burning practices and zero waste management</td>
</tr>
</tbody>
</table>

Note: IFRC: International Federation of the Red Cross UKM: Universiti kebangsaan Malaysia ULM: Universiti Lambung Mangkurat
MATERIAL DISCLOSURES

We define material issues as subjects that have the biggest influence to our business in terms of environment, social, and economy, as well as ones with the most significance to our stakeholders. Our course of selecting material issues was guided by the Reporting Principle and Guidance for Defining Content in the GRI G4 Sustainability Reporting framework.

Below are the sources and methodology used to identify our material issues:

- **Management View.** We analysed major sustainability issues across the organisation.
- **Division KPI.** We identified and assessed SDP’s critical and trending sustainability Key Performance Index.
- **Risk Management Matrix.** We reviewed SDP’s Risk Management Matrix and selected key sustainability risks expected.
- **External Stakeholder Perception.** We conducted external stakeholder engagement surveys to gauge their feedback on critical sustainability issues. Stakeholder groups engaged were existing and potential customers, NGOs, Industry Groups and Investors.

The major topics raised were then plotted on a materiality matrix, where issues with the highest significance to both internal and external stakeholders were selected:

---

**SDP SUSTAINABILITY ROADMAP – CRITICAL KPIs**

<table>
<thead>
<tr>
<th>Objectives &amp; KPI</th>
<th>FY1516</th>
<th>FY1617</th>
<th>FY1718</th>
<th>FY1819</th>
<th>FY1920</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect Our People by Developing a Safe Working Culture With Zero Fatalities</td>
<td>Fatality cases &amp; rates</td>
<td>0 fatality</td>
<td>0 fatality</td>
<td>0 fatality</td>
<td>0 fatality</td>
</tr>
<tr>
<td></td>
<td>LTI FR</td>
<td>Achieve 10%</td>
<td>Achieve 25%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

---

**Sustainability Strategy**

**Low Priority**
- Carbon Emissions
- Biodiversity
- Human Rights
- Smallholders
- Traceability
- Deforestation

**High Priority**
- Carbon Emissions
- Biodiversity
- Human Rights
- Smallholders
- Traceability
- Deforestation

---

**EXTERIOR STAKEHOLDERS**

**Sustainability Reporting**

Enhancing GRI Sustainability Reporting: Stakeholder Engagement Material assessment

2nd Plantation Sustainability Report

Relook at Target and Commitment

Sustainability Assurance

Integrated Reporting

**Reducing GHG Emissions**

% intensity reduced from baseline (Upstream)

15% 20% 30% 35% 40%

**Reducing Waste Generation**

Waste

Identify & establish targets for 2020

10% 25% 50% 100%

**Optimising Water Usage**

Water Footprint

Determine Baseline & Target setting

10% from baseline

15% 20% 25%
## Trending KPIs

<table>
<thead>
<tr>
<th>Trending KPI</th>
<th>Sime Darby Plantation Sustainability Scorecard</th>
<th>Current Programmes</th>
</tr>
</thead>
</table>
| T1           | Implementing Divisional ESH Roadmaps          | • Update of the SDP Environment, Safety & Health Management System (ESHMS)  
• ESH Risk Workshops  
• Periodical ESH data validation  
• MSOSH and PMH Awards  
• Improvement in Effluent Management |
| T2           | Implementing Divisional LSS Roadmap           | Capacity Building:  
• Launch Train-the-Trainer White Belt Programme  
• Conduct 3rd Batch of Black Belt Programme  
• Conduct Centralised Green Belt workshop  
• Identify LSS Coordinator for each operating Unit  
Identify Gap and Opportunities:  
• Launch LSS Maturity Index Assessment (Upstream, Downstream, and R&D)  
Governance and Guidance:  
• Launch LSS Standard Operating Procedure (SOP)  
• Revise 5S Certification SOP  
• War on Waste Awareness Event  
• LSS White Belt Handbook |
| T3           | Implementing Sustainability Management System (SMS) | • Implementation at Minamas & West New Britain  
• System enhancement for Carbon to integrate Palm GHG features |
| T4           | Certifying to an Integrated OSHAS 18001 & ISO 14001 &/or ISO 9001 Standards | • Update of the SDP ESHMS  
• Introduce ESHMS-based internal audit in collaboration with GSQM to drive ESHMS implementation & certification  
• IMS-based audit for Upstream Operations |

### Trending KPI: Energy Reduction
- Energy savings projects and initiatives at Plantation Tower
- Contribution of Renewable Energy to National Grid via Biogas projects

### Trending KPI: Implementing, Measure and Monitor Environment Safety and Health (ESH) Risk Management
- Risk workshops + updated HIRARC & EAI/ESH Risks registers (compliance with RSPO & Group Risk)
- Harvesting Safety (HCTP), Machinery Safety (Model Mill), Transport/Road Safety & Bauxite Mining

### Trending KPI: Socialising Sustainability Policies and Procedures and deployed
- Review the current reporting guidelines
- Training for gender committee
- Awareness programmes related to child protection and reproductive rights

### Trending KPI: Enriching Local Communities
- Mill environmental Corporate Social Responsibility (CSR) projects in collaboration with YSD. (Eg: emergency response training for communities affected by flood)
- MOU with DOE Malaysia to collaborate in conducting environmental awareness programmes for communities around SDP’s operations by working together with YSD

### Trending KPI: Contributing to National & International stakeholders platforms
- ESH Caucus – Plantation industry, GLC, MAPA
- MSOSH and PMH Awards

### Trending KPI: SQM alignment with Group’s GRC requirements
- Risk updates & BCM programmes
- MESHC & GSR + Effluent Management improvement
- Quarterly OSH data validation
One message rang loud and clear in the Sime Darby Group’s townhall in November 2015: we need to RISE to our challenges. There is no doubt that the current global economy has been challenging. Lower commodity prices coupled with the weak economy has affected multinational companies around the world. To see us through this difficult time, and ensure that we meet our targets, we have initiated the RISE initiative (Results, Innovation, Sustainability and Energy) as part of the Group’s five-year strategic blueprint.

In another townhall held in February 2016, our President & Group Chief Executive revealed six Winning Mindsets we will need to bridge the gaps in our performance. We have to look at means of enhancing our approach of doing things, in order to stay relevant in the industries which we operate in. The 6 Winning Mindsets serve as a guide to all employees to innovate and focus on the results we want by adopting a new approach.

**DELIVER RESULTS**  
We drive results  
I exceed expectations

**CUSTOMER FIRST**  
We put customer first  
I win with the customer

**VALUE TALENT**  
We value talent  
I am team player

**BUILD TRUST**  
We build trust  
I walk the talk

**CONTINUOUS IMPROVEMENT**  
We improve and innovate  
I do better, every time

**EMPOWERED DECISIONS**  
We make empowered decisions  
I am responsible and proactive

Our 6 Winning Mindsets
**Financial Review**

### Financial Results (RMm) 2015 – 2016

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>10,268.6</td>
<td>11,876.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1,323.2</td>
<td>1,060.9</td>
</tr>
<tr>
<td>Share of Results of Joint Ventures and Associates</td>
<td>(32.4)</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Profit Before Interest and Tax (PBIT)</td>
<td>1,290.3</td>
<td>1,052.4</td>
</tr>
<tr>
<td>Return on Average Invested Capital (ROAIC) %</td>
<td>6.6%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

**Key Highlights**

**Revenue (RMm)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMm</td>
<td>14,126.4</td>
<td>11,672.1</td>
<td>10,953.3</td>
<td>10,268.6</td>
<td>11,876.5</td>
</tr>
</tbody>
</table>

**Profit Before Interest and Tax (PBIT) (RMm)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMm</td>
<td>3,364.6</td>
<td>2,190.3</td>
<td>2,077.3</td>
<td>1,290.8</td>
<td>1,052.4</td>
</tr>
</tbody>
</table>

**Value Distribution**

- Providers of Capital and Reinvestment (55%)
- Government (23%)
- Employees (48%)

**Return on Average Invested Capital (ROAIC) (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>25.1</td>
<td>15.9</td>
<td>14.6</td>
<td>6.6</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Palm oil is a nutritious and versatile food product that is fundamental to the livelihood of millions of people in communities across Indonesia and Malaysia. As oil palm growers and processors, we are committed to ensure sustainability and traceability throughout our supply chain. In alignment with our efforts to accelerate the journey to no deforestation and build a transparent supply chain, we became signatory to the Sustainable Palm Oil Manifesto (SPOM) in July 2014.

CONVERGENCE OF THE HCS APPROACH WITH HCS+ METHODOLOGY

We are currently carrying out trials of the HCS+ Methodology in our Liberian operations. As a signatory to the SPOM, we will also trial the HCS Approach, as per recommendation in the final report of the HCS Study. The report concluded that the HCS method could be merged with the HCS Approach to provide clear and consistent guidance for companies and governments.

The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The HCS Approach integrates with High Conservation Value (HCV) assessments, peatland and streamside (riparian) area identification, and Free Prior and Informed Consent with local customary communities. This Approach proposes a conservation plan for a concession with areas for protection and areas that can potentially be developed as a land-use planning tool.

While the HCS Approach focuses more on conserving forests, the HCS+ methodology focuses more on sustainable development, and the methods and outcomes may be sufficiently complementary to allow convergence of the two. The HCS Approach and the HCS+ methodology are convergent in many respects and planning is underway for joint trials of the two methodologies in diverse environments. These trials will allow the comparison of both the HCS+ and HCS Approach methodologies in terms of conservation, risks, as well as practicality of implementation. This comparison will aid our efforts towards the development of a single HCS methodology for the oil palm sector. Additionally, we have also initiated a Light Detection and Radar (LiDAR) study to obtain a baseline carbon map of the area identified to carry out our trials in Liberia.
SDP’s palm and lauric products are widely used in the food industry, especially in the production of baked goods, dairy replacer, infant nutrition, and frying oil. Our commodities are sold globally, where a growing number of consumers are looking for product attributes such as origin of product and sustainability practices of the plantation prior to purchasing the food item. Traceability provides a platform to satisfy consumers’ inquiries and create a connection with the brand advertised. It is also a vital tool in the palm oil industry to assure sustainability claims in relation to palm products, and ensure respect for the community and environment throughout the supply chain.

In A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains developed by the United Nations Global Compact (UNGC) Traceability Taskforce, traceability is defined as the following:

“The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption.”

As of 30 June 2016, 92.9% of our FFB is traceable to the plantations

As a participant of the UNGC, Sime Darby Berhad is committed to develop more sustainable supply chain practices and encourage business management methods that explore fundamental issues in improving the sustainability of our sourcing practices. As of 30 June 2016, 92.9% of our FFB is traceable to the plantations. In downstream operations, 83.6% of CPO and 100% of PK is traceable to the mill. 78.9% of our CPO and 85.8% of PK is traceable to the plantations.

Realising the importance of traceability with the increase of eco-conscious customers, we have participated in various initiatives to ensure transparency in our supply chain.

OPEN PALM TRACEABILITY DASHBOARD

Open Palm is SDP’s online dashboard that provides critical information on the traceability of our supply chain. Open Palm provides customers with access to key data on the origin of the raw materials used to produce all palm products by our refineries, which include information of the supplying oil palm mills, right down to its plantations, as well as third party plantations. Full access to the traceability dashboard is currently made available to our key clients with traceability information that ties back to the individual clients’ purchases.

In downstream operations,
- **83.6%** of CPO and
- **100%** of PK is traceable to the mill

78.9% of our CPO and 85.8% of PK is traceable to the plantations
SCCS FULL SEGREATION

Fully Segregated Palm Oil Supply Chain

The RSPO Supply Chain Certification System equips refiners with the capability to implement traceability of crude palm oil supply to supplying mills and estates through the RSPO e-Trace system and allows for the production of fully-segregated certified palm oil products. About 70% of our mills in Malaysia and Indonesia are certified as Identity Preserved (IP), processing only RSPO-certified FFB.

CHALLENGES IN ACHIEVING FULL TRACEABILITY

One of the major challenges in achieving full traceability is the existence of third party smallholders in our supply chain, as outside crops make up approximately 10% of the total FFB processed by our mills. Independent smallholders are self-financed and self-managed, thus they are not bound to any one mill. Consequently, they may deal directly with local mill operators of their choice. A majority of this group of smallholders are not RSPO certified yet, thus posing a humungous challenge to palm oil companies in ensuring transparency in their sustainability practices as part of our supply chain. In alignment to SDP’s commitment to sustainability, we have developed a Responsible Sourcing Guideline (RSG) to lead our decision in sourcing externally.

Development of Responsible Sourcing Guideline (RSG) for Independent Smallholders

The RSG requires our third party suppliers and dealers to not only ensure compliance with relevant legal obligations, but to also have a mechanism in place to implement the requirements as appropriate and as deemed practical without compromising our social and environmental obligations. Suppliers must be able to demonstrate traceability and transparency of supply chain, up to the supplying farms/estates. The RSG will be implemented in three phases:

PHASE 1:
IDENTIFICATION OF KEY SUPPLIERS AND EFFECTIVE COMMUNICATION

PHASE 2:
IDENTIFICATION OF PRE-QUALIFIED SUPPLIERS THROUGH DESKTOP ASSESSMENT

PHASE 3:
VERIFICATION AND CONTINUOUS ENGAGEMENT TOWARDS COMPLIANCE

This guideline covers sustainability areas such as legal requirements, avoiding deforestation of primary forests and HCV areas, human rights protection, and implementation of social and environmental best practices. Two pilot RSG projects are currently being conducted in Selaba, Perak and Merotai, Sabah. RSG will be rolled out progressively in the other remaining areas.

Traceability and sustainability certification for smallholders have remained extremely challenging to achieve as obtaining sustainability certifications often comes with high costs. For instance, in order to obtain RSPO Certification, smallholders will have to invest in pre-audit requirements such as conducting HCV, EIA, and SIA assessments in addition to bearing audit and staff training costs. This is highly costly for independent smallholders, as they often do not benefit from the financial and technical support of a mill, unlike associated smallholders. A majority of the smallholders do not have the resources to set up a mechanism in place to assure full traceability in their operations.

Another challenge in achieving full traceability is the complexity of the supply chain, especially when traders are involved. It is extremely difficult to trace the FFB up to plantation when it has gone through multiple layers in the supply chain, as the fruits are often mixed up at the collection centres before being transported to the palm oil mill. The complexity further increases in the other remaining areas.

Regardless of the numerous challenges faced in our effort to be 100% traceable, we are continuously engaging our suppliers to work towards full traceability in our supply chain. We have further strengthened our commitment towards this cause by being co-chairs of the RSPO FFB Legality and Traceability Taskforce, striving towards developing a structured mechanism to trace the FFB derived from external suppliers for all industry players.

Collaboration with Wild Asia (WA) to Include Certified Smallholders in Our Supply Chain

In striving towards including more certified smallholders in our supply chain, we partnered with Wild Asia (WA), a Malaysian-based social enterprise through a MOU to assist small oil palm producers in the Lower Kinabatangan area in Sabah in achieving RSPO certification. This collaboration aims to secure the supply of oil palm Fresh Fruit Bunch (FFB) from small producers including certified small producers FFB under the Wild Asia Group Scheme (WAGS). We hope that this partnership will significantly increase the participation of smallholders in our sustainable supply chain.
ASSURING OUR PRACTICES

Roundtable on Sustainable Palm Oil (RSPO) Certification
As founding members of the RSPO, we continue to support and uphold the RSPO Principles & Criteria as a benchmark and assurance of sustainable planting of oil palm. By certifying almost all of our estates, the RSPO badge has become a key differentiator of Sime Darby palm oil products and are sought after in all markets; for quality and sustainability.

Supporting Smallholders in achieving RSPO Certification
Smallholders are a key part of the palm oil supply chain, contributing approximately 40% to the global palm oil production. The RSPO defines smallholders as farmers who grow oil palm, alongside with subsistence crops, where the family provides the majority of labour and the farm provides the principal source of income, and the planted oil palm area is less than 50 hectares. We are committed to assist smallholders in increasing yields, improve agro-management practices and eventually achieve sustainable practices.

In Indonesia, we have continued to provide local communities with the means to make a living and raise their quality of life through our Kredit Koperasi Primer Anggota (KKPA) and Plasma schemes, impacting more than 25,000 families. Out of approximately 45,000 hectares of land developed for this purpose, we have obtained RSPO certification for close to 25,000 hectares (from 19,000 hectares in FY1415) with a production capacity of over 695,000 MT of FFB. Three smallholder schemes have successfully obtained RSPO certification in the reporting period. They are located in Central Sulawesi (PT. Tamaco Graha Krida), South Kalimantan (PT. Laguna Mandiri) and West Kalimantan (PT. Sime Indo Agro). The total certified planted area is approximately 12,000 ha and contributed approximately 200,000 FFB. We are committed to certify the remaining area under the RSPO Smallholder Certification Scheme through engagement activities, facilitation and technical support.

RSPO CERTIFIED SUPPLY CHAINS
The RSPO Supply Chain Certification System equips refineries with the capability to implement traceability of crude palm oil supply to supplying mills through the RSPO e-Trace system and allows for the production of identity preserved and fully-segregated certified palm oil products. A number of sustainable supply chain mechanisms exist for palm oil, including identity preserved, mass balance and book & claim.

75% of our mills in Malaysia and Indonesia are now Identity Preserved, processing only RSPO-certified FFB. 100% of our downstream business units have been RSPO Supply Chain Certification System (RSPO SCCS) certified, meaning that these units are capable of delivering RSPO mass balance and/or segregated products.

INDONESIAN SUSTAINABLE PALM OIL (ISPO) CERTIFICATION
ISPO is a mandatory certification scheme adopted by the Indonesian government that aims to improve sustainable practices and reduce greenhouse gas emissions in the Indonesian oil palm industry. The scheme is based on existing Indonesian laws and regulations and aims to facilitate compliance by producers. 12 of our SOUs in Indonesia have been ISPO certified remaining 13 undergoing different stages for verification.

MALAYSIAN SUSTAINABLE PALM OIL (MSPO) CERTIFICATION
The MSPO Standard is a national certification standard created by the Malaysian government and developed with input from various stakeholders in the palm oil industry. It was first launched in November 2013, and officially came into implementation in January 2015. The SDP supporting the initiative throughout first verification SOU Labu.
In line with our sustainability goals, we strive to contribute our experience and expertise in a number of industry groups that seek to improve and raise sustainability standards and actively engage with stakeholders.

RSPO TASK FORCE AND WORKING GROUPS
• 2 of Sime Darby’s representatives were nominated as Task Force members in reviewing the Malaysian National interpretation (MYNI) P&C, which was then rolled out in May 2015.
• SDP is a panel in the RSPO Complaints and Grievance Panel, Dispute Settlement Facility Advisory Group and also a member of the Human Rights Working Group, FFB Legality and Traceability Task Force, Smallholders Working Group, and Emission Reduction Working Group.
• SDP is also participating in the Biodiversity and High Conservation Value Working Group, and Compensation Task Force for the development of the RSPO Remediation and Compensation Procedures.

OTHER INVOLVEMENTS
• SDP is part of the Technical Working Committee of the Malaysian Sustainable Palm Oil (MSPO) on the drafting of MSPO Standard.
• Datuk Franki Anthony Dass is a member of the Programme Advisory Committee (PAC) under the Malaysian Palm Oil Board (MPOB).
• Datuk Franki Anthony Dass is the chairman of the Malaysian Palm Oil Association (MPOA).
• Sime Darby was a Core Advisory and Steering Group member of the United Nations Global Compact’s (UNGC) “Voluntary Business Principles for Sustainable Agriculture” process, which developed the Food and Agriculture Business Principles (FABP).
• SDP is a member of the Technical Committee that is currently developing national guidelines on ergonomics under the purview of the Department of Occupational Safety & Health (DOSH) Malaysia.
• SDP is a member of Malaysian TC 207/SC 1 Committee. TC 207/SC1 is the ISO sub-committee that is responsible for ISO 14001 – the international standard for environmental management – and other supporting standards.
• SDP is a member of Malayan Agricultural Producers Association (MAPA).
• SDP represents MAPA in the Technical Committee on Safe System of Work and Practices in Occupational Setting, for the development of ISO 45001 standards.
• SDP is a member of the Malaysian Employers Federation Health, Safety, and Environment (MEF HSE) Committee.
Responsible Agriculture Charter

SDP launched its Responsible Agriculture Charter (RAC) on 21 September 2016. The Charter outlines our aspirations and commitments to continuous improvement and to address the continuing challenges around no-deforestation, no-peat development and no-exploitation. We are committed to deliver sustainable returns without compromising on people, planet and prosperity. RAC is drawn from the foundational principles of RSPO and frames our commitments in three key areas, namely human rights and social development, the environment and corporate integrity.

The commitments of this Charter are effective immediately for all of our palm oil operations, both upstream and downstream, including associated smallholders. However, acknowledging the challenges that it will create to independent smallholders in our supply chain, we strive to jointly find innovative solutions to ensure a balanced outcome and avoid exclusion of any groups. Should breaches occur, we will work through constructive engagement with our business partners to resolve and prevent further non-compliances. As part of our commitment to the RAC, we will be disclosing our progress in implementing the charter regularly.

For more details on RAC, please visit http://www.simedarby.com/sustainability/reports-and-resources/reports-and-resources

RAC IMPLEMENTATION TIMELINE

<table>
<thead>
<tr>
<th>Crops</th>
<th>With Effect from Date of Publication</th>
<th>July 2017</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sime Darby Palm Oil</td>
<td>Full Charter commitments implemented</td>
<td>Full Charter commitments implemented</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Palm oil 3rd Party Suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other Crops</td>
<td>Human rights + High Conservation Value</td>
<td>Human rights + High Conservation Value + High Carbon Stock*</td>
<td>Full Charter commitments</td>
<td></td>
</tr>
</tbody>
</table>

* Phased implementation of HCS for all other crops due to existing community commitments.

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For more details on RAC, please visit http://www.simedarby.com/sustainability/reports-and-resources/reports-and-resources
We take safety very seriously and strive to reduce the number of accidents in our operations. This concerns not only our workers and employees, but also their families, contractors who work for us, and visitors to our facilities. Overall, we have made progress with notable reductions in our LTIFR, while ensuring strict compliance to Standard Operating Procedures that have been developed. Unfortunately, there were 4 fatalities in our operations in FY1516. We offer our condolences to the families of the deceased.

Guided by a Five-year strategy – Target 2020: RISE to ZERO HARM, we will continue to promote a culture of prevention among our employees and ultimately meet the target of zero fatality in our operations.

**Lost Time Incident Frequency Rate (LTIFR)**
(Incidents Per Million Manhours Worked)

<table>
<thead>
<tr>
<th></th>
<th>FY1516</th>
<th>FY1415</th>
<th>FY1314</th>
<th>FY1213</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR</td>
<td>9.3</td>
<td>10.8</td>
<td>9.8</td>
<td>13.4</td>
</tr>
</tbody>
</table>

**SDP OCCUPATIONAL FATALITY RATE**

- **Fatality cases FAR**
- **Fatality cases**
**Fatal Accident Rate (FAR) of 2.0 for every 100 million hours worked – 31% lower compared to the previous Financial Year**

**Lost Time Injury Frequency Rate (LTIFR) of 9.3 cases per million hours worked – a 13% decrease compared to the previous Financial Year. Total reduction of 46% over the last 5 years**

Malaysian Society for Occupational Safety & Health (MSOSH) Awards 2015. 30 operating units in SDP (2 Downstream, 2 R&D and 26 Upstream) won the MSOSH Awards in 2015

5 of SDP’s Indonesian operations received the National Zero Accident Awards another 5 operations also received the Provincial Zero Accident Awards

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**Fatal Cases**

Four fatal occupational cases were recorded in FY1516. Two of these cases involved estate workers (one each in Malaysia & Indonesia) – one related to harvesting activity and one pertaining to road accident while transporting workers. The other two cases involved mill operators (one each in Malaysia & Indonesia) – in boiler and sterilizer work stations respectively.

**Key Risk Areas and Controls**

- **Lost Time Incident (LTI) Analysis**
  - 51% of the total reported LTI cases are from upstream operations while 94% of these cases are from estate operations. However, the average number of lost days for LTI cases is higher in the mills than the estate (138 compared to 17), suggesting that injuries are more severe in the mills although the frequency of accidents is lower than in the estates.

- **Harvesting Safety**
  - 40% of LTI cases in estate operations were reported from harvesting-related activities such as cutting, pruning and the handling of FFB and fronds.
  - In view of the risks, SDP has developed the Harvesting Competency Training Programme (HCTP) to enhance competency of workers, especially cutters and pruners in harvesting activities. This programme aims to make harvesting as safe as possible, by reducing injury and improving efficiency.
• We are also enforcing the use of non-conductive poles for harvesting near overhead power lines.

**Transportation Safety**

- 33% of LTI cases in the estates were reported from the operation of vehicles by both SDP and our external contractors. These cases mainly involved tractors and lorries used in normal estate operations and replanting activities.

- Apart from enhancing the competencies of drivers/operators through the TDCC, OST (for tractor drivers), and Suagate (for train gate keepers), we also reviewed transportation contracts, conducted contractor briefings, and increased our enforcement efforts.

- We continue to prioritise safety and health factors in the selection of machinery to be used in our estate operations.

- As commuting/road accidents continue to be an area of concern for our workers, we are continuously implementing Road Safety campaigns in our operations.

**Mill Machinery Safety**

- 27% of LTI cases in the estates were reported from the operation of mill machineries, particularly in the steriliser and boiler stations. Improvement actions taken include;
  - improving the Lockout/Tagout (LOTO) standards
  - development of Model Mills
  - development of Mill of the Future

**Occupational Health & Hygiene**

- We conduct Hearing Conservation Programme in all our operations to manage exposure to noise hazards.

- We are working together with Universiti Putra Malaysia & Universiti Teknologi Malaysia (UTM) to review ergonomic risk assessments and controls.

- 2 of our mills were selected to participate in the Systematic Occupational Health Enhancement Level Programme (SOHELP) Programme organised by Department of Safety and Health (DOSH) Malaysia.

- All our biogas plants in Malaysia and Indonesia undergo Hazard and Operability Study (HAZOP) for risk assessment.

**Chemical Safety – Elimination of Class 1B Chemical**

- Malaysian Upstream operation is the only operation in SDP that is still using Class 1B chemical in the form of Methamidophos for pest control purposes.

- In view of the high safety and health risks posed by this chemical, we have targeted to eliminate the use of this Class 1B chemical and substitute it with a safer chemical by 2017.

- In FY15/16, 70% of our estates have started using an alternative chemical that is less hazardous, subsequent to positive tests and advice by the R&D team.

- To date, we have seen a marked reduction in the use of Class 1B chemicals and we are positive in achieving our target by 2017.

**ESH Risk Management**

- As part of our continuous improvement strategy, we have revised our ESH Risk Management procedures to make them more robust and practical. They have been reviewed based on the ISO 14001:2015, OHSAS 18001, and ISO 22301 standards. The new procedure will be implemented FY16/17 onwards.

- All our biogas plants in Malaysia and Indonesia undergo Hazard and Operability Study (HAZOP) for risk assessment.
EMPLOYEE PROFILE

As at 30 June 2016, our Malaysian operations had the highest head-count, followed by Indonesia, Liberia and Thailand respectively.

Our Employees

SDP employs more than 100,000 people globally. Employees are our biggest and most important asset. We strive to provide the best working conditions to all employees regardless of their nationality, race, or gender.

ENHANCING ESH GOVERNANCE & COMPLIANCE IN SDP

ESH Compliance
- SDP paid a total of RM139,300 in fines/penalties/compounds on 7 offences committed by its Malaysian operations in FY1516.
- 4 of these fines were from DOE, 1 from DOSH, 1 from BOMBA and 1 from MBPJ. Summons from DOE were related to offences in effluent and scheduled waste management in 3 mills and 1 biodiesel plant in Sabah, Pahang, Melaka & Selangor respectively. This is certainly an area of concern and SDP has made the necessary provisions to:
  - enhance the technological capabilities at all of our effluent treatment. We are targeting to have zero-discharge-mills by the year 2020.
  - enhance the capabilities and competencies of our people through the Certified Environmental Professional in the Treatment of Palm Oil Mill Effluent (CertPOME) and Certified Environmental Professional in the Operation of Industrial Effluent Treatment Systems (CertIETS) programmes organised by Environment Institute of Malaysia (EIMAS).

ESH Governance
- SDP’s ESH Management structure is defined in the SDP ESH Management System Manual that was issued in 2012. The Manual is targeted to be reviewed in FY1617, focusing on an Integrated Management System.
- ESH-related internal audits are conducted by the RSPO, Quality Assurance, ESH, and our internal audit teams, which are followed by an external data assurance by PwC at the end of each FY. The ESH internal audit structure is targeted to be reviewed in FY1617.
- The Plantation Safety & Health task Force (PSHTF) is the highest OSH authority in SDP, consisting of SDP’s Heads of Operations around the globe. The committee discusses strategies and reviews ESH performance on a quarterly basis.
- The Plantation Operational Safety & Health Committee (POSCH) is the highest OSH authority in our Upstream operations. The committee discusses operational policies and reviews OSH performance on a monthly basis.

Concerned reporting/SIME
- SIME (Spot, Intervene, Modify, Execute) is a programme specifically designed to speed up the evolution of safety culture at work, where safety concerns are raised by employees for management actions.
- More than 69,000 concerns were raised through the SIME cards by our employees in FY1516. This is 13% higher than the same period in the last FY and 6 times higher than when the programme first started in FY1213. Concerns raised were related to near miss incidents, unsafe acts, and unsafe conditions.

ESH Townhall Programme
- ESH Townhall is an open dialogue and sharing session between workers and the management. It is conducted every 6 months at all of our operations.
- This programme helps in raising issues faced by workers directly to the management.
- ESH Townhall is attended by all workers and contractors, sometimes even their family members, covering more than 70,000 people in every cycle.

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- ESH Townhall is attended by all workers and contractors, sometimes even their family members, covering more than 70,000 people in every cycle.
In FY1516, we had a higher proportion of male employees compared to females in all different employee categories. Nevertheless, we are committed to provide equal employment opportunities to everybody based on merit and talent.

**TOTAL EMPLOYEES BY GENDER & EMPLOYEE CATEGORY**

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>No. of Male Employees</th>
<th>No. of Female Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executives</td>
<td>85,919</td>
<td>68,298</td>
</tr>
<tr>
<td>Junior Management</td>
<td>8,651</td>
<td>5,499</td>
</tr>
<tr>
<td>Middle Management</td>
<td>2,452</td>
<td>2,037</td>
</tr>
<tr>
<td>Senior Management</td>
<td>1,377</td>
<td>1,214</td>
</tr>
</tbody>
</table>

**HUMAN RIGHTS – RESPECTING & PROTECTING OUR WORKERS**

In recent years, global attention has focused on the rising issue of human trafficking. Some human-rights activists claim that the palm oil industry, which has progressed with increasing demand from the U.S. and China, is part of the problem. The industry, with a growing need for unskilled workers, is said to lure undocumented migrants to Malaysia. SDP strictly bans the use of forced or compulsory labour. Employing more than 100,000 people globally, we ensure contractual and permanent employees are treated with respect.

**Participation in the United Nation’s Global Compact (UNGC)**

Sime Darby has been a signatory of the UNGC since November 2010. We are committed to upholding the ten principles on human rights, labour, environment and anti-corruption and also committed to embed the principles throughout our operations.

**Participation in Global Business Initiative (GBI)**

Sime Darby has also been a member of the GBI since 2012. We aim to advance the respect for human rights in the business sphere by learning from the member companies from various sectors all over the world and by sharing examples of good human rights practices in our operations.

**Sime Darby Slavery and Human Trafficking Statement**

At Sime Darby, we believe that businesses have the responsibility to respect, support, and uphold the fundamental human rights. This includes the right to not be held in slavery or servitude. In pursuant to Section 54 of the Modern Slavery Act 2015, we have drafted the Sime Darby Slavery and Human Trafficking Statement. This statement would be our first disclosure on our efforts to address the issues of slavery and human trafficking in our supply chains. For more details on this statement, please visit http://www.simedarby.com/articles/sime-darby-slavery-and-human-trafficking-statement.

SDP’s human resources policy enshrines the following:

- **Non-discrimination on the grounds of colour, race, religion, ethnicity, national origin or gender.**
- **Zero tolerance towards physical or verbal discriminatory harassment in the workplace.**
- **Protecting the rights of employees to freedom of association.**
- **Respecting the rights of employees to freedom of association.**
- **Ensuring grievance channels are available.**
RECRUITING FOREIGN WORKERS

SDP employs more than 25,000 foreign workers and has developed a transparent process of bringing them into our plantations. This process ensures that workers are provided with adequate information on their rights, safety, and health prior to starting work, as demonstrated below:

**AGENT SELECTION**

Manpower Agencies are appointed through Procurement Tendering Process and approved by Plantation Division Tender Committee (PDTC) to avoid any bias in the selection process.

**INTERVIEW IN SOURCE COUNTRY**

Communication and interview arrangement are made by the SDP’s Workers Management Unit (WMU).

**AIRPORT PICKUP**

Foreign workers are picked up at the airport by the WMU team after completing the necessary legal procedures.

**PRE-INDUCTION**

Foreign workers are briefed on Safety and relevant rules & regulation while at WMU.

**MEDICAL CHECK UP**

Arrangement is made for FOMEMA registration and completion of medical check up (all cost fully borne by SDP).

**INDUCTION**

The induction programme is conducted in Bahasa Malaysia/English and duly translated into other relevant languages.

The briefings will cover introduction to SDP, Malaysian culture, safety at workplace, Malaysian laws, immigration regulations, labour law and employment contract, as well as Child Protection Act.

**DEPLOYMENT**

Workers are deployed to Operating Units (OUs).

**SUPPORT FROM CARELINE TEAM**

Careline Team provides workers with a structured channel to inquire or voice out their grievances and raise any issues throughout their time with SDP.

**ANNUAL EVALUATION VISITS BY CARELINE TEAM AT OUs**

WMU’s Careline Team will visit all OUs to check on workers’ welfare, salary, attendances, safety, and any grievances.

Careline Team will handle any grievances/issues raised during the visit.

**ANNUAL VISITS BY AGENTS AT OUs**

WMU’s Careline Team will conduct a joint visit with the respective agency to assist the workers in understanding their rights with regards to their contract terms and benefits.
MANAGING GRIEVANCES
In addition to conducting annual visit to the estates and engaging with the workers should they have any grievances, the Careline team is available to provide workers with a channel to voice out their grievances throughout their employment. Any complaint raised by the workers are handled by a Careline executive that initiates further investigation as required. This grievance management mechanism ensures that workers are able to raise their concerns directly to the management and their welfare is well taken care of throughout their employment with SDP. Additionally, an anonymous whistleblowing channel is also available to report complaints, if any, to the management.

CHALLENGES IN RECRUITING FOREIGN WORKERS
Although SDP has developed this structured process to bring foreign workers into our plantations, we still face challenges in ensuring full transparency in recruitment when it involves sub-agents, who are also known as Sponsors. Some Manpower Agencies appoint Sponsors to pool applicants from across the source country for our recruitment. During recruitment, workers will have to incur the cost of local transportation to the interview location, accommodation and meals prior to the interview. Additionally, they will have to bear the cost of preparing Identity Card, Family Card or marriage certificate that are required in applying for a passport. If workers cannot afford to pay these incidental costs, the Sponsor will pay on their behalf. Consequently, workers will then have to settle this debt once they start working.

The money owed to the Sponsors vary for each worker and might differ according to the sub-agents. Although SDP is striving towards ensuring full transparency in our hiring process, we do not have control over the incidental costs borne by workers prior to recruitment. However, we are determined to assure their well-being and lessen their financial burden by supporting their traveling cost to our plantations, accommodation, and medical costs upon hiring them as our workers, in addition to providing them with safe housing complexes, medical and prayer facilities, and other basic amenities. Additionally, we do not charge any recruitment fee to our foreign workers for them to get employment with us.

CENTRALISED HOUSING COMPLEXES
SDP provides safe housing complexes for all employees. SDP is also on a mission to develop Central Housing Complexes (CHCs) in all of our estates. CHCs are high quality, centralised community living spaces that is comprised of residences, offices, public amenities, and recreational facilities, which are all nucleated in one location within easy reach of each other.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
We affirm the importance of the right to collective bargaining, which is recognised as an essential element in the fundamental right of freedom of association. Employees of the Sime Darby Group are represented by 48 collective bargaining agreements in nine countries, namely Malaysia, Indonesia, Australia, Singapore, Liberia, Vietnam, South Africa, the Netherlands and recently, Papua New Guinea.

We aim to provide high-quality care for the children in a child-centred learning programme where children are respected and nurtured. The centre promotes the growth of children through a developmentally appropriate curriculum.

Kem Bijak Periksa for Employees’ Children
SDP organises a motivational and educational camp for the children of our employees sitting for their UPSR and PT3 examinations. This two-day camp is held on an annual basis and is free of charge. It aims to help the children in preparing for their examinations and obtain valuable tips on different subjects.

CHILDREN IN OUR OPERATIONS
SDP’s Child Protection Policy ensures that children of employees who live within its housing complexes are provided adequate protection and care. The company strictly prohibit below 18 years old employ children and strives to prevent any occurrence of mistreatment of children.

Humana Learning Centres
Realising the importance of education for children, we have collaborated with Humana Child Aid Society in Sabah to provide formal education to children of migrant workers residing in our estates. From its humble beginnings in 2008, the programme has now expanded to cover more than 800 children in 11 Humana Centres across Sabah. Apart from constructing the centres and furnishing the schools with the necessary amenities, SDP also funds utility costs and provides accommodation for the teachers.

Additionally, we also provide a childcare centre for employees in our headquarters. This childcare centre is subsidised by the company, thus requiring only minimal fees from the employees every month. We aim to provide high-quality care for the children in a child-centred learning programme where children are respected and nurtured. The centre promotes the growth of children through a developmentally appropriate curriculum.

Humana school children in uniform
In fulfilment of the MOA, we repaired three hand pumps in Senjeh. Two surrounding villages benefited from the repair exercise intended to provide safe and clean water facilities. The construction of three new hand pumps and four new latrines in four communities is ongoing.

**KEY FPIC INITIATIVES IN FY1516:**

**DEVELOPMENT OF MEMORANDUM OF AGREEMENT (MOA) BETWEEN SDPL & SENJEH COMMUNITY**

An MOA was developed between Sime Darby Plantation Liberia (SDPL) and Senjeh Community on 23 July 2015. This was followed by the payment of crop compensation to 199 farmers. The following activities have been held in collaboration with the community, with consultation by the Bomi Civil Society Organization (CSO) Secretariat:

- **MOA Awareness Programme**
  We organised a full-scale MOA awareness programme for three clans (Manoah, Zepeh, and Upper Togay) involving all key stakeholders to ensure smooth implementation of planned activities.

- **Support to Refurbish Zarmian Town School**
  We provided support to the Senjeh Community to refurbish their Town Hall to be converted into a school. The Land Committee implemented the project and handing over ceremony carried out on 10 December 2015. The project was highly welcomed by the community as it provides a conducive learning atmosphere for their children. SDPL also provided funds to support the operational costs of the school for FY1516, as requested by the committee.

- **Assistance to Beafinnie Clinic**
  We provided support to the Beafinnie Clinic for two quarters, based on the amount stipulated in the MOA. The funding was used to purchase essentials medicine for the clinic in order to provide better health care services to the citizens of Senjeh.

- **Building and Repairing Hand Pumps and Latrines**
  In fulfilment of the MOA, we repaired three hand pumps in Senjeh. Two surrounding villages benefited from the repair exercise intended to provide safe and clean water facilities. The construction of three new hand pumps and four new latrines in four communities is ongoing.

**FREE, PRIOR AND INFORMED CONSENT (FPIC)**

At SDP, we always seek to gain the Free, Prior, and Informed Consent (FPIC) of local communities before embarking on any new development. Our FPIC process is as illustrated below:

- Identify & engage with community representatives
- Participatory mapping, SEIA assessments & HCV assessments
- Once consent is obtained, we engage NGOs if necessary to agree on compensation and legal arrangements with the community
- A new plantation is established with a grievance resolution mechanism in place

**IDENTIFY** | **ASSESS** | **CONSENSUS** | **ESTABLISH**
At Sime Darby Plantation, we believe sustainable development cannot be achieved by technological advancement or financial contribution alone. We are guided by the belief that progress in education would have a far reaching effect in ensuring the sustainability of our business development. With this end in mind, we are committed to encourage learning and education amongst all our employees, their family members, and surrounding communities. Through Yayasan Sime Darby (YSD) or Sime Darby Foundation, the philanthropic arm of Sime Darby Berhad, we endeavour to provide educational assistance to qualified stakeholders.
**SCHOLARSHIPS FOR MALAYSIAN EMPLOYEES AND EMPLOYEES’ CHILDREN**

YSD offers scholarships to deserving employees and employees’ children to pursue undergraduate studies in notable local institutions. To date, YSD has awarded scholarships to the following recipients:

- Three Sime Darby Plantation employees are pursuing Bachelor’s Degree, and two others are pursuing PhD in local universities

  **Scholarships worth**

  **RM394,000**

- Twelve children of Sime Darby employees are pursuing diplomas and degrees in local institutions

  **Bursaries worth**

  **RM516,000**

**Scholarships in Indonesia**

In Indonesia, YSD provides scholarships to promising students through a collaborative effort with PT. Minamas Gemilang; Sime Darby Plantation’s subsidiary. Since the inception of the Minamas – Sime Darby Scholarship Programme in 2009, approximately 216 deserving individuals including employees’ children and underprivileged residents from the communities within and around Minamas operations, have benefited from the scholarships that are worth more than RM4.8 million. Minamas now has a dedicated team to manage the scholarship programme in Indonesia.

- Twelve children of Sime Darby employees are pursuing diplomas and degrees in local institutions

  **Scholarships worth**

  **RM394,000**

- Three Sime Darby Plantation employees are pursuing Bachelor’s Degree, and two others are pursuing PhD in local universities

  **Bursaries worth**

  **RM516,000**

**Scholarships in Liberia**

Since 2012, YSD has awarded scholarships worth USD700,000 to 55 outstanding and deserving Liberian students to pursue their tertiary education in Liberia and Malaysia. 51 Liberians are now pursuing undergraduate and vocational studies Bomi Community College and other selected universities in Liberia, while the remaining 4 students are pursuing mechanical and civil engineering degrees in Universiti Kebangsaan Malaysia (UKM).

- Twelve children of Sime Darby employees are pursuing diplomas and degrees in local institutions

  **Scholarships worth**

  **RM394,000**

- Three Sime Darby Plantation employees are pursuing Bachelor’s Degree, and two others are pursuing PhD in local universities

  **Bursaries worth**

  **RM516,000**

**Scholarship in Papua New Guinea**

YSD embarked on a scholarship programme with funding worth USD900,000 for 23 outstanding citizens including two Papua New Guinean students to pursue engineering degrees in Universiti Kebangsaan Malaysia (UKM) beginning August 2016.

**Scholarship in South Africa**

YSD also provides educational support to an outstanding and deserving young talent in South Africa to complete a four-year undergraduate course, with job opportunities at Sime Darby Hudson and Knights in Boksburg, South Africa upon completion of his studies.

**Senii School in Liberia**

Apart from offering scholarships to Liberian students to pursue higher level of education, YSD also chipped in a funding of RM1.21 million to construct a community school for the PAC, called the Senii School. Since its launch in November 2013, 351 children and youth from nine nearby townships of Senii, Damah, Timbo, Sengamah, Lein, Kayila, Johnson Town, Baaka and Kenemah have enrolled as students in the school. The school also provides employment opportunities to 10 teachers, consequently elevating their lives from extreme poverty. YSD’s funding is used for paying the salaries of both the teachers and staff, in addition to purchasing teaching and learning materials for the students.
CARING FOR THE ENVIRONMENT

PLANT-A-TREE PROJECT
As SDP’s palm oil production is heavily focused on some of the most biologically diverse areas in the world, we strictly adhere to both national and RSPO guidelines on biodiversity conservation. Sime Darby’s “Plant-A-Tree” Programme, which was initiated in 2008, aims to increase biodiversity value in our plantations with a target of planting one million trees by the year 2020.

To date, we have planted a total of 330,000 trees comprising 276 species in our estates. Additionally, in collaboration with Yayasan Sime Darby, approximately 694,000 trees have been planted through the Ulu Segama Rehabilitation and RILeaf programmes in Sabah, and North Selangor Peat Swamp Rehabilitation Programme.

One of our most challenging initiative thus far would be the Plant-A-Tree Project in Jentar. The Jentar Nursery began operations in September 2013 as a site to breed Endangered, Rare and Threatened (ERT) indigenous tropical forest tree species. The trees were then planted in several sites identified around the nursery. The first phase of planting activity was done at the Bukit Angin site in January 2014.

Planting initiative proved to be difficult from day one, as the sites were located against the backdrop of extreme, unfavourable weather. Rain is very scarce in the area, consequently exposing the trees to scorching sun every day. The El-Nino phenomenon experienced in the country since 2015 added to the obstacles, as the bad weather was further compounded.

“Plant today, for tomorrow”
– Datuk Franki Anthony Dass
After almost three years, the project, conducted at three sites – Bukit Angin (55ha), Bukit Klab (71.7ha) and Bukit Pasir (22.71ha) – has shown promising signs of achievement with 93,161 trees comprising 96 species planted by the end of FY2016, 64 of which are ERT species. This is about 85% from the overall target of 110,000 trees to be planted to date in these three areas. On top of that, there are 99,707 seedlings that are still being nurtured at the nursery. Due to difficulties in sourcing and identifying available ERT seedlings and the need to include more technical and research element into the project, SDP approached the Forest Research Institute of Malaysia (FRIM) to explore the possibility of collaborating on this project. SDP and FRIM signed a Memorandum of Understanding of collaborative on this project. SDP approached the Forest Research Institute of Malaysia (FRIM) to explore the possibility of collaborating on this project. SDP and FRIM signed a Memorandum of Understanding (MoC) on 5 February 2016.

Thus far, a total of 122 seedlings from 14 ERT species received from FRIM in December 2015 have been planted at Bukit Pasir site. With constant care and maintenance, the team managed to record 97% survival rate at this site as of June 2016. With this encouraging survival rate, we hope to ultimately hit our target of having the biggest ERT collection in South East Asia by the end of 2018 when the project ends.

**OTHER CONSERVATION & BIODIVERSITY PROJECTS THROUGH YSD**

**Stability of Altered Forest Ecosystems (SAFE) Project**

The world’s largest experiment to understand the impact of forest alteration on biodiversity and ecosystem functions

**The Management and Ecology of Malaysian Elephants (MEME)**

First large-scale research in Malaysia to study the Asian Elephants

**Danau Girang Field Centre Projects**

Conservation of Proboscis Monkey, Bornean Banteng Programme, and Conservation of Sunda Clouded Leopard in Fragmented Landscape Programme

**Borneo Rhinoceros Sanctuary**

Usage of advanced reproductive technology to ensure the survival of the Sumatran Rhinoceros species

**Restoration and Protection of Orangutan Habitats in Northern Ulu Segama Forest Reserve**

Partnership with Sabah Forestry Department (SFD) to rehabilitate 5,400 ha of degraded forest

**Global Environment Centre (CEC)**

Raja Musa Forest Reserve

Aims to strengthen efforts in fire prevention and rehabilitation of 50 ha of degraded forest

**Reef Check Malaysia (RCM) – Cintai Tioman**

Aims to build the resilience of coral reefs

**Project Rileaf**

A collaborative project with Nestle Malaysia to restore nipahian reserves

**Note:** For more information on our biodiversity & conservation projects in collaboration with YSD, please refer to Yayasan Sime Darby Annual Report 2016

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**PRESERVING HIGH CONSERVATION VALUE AREAS**

Many tropical regions are facing the risk of losing their High Conservation Value (HCV) areas due to extensive conversion of primary forests into plantations. This destruction of biodiversity will continue unabated without strict legislation and commitment of industry players to conserve these areas. SDP has a trained internal team that conducts HCV assessments in all our operating units to identify, categorise and maintain high-risk zones from development. We also train our personnel on the ground on HCV area management methods as well as the necessity of periodical monitoring to ensure the effectiveness of management activities. To date, we have set aside 31,793.04 ha of HCV area for conservation in our Malaysian, Indonesian, and Liberian operations.

**PEATLAND MANAGEMENT**

SDP strictly prohibits new planting in peat areas. No new plantings have been established on any peat lands in any of our concession areas since 2013, as per our commitment in the Environment & Biodiversity Policy. Additionally, we employ best management practices for our past plantings on peat aimed at minimising the risk of peat fires and subsequent carbon emissions. Our water management technique ensures that the water table is maintained at around 50 -70 cm below the surface to reduce decomposition rates of dried peat.

We are also committed to maintain existing vegetation on peatland in and adjacent to our oil palm plantations. In our effort to prevent slash and burn activities, we engage with local communities to educate them on sustainable management of peat areas.

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**PROGRAMME FOR POLLUTION CONTROL, EVALUATION, AND RATING (PROPER)**

Indonesia’s PROPER is a national-level public environmental reporting initiative. This regulatory tool aims to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to clean technology, and ensure a better environmental management system. PROPER discloses information via a five-colour code, in which each participating firm is assigned a colour according to its environmental status.

**Requirement**

- The facility has made virtually no pollution control effort
- The facility’s pollution is significantly below legally required standards and it has conducted good equipment maintenance, reporting, and environmental work
- The facility has met legal standards and has reasonably frequent reporting

**Rating**

- Blue
- Yellow
- Orange
- Red
- Black

**In 2015, 20 of our SOUs in Indonesia have been awarded with rating Blue**
**HUMAN-WILDLIFE CONFLICT**

Conflict between communities and animals, caused by competition for food and space, is one of the biggest threats to the survival of wildlife around the world. People end up losing their crops and livestock, while the animals, many of which are already threatened or endangered, may end up injured or dead. Human-wildlife conflicts in our plantations mainly involve long-tailed macaques, elephants, and wild boars, with elephants posing the biggest risk. SDP has collaborated with a few organisations to find the best solution in managing this dilemma.

In West Malaysia, we have been working closely with the Department of Wildlife and National Parks (DWNP) on managing wildlife conflicts and also reviewing the establishment of electrical fencing in our high-risk estates. Prior to constructing the electrical fences, we also consulted elephant behaviour researchers from the Management & Ecology of Malaysian Elephants (MEME), to ensure that the fences do not cause any harm to the elephants. MEME is a 5-year research project that commenced in March 2011, aiming to develop a long-term elephant conservation strategy based on the understanding of elephant behaviour, ecology, and relationships with people. It is led by Dr Akhimsa Campos-Arceiz in the School of Geography at The University of Nottingham Malaysia Campus.

In East Malaysia, we have continuous engagement with Sabah Wildlife Department (SWD), Borneo Conservation Trust (BCT) and Danau Girang Field Centre (DGFC) in managing our wildlife conflicts. We have conducted several meetings and trainings prior to constructing the fences. DGFC, a collaborative research and training facility managed by Cardiff University and SWD, has pointed out that electrical fencing is the best method to manage elephant intrusion, provided the fences are well-maintained. To date, we have established electrical fencing in three areas: Lanchang, Bandar Tenggara, and Sukau, in a total of seven estates. Additionally, we are also developing new Standard Operating Procedures (SOP) on managing elephant intrusion, managing wooden fencing, and monitoring electric fencing.

**SUNGAI JOHOR AMMONIA CONTAMINATION ISSUE**

Authorities detected a high level of ammonia in the raw water from Sungai Johor on 12 July 2016. Consequently, they stopped the operations at three water treatment plants, which caused a major water disruption in southern Johor. SDP worked closely with the authorities to investigate the cause of this pollution. During a joint-inspection in one of our estates within the vicinity, we discovered an overflow of treated POME in 1 out of 109 field furrows. On 14 July 2016, SDP received a Notice of 60-day Suspension of License for our Ulu Remis Palm Oil Mill from the Department of Environment (DOE), Johor, due to this overflow. We worked together with the authorities, including the DOE, Badan Kawalselia Air Johor and Syarikat Air Johor, to rectify the issue.

Our investigation showed no physical evidence of POME being the cause of contamination in Sungai Johor. To further confirm that fact as well as to rule out the possibility of contamination from fertilizer application in our estate, we took water samples from various points in both Sungai Remis and Sungai Sayong (both lead into Sungai Johor) and tested them at our own R&D labs. The results and physical verification conducted on the site indicated that indeed, there was no clear evidence that the mill or estate could be the cause of ammonia contamination. We continued to give full cooperation to the local authorities to determine the actual cause of high ammonia content in Sungai Johor.

On 26 July 2016, we received a letter from the Department of Environment, Johor, reinstating the license to operate our Ulu Remis Palm Oil Mill. In the letter, the Department cancelled the suspension notice allowing the Mill to resume its operations, based on the initiatives we have taken as well as our commitment to implement improved control measures at our mills. In order to further strengthen our commitment in conserving the environment through various awareness programmes, SDP, together with YSD, signed a MOU with the DOE Malaysia on 25 September 2016. This collaboration aims to promote and publicise environmental restoration activities to the general public. We are committed to protect the environment and conserve biodiversity in all our areas of operation, as sustainability is a prime consideration in all aspects of our business development.
Carbon Management

We have monitored our carbon footprint since 2009 via the Sustainability Management System, a carbon monitoring tool that enabled us to calculate our carbon emissions in accordance with the GHG Protocol and identify hotspots that would enable us to reduce those emissions. For the first time, the carbon emissions data for the year 2015 includes SDP’s operations in Liberia, Papua New Guinea and Solomon Islands covering oil palm operations. This has resulted in an increase in the Division’s overall carbon emissions in the year 2015. The carbon data for our operations in Malaysia, Indonesia, and Liberia have been independently verified.

ANNUAL EMISSIONS BY SOURCE

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Effluent Treatment</td>
<td>69.6%</td>
<td>70.7%</td>
<td>71.4%</td>
<td>71.7%</td>
<td>65.8%</td>
<td>69.1%</td>
<td>72.2%</td>
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<tr>
<td>(tCO₂-e)</td>
<td>1,799,617</td>
<td>1,629,373</td>
<td>1,826,392</td>
<td>2,121,035</td>
<td>1,532,760</td>
<td>1,667,658</td>
<td>2,156,658</td>
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<tr>
<td>Boilers</td>
<td>13.8%</td>
<td>14.2%</td>
<td>13.8%</td>
<td>12.9%</td>
<td>15.9%</td>
<td>12.9%</td>
<td>12.3%</td>
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<tr>
<td>(tCO₂-e)</td>
<td>356,291</td>
<td>326,245</td>
<td>353,950</td>
<td>383,025</td>
<td>370,395</td>
<td>310,701</td>
<td>367,122</td>
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<tr>
<td>Fertilisers</td>
<td>8.2%</td>
<td>7.8%</td>
<td>7.4%</td>
<td>6.2%</td>
<td>6.1%</td>
<td>5.6%</td>
<td>6.8%</td>
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<tr>
<td>(tCO₂-e)</td>
<td>212,955</td>
<td>179,856</td>
<td>189,875</td>
<td>183,784</td>
<td>142,516</td>
<td>134,612</td>
<td>201,903</td>
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<td>Purchased Electricity</td>
<td>1.7%</td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.2%</td>
<td>3.5%</td>
<td>6.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>(tCO₂-e)</td>
<td>43,894</td>
<td>51,287</td>
<td>54,352</td>
<td>64,046</td>
<td>81,920</td>
<td>163,044</td>
<td>118,998</td>
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<tr>
<td>Others</td>
<td>6.7%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>7.0%</td>
<td>8.6%</td>
<td>5.7%</td>
<td>4.8%</td>
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<tr>
<td>(tCO₂-e)</td>
<td>174,236</td>
<td>116,949</td>
<td>133,770</td>
<td>208,090</td>
<td>200,770</td>
<td>137,694</td>
<td>143,435</td>
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<tr>
<td>Total</td>
<td>2,586,992</td>
<td>2,303,710</td>
<td>2,558,340</td>
<td>2,959,980</td>
<td>2,328,360</td>
<td>2,413,708</td>
<td>2,988,116</td>
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</table>

ANNUAL EMISSIONS BY BUSINESS UNIT

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>2009 (tCO₂-e)</th>
<th>2010 (tCO₂-e)</th>
<th>2011 (tCO₂-e)</th>
<th>2012 (tCO₂-e)</th>
<th>2013 (tCO₂-e)</th>
<th>2014 (tCO₂-e)</th>
<th>2015 (tCO₂-e)</th>
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<tbody>
<tr>
<td>OP Estate</td>
<td>326,956</td>
<td>285,007</td>
<td>293,944</td>
<td>268,584</td>
<td>270,337</td>
<td>317,546</td>
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<tr>
<td>OP Mill</td>
<td>1,892,421</td>
<td>2,123,366</td>
<td>2,472,206</td>
<td>1,861,426</td>
<td>1,960,547</td>
<td>2,470,589</td>
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<tr>
<td>Downstream</td>
<td>143,812</td>
<td>188,986</td>
<td>191,784</td>
<td>174,960</td>
<td>193,852</td>
<td></td>
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<tr>
<td>Rubber Operations</td>
<td>5,827</td>
<td>4,486</td>
<td>6,155</td>
<td>4,845</td>
<td>6,566</td>
<td>7,863</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,586,992</td>
<td>2,303,710</td>
<td>2,558,340</td>
<td>2,959,980</td>
<td>2,328,360</td>
<td>2,413,708</td>
<td>2,988,116</td>
</tr>
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</table>
CARBON REDUCTION STRATEGY

SDP targets to achieve 40% reduction in upstream emission intensity. Our key carbon reduction initiatives are methane abatement through biogas trapping and methane avoidance through composting.

Composting
Closed system composting plants in Malaysia. In 2015, composting helped us to successfully reduced 6.5% of our carbon emissions intensity based on the 2009 emission baseline, for our operations in Malaysia and Indonesia.

Biogas Projects
(a) Joint Venture between SDP and Tenaga Nasional Berhad (TNB)
2 biogas capture for grid-connected electricity supply projects in in various stages of implementation at Hadapan and Flemington Oil Mill.

(b) Bio-Natural Gas (BioNG) Project in Collaboration with SIRIM
Project in progress at Merotai Oil Mill. It aims to capture, store and refine methane so that it could be used as an alternative to natural gas in gas-fired power stations and NGV vehicles.

(c) Captive Power Project for Electricity Supply to Kernel Crushing Plant
2 biogas projects in various stages of implementation in Pemantang and Rantau Oil Mill in Indonesia.

(d) Other Biogas Projects
Project in Tennamaram Oil Mill commissioned. 5 other biogas projects across Malaysia in various stages of implementation.

CHALLENGES IN REDUCING CARBON EMISSIONS
In 2015, we successfully reduced 6.5% of our carbon emissions intensity based on the 2009 emission baseline, for our operations in Malaysia and Indonesia. We expect increased reductions in the future with the completion of biogas projects under various stages of planning and construction. For the reporting period, our key challenges in carbon reduction include a challenging economic environment, operational delays in the commissioning of biogas plants, and lower FFB yield that has consequently limited the overall production capacity of our compost plants. We are currently reviewing the methane reduction programme including biogas projects at the oil palm mills due to operational and economic challenges. Nevertheless, we are committed to further reduce our carbon emissions in the years to come.

CLEAN DEVELOPMENT MECHANISM (CDM)
Four of SDP composting projects (Lavang, Pekaka, Kerdau, Merotai) were registered under the Kyoto Protocol’s Clean Development Mechanism (CDM), which delivered 183,897 certified emissions reductions (CER) to Denmark and total net revenue of nearly RM5.9 million from 2010 to end-2012.

On 4 February 2015, an appreciation meeting and luncheon was held at Wisma Sime Darby between representatives from the Danish Energy Agency (DEA): Mr Ole Emmik Sørensen and Mr Bo Riisgard Pedersen; Mr Henrik Rytter Jensen, Country Head, Danish Energy Management (DEM), and Sime Darby Plantation management, represented by the Managing Director, Datuk Franki Anthony Dass.
Haze has become a yearly phenomenon in Southeast Asia in recent years. Come the dry season beginning June, the air in some parts of Indonesia, Singapore and Malaysia gets polluted with smoke. The major contributor to this air pollution is the burning of forests to clear land for oil palm plantations in Indonesia and, to some extent, Malaysia. The fires are said to be caused by multinational corporations as well as small-scale farmers who use the slash-and-burn technique to clear vegetation for oil palm plantations.

**WHAT CAUSES FIRE?**

Fires can be started easily during the dry season, by even the smallest source such as a lighted cigarette butt. Forest fires can be caused by excessive drainage of peat land, as this results in the top layer of soil drying out, making these areas extremely susceptible to burning. Additionally, fires could also be deliberately started by communities in the course of land clearing. In Indonesia, a majority of smallholders are still practising the slash and burn technique. This activity is propelled by the fact that the Indonesian law allows land owners to burn up to two-hectare of land for land clearing purposes. During the dry season, sparks or flying debris from a burning field can easily land on adjacent land and cause rapid fire.

**FIRE MANAGEMENT IN SIME DARBY PLANTATION**

Despite having had its share of being listed as one of the culprits, Sime Darby Plantation (SDP) and its subsidiaries do not engage in slash and burn activities under any circumstances. We have implemented various policies and initiatives to ensure a sustainable fire management system in our operations and consequently, an environmentally-conscious approach in our businesses.

1. **Zero-Burning Replanting Technique**

   Over the years, various sustainability practices have been implemented in SDP’s operations. Of all these practices, the zero-burning replanting technique can be considered as the hallmark of our sustainability practices. We pioneered this method in 1985, which was later adopted as an industry practice in Malaysia. In 1992, SDP won the United Nations Environment Programme (UNEP)’s Global 500 Award for outstanding achievement in the protection and improvement of the environment for the commercialisation of our zero-burning replanting technique.

2. **Peatland Planting Policy**

   Realising the vulnerability of peat lands to fires, we employ best management practices aimed at minimising the risk of peat fires and subsequent carbon emissions in our past plantings. Our water management technique ensures that the water table is maintained at around 50-70 cm below the surface to reduce the decomposition rates of dried peat. Additionally, we are committed to maintain existing vegetation in and adjacent to our oil palm plantations in peatlands. We also engage with local communities to educate them on sustainable management of peat areas in an effort to prevent slash and burn activities.

3. **Hotspot Alert Dashboard and Daily Hotspot Monitoring**

   The Hotspot Alert Dashboard is our initiative at being transparent about the occurrence of hotspots in our concession areas. We are committed to prevent and monitor hotspot occurrence not only in our concession area, but also within a 5km radius from our boundaries. The dashboard, available on Sime Darby’s website (http://www.simedarby.com/hotspot-alerts/), provides the public with information on the number of hotspots recorded throughout the year and actions that have been taken by the respective estates if the hotspots are confirmed to be real fire within our areas. This is a round-the-clock monitoring system that utilises NASA satellite data for more accurate hotspot detection. The system will be triggered whenever there is a hotspot detected within or nearby our concession areas. Consequently, email alerts are sent to the respective estates for investigation and immediate action to extinguish the fire. The respective estates will then revert with feedback either confirming the alert or on the action taken.

**FLYER**

**WHAT CAUSES FIRE?**

Fires can be started easily during the dry season, by even the smallest source such as a lighted cigarette butt. Forest fires can be caused by excessive drainage of peat land, as this results in the top layer of soil drying out, making these areas extremely susceptible to burning. Additionally, fires could also be deliberately started by communities in the course of land clearing. In Indonesia, a majority of smallholders are still practising the slash and burn technique. This activity is propelled by the fact that the Indonesian law allows land owners to burn up to two-hectare of land for land clearing purposes. During the dry season, sparks or flying debris from a burning field can easily land on adjacent land and cause rapid fire.

**FIRE MANAGEMENT IN SIME DARBY PLANTATION**

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ALLEGATION ON SIME DARBY PLANTATION – UNCLEAR BOUNDARY ISSUES

Although SDP has implemented various initiatives to prevent and mitigate fire in our estates, we have still been alleged of causing forest fires in Indonesia. In the recent haze in 2015, which many agreed to be the worst haze episode to date, a number of SDP subsidiaries in Sumatra, together with other oil palm and pulp and paper companies, were again accused as the culprits. Although none of our subsidiaries were confirmed as offenders by the authorities after investigation, this incident raises the question on why SDP is continuously alleged for any episode of haze.

The main contributor to these allegations is the prevailing issue of unclear boundaries. There are discrepancies in the Decree of Forest Release or “Surat Keputusan Pelepasan Kawasan Hutan” issued by the Ministry of Forestry and Environment in 1980’s and 1990’s and the subsequent land title or the “Hak Guna Usaha (HGU)” that was issued by the National Land Board. After the issuance of the HGU, the Decree of Forest Release was not updated to the actual land size stated in the HGU. Hence, the original concession area map is larger than the actual HGU. The satellite data for the hotspot monitoring by SDP uses the original concession maps, which show a much bigger area than the actual area in our HGU.

CONCLUSION

As the pioneer of Zero-Burning Replanting Technique, SDP strictly bans slash and burn activities in our concession areas. Additionally, we adhere to the no new planting on peatland areas policy and ensure proper water management of existing peatland plantings. Haze is a regional issue that requires collaboration from neighbouring countries to tackle its root cause. We need commitment from all parties involved to educate the practitioners of the slash and burn technique to adopt a more environmentally-friendly method of land clearing. Ending the practice of slash and burn is vital. Companies, regardless of the size, must be held accountable, before the law and the market, if found guilty.
Lean Six Sigma & Continuous Improvement

### Lean Six Sigma Benefits (RM’million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefits (RM’million)</th>
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<tbody>
<tr>
<td>FY1516</td>
<td>91.28</td>
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<tr>
<td>FY1415</td>
<td>42.2</td>
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<tr>
<td>FY1314</td>
<td>44.5</td>
</tr>
<tr>
<td>FY1213</td>
<td>16.3</td>
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</tbody>
</table>

**AMERICAN SOCIETY FOR QUALITY (ASQ) WORLD CONFERENCE QUALITY AND IMPROVEMENT 2015**

- Project in collaboration between SDP’s R&D and LSS team won the Best Organizational Impact Award

**PNB INNOVATION QUALITY (IQ) AWARDS**

- SDP has been crowned the Champion for 5 consecutive years

SDP has embraced Lean Six Sigma (LSS), a term used to describe a management structure that aims to eliminate waste (*muda* in Japanese), so that all processes along the production stream create value. The Sime Darby LSS Business Management Strategy was implemented in 2013 to achieve operational excellence and capitalise on cross-divisional synergies. The financial benefits achieved in FY1516 is an evidence of the commitment shown by our business units in producing real results that reduce non-value adding activities and increase organisational capability.

**FINANCIAL BENEFITS HARVESTED FROM LSS PROJECTS IN 2016**

<table>
<thead>
<tr>
<th>Department</th>
<th>Benefits (RM)</th>
<th>Percentage (%)</th>
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</thead>
<tbody>
<tr>
<td>Downstream</td>
<td>30,436,900</td>
<td>96.9</td>
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<tr>
<td>Procurement</td>
<td>2,903,807</td>
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<tr>
<td>Others</td>
<td>20,855,623</td>
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<tr>
<td>Upstream</td>
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</table>

**Lean Six Sigma & Continuous Improvement**
As part of the War on Waste (WOW) campaign launched by the Group in FY1516, SDP also participated in the Kaizen Waste Elimination Challenge (KWEC) with the following results:

KWEC 2016

Total Projects Completed
1,279

Potential RM Saved within 12 months
RM35,528,854

Potential Hours Saved within 12 months
974,287 hours

First Planting of Genome Select Oil Palm

SDP has been in the forefront of agriculture research and development since the early 1900s. We are committed to revolutionise the process of oil palm breeding through innovative solutions and technologies. In 2009, we were the first in the world to successfully use new (2nd generation) technology to sequence, assemble and annotate the complex sequence of 1.8 billion chemical units that make up the genetic code of the oil palm. Seven years after successfully decoding the oil palm genome, we commenced our first large scale planting of Genome Select high yielding oil palms in April 2016.

Over the past few years, our R&D team in Biotechnology and Breeding has sequenced over 200 oil palms which were carefully selected to represent the diversity of Sime Darby’s collection. These genetic codes were analysed to identify the traits of high yielding palms. The team was then able to produce a formula to provide a genetic test, selecting the naturally high yielding variants from our current premium seeds without any genetic modifications.

The Genome Select Oil Palm planting initiative will be a major milestone that allows us to produce more oil with existing land, in line with our sustainability commitment to minimise green and brown field expansions. The selected palms have the potential to produce at least 15% more oil than SDP’s Calix 600, currently our best planting material. Under optimal growth conditions, the potential yield from the Genome Select palms can go above 11 MT oil/ha, resulting in average yields above 6.1 MT oil/ha across all environments in our Malaysian plantations, compared to Calix 600 yields of 5.3 MT oil/ha. By 2023, we will have enough genome materials to meet all of our Malaysian replanting requirements.

Our innovation in oil palm breeding does not stop here. We will strengthen our R&D efforts to produce palms that are not just high yielding, but are also more resilient to weather fluctuations and other environmental conditions.

CASE STUDY: The Blue Ocean Journey

The Blue Ocean team is a strategic partnership between Downstream Jomalina Refinery and R&D Processing Technology. The team successfully completed a Lean Six Sigma (LSS) project titled “To Reduce Chemical Cost of Waste Water Treatment Plant (WWTP) from Mean of RM2.29/m³ Influent to RM1.87/m³ Influent in Jomalina Refinery by June 2015”. This project focused on chemical consumption at the Coagulation and Flocculation processes in WWTP, as it contributes to 97% of the total variable cost. The project has directly reduced chemical cost by 31%, at RM1.58/m³ influent, with a potential benefit of RM173,254 per year.

Research & Development
Business unusual – Sime Darby Renewables (SDR) aspires to re-define the traditional oil palm industry

SDR is SDP’s department established to invest in complementary and integrated platform to leverage the various products and by-products along the palm oil value chain, transforming these into high value-added goods. SDR aims to create a symbiotic portfolio of sustainable businesses in the industrial biotechnology sphere and invest in promising technologies at the point of pre-commercialisation.

SDR PORTFOLIO OF COMPANIES

- **Biosynthetic Technologies**
  - Biosynthetic Technologies, based in Irvine, California, manufactures a revolutionary new class of bio-based synthetic molecules that are made from organic fatty acids found in plant oils, including palm-based materials

- **MYBiomass**
  - MYBiomass is a joint-venture with Felda Global Ventures and Sime Darby to pioneer high value green chemicals bio-refinery through coordinated aggregation

- **Verdezyne**
  - Verdezyne, based in Carlsbad, California, is focused on developing unique fermentation processes for producing drop-in alternatives to petroleum derived chemicals from sustainable materials, including palm-based products and by products
### Achievements

<table>
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<tr>
<th>Description</th>
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<th>Received by</th>
<th>Date received</th>
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<tr>
<td>Permodalan Nasional Berhad – Challenge Trophy – Champion</td>
<td>Permodalan Nasional Berhad (PNB) Innovation &amp; Quality Awards</td>
<td>KKS Sungai Dingin</td>
<td>November 2014</td>
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<td>Permodalan Nasional Berhad – Challenge Trophy – Second Place</td>
<td>Good Performance &amp; Service Award 2014</td>
<td>Morakot Industries</td>
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<td>Morakot Industries</td>
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<td>Self-Sustaining Kernel Plant</td>
<td>Malaysian Palm Oil Industry Award 2013/2014 – Kernel Crushing Plant</td>
<td>Nuri Kernel Crushing Plant</td>
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<td>I'm Lovin’ It Golden Ribbon Award for “Quality Award 2014”</td>
<td>Mc Thai Co. Ltd</td>
<td>Morakot Industries</td>
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<td>Best All-Around Presentation and Speaking Skills</td>
<td>American Society for Quality (ASQ) World Conference Quality and Improvement 2015</td>
<td>SD Biodiesel</td>
<td>May 2015</td>
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<td>Gold Class II</td>
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<td>SD Biodiesel SD Technology Centre Sandakan Bay POM Merotai Estate Mostyn Estate Lavang POM Bradwell Estate Jentar Estate Kg. Dingin POM Flemington POM Kempas POM Seri Intan Estate Padang Buloh Estate</td>
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<td>Permodalan Nasional Berhad – Challenge Trophy – Champion</td>
<td>Permodalan Nasional Berhad (PNB) Innovation &amp; Quality Awards</td>
<td>R&amp;D and Sime Darby Austral</td>
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<td>Notable Achievement</td>
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<td>Sime Darby Plantation Sdn. Bhd.</td>
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<td>Cargill Meat (Thailand) Ltd.</td>
<td>Morakot Industries</td>
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</table>
Sime Darby keeps earnings target despite challenges

Sime Darby 2QFY15 profit down 47%

Auto arm listing deferred as marker ‘not conducive’

Sime Darby’s earnings hard hit by harsh weather

EC approves Sime Darby’s RM5.6bn New Britain Palm Oil buy

Sime unit: CPO prices going up next year

Sime unit completes NBPOL buy

Sime Darby ramps up planting of new genome select seed

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SDP lancar data produk sawit

Unlocking value in NBPOL deal

SDP laksana Stok Karbon Tinggi di Liberia

Sime Darby Plantation
Sustainability Report 2016
# Global Reporting Initiative Content Index

This report has been prepared according to the 'In Accordance' – Core option as provided by the GRI Guidelines. The index shows each disclosure and relevant references within the report.

## GENERAL STANDARD DISCLOSURES

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<th>Disclosures</th>
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<th>Page</th>
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<td>G4-1</td>
<td>Statement by the highest decision-maker in the organisation on sustainability</td>
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<td><strong>Organisational Profile</strong></td>
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<td>Name of the organisation</td>
<td>Overview of Sime Darby Plantation</td>
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<td>Primary brands, products &amp; services</td>
<td>Overview of Sime Darby Plantation</td>
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<td>Location</td>
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<td>Countries of operation</td>
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<td>Legal ownership</td>
<td>Sime Darby Group Annual Report 2016</td>
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<td>Markets served</td>
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Glossary

BCT Borneo Conservation Thrust
BNG Bio-Natural Gas
CDM Clean Development Mechanism
CER Certified Emission Reduction
CHC Central Housing Complex
CPO Crude Palm Oil
CSK Certified Sustainable Palm Kernel
CSPO Certified Sustainable Palm Oil
CSR Corporate Social Responsibility
DEA Danish Energy Agency
DGFC Danau Girang Field Centre
DOE Department of Environment
DOSH Department of Safety & Health
EFB Empty Fruit Bunch
ERT Endangered, Rare and Threatened
ESH Environment, Safety & Health
FAR Fatal Accident Rate
FABP Food and Agriculture Business Principles
FFB Fresh Fruit Bunch
FPIC Free, Prior and Informed Consent
FRIM Forest Research Institute of Malaysia
FY Financial Year
GBI Global Business Initiative
GHG Greenhouse Gas
GRI Global Reporting Initiative
HCS High Carbon Stock
HCV High Conservation Value
IFRC International Federation of the Red Cross
ISCC International Sustainability & Carbon Certification
ISPO Indonesian Sustainable Palm Oil
KKPA Member’s Primary Co-operative Credit scheme or Kredit Koperasi Primer Anggota
KWEC Kaizen Waste Elimination Challenge
LSS Lean Six Sigma
LIDAR Light Detection and Radar
LTIFR Lost Time Incident Frequency Rate
LRC Liberia Red Cross
MACC Malaysian Anti-Corruption Commission
MD Managing Director
MEME Management and Ecology of Malaysian Elephants
MPGA Malaysian Palm Oil Association
MPOB Malaysian Palm Oil Board
MPOCC Malaysian Palm Oil Certification Council
MSFSH Malaysian Society for Occupational Safety & Health
MSPO Malaysian Sustainable Palm Oil
MYNI RSPO Malaysian National Interpretation
NEST Nurturing Estate’s Toddlers
NGO Non-governmental Organisation
PAC Project Affected Communities
PBIT Profit Before Interest and Taxation
PDTC Plantation Division Tender Committee
PHRITF Plantation Human Rights Task Force
PK Palm Kernel
PNG Papua New Guinea
POME Palm Oil Mill Effluent
R&D Research & Development
RAC Responsible Agriculture Charter
ROE Return on Average Shareholders’ Equity
RSPO Roundtable on Sustainable Palm Oil
SAFE Stability of Altered Forest Ecosystems Project
SCCS Supply Chain Certification System
SDP Sime Darby Plantation
SDPL Sime Darby Plantation Liberia
SMS Sustainability Management System
SPI Sustainable Partnership Initiative
SPOM Sustainable Palm Oil Manifesto
SWD Sabah Wildlife Department
SWO Stop Work Order
TI-M Transparency International-Malaysia
UNEP United Nations Environment Programme
UNGC United Nations Global Compact
UNML United Nations Mission in Liberia
UNRI University of Riau
WA Wild Asia
WAGS Wild Asia Group Scheme
WOW War on Waste
YSD Yayasan Sime Darby

Notes