



Sime Darby Responsible Agriculture Charter



Developing
Sustainable Futures

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Sime Darby Responsible Agriculture Charter

1 INTRODUCTION

1.1 Sime Darby Berhad is a Malaysia-based diversified multinational involved in key growth sectors, namely, plantations, industrial equipment, motors, property, and logistics, with operations in more than 20 countries.

1.2 Our agricultural activities are undertaken by our subsidiary Sime Darby Plantation, which is the world's largest producer of certified sustainable palm oil.

Sime Darby Plantation is a fully integrated player in the palm oil value chain. The division grows oil palms in its estates, harvests and processes fresh fruit bunches (FFB) in its own mills and refineries, and the oil (Crude Palm Oil / Palm Kernel Oil) obtained is further refined into cooking oil and various other derivatives.

Sime Darby Plantation's total landbank currently stands at approximately one million hectares in Malaysia, Indonesia, Liberia, Papua New Guinea and the Solomon Islands, of which over 600,000 hectares are planted with oil palm, and smaller areas planted with rubber, sugar and grazing pasture for cattle.

1.3 We strive to be a world leader in the agriculture sector and to ensure that we do not contribute to deforestation and exploitation. We seek to achieve excellence in all our business engagements without compromising our commitment to improvements for people, planet and prosperity, which we recognise as the interdependent and mutually supportive foundations of sustainability. With the world's population set to reach 9.7 billion in 2050¹, agricultural productivity has to increase. Most of the population growth will be in developing countries. We believe that agriculture has a role to play in alleviating poverty, but will not exploit this argument to allow the destruction of natural habitats and ecosystems on which future generations will depend for their livelihoods and well-being.

¹See : <http://www.un.org/en/development/desa/news/population/2015-report.html>

The overarching building blocks of our approach to responsible agriculture are to:

Respect	Ensuring that our operations do not impede the rights of people and their cultural values.
Protect	Adopting a precautionary approach and safeguarding vulnerable populations and ecosystems.
Enhance	Going beyond risk minimisation and impact mitigation to create a net positive footprint.
Empower	Supporting stakeholders in making their voices heard and build their own sustainable future.
Engage	Listening to our stakeholders and maintaining dialogue and consultation on our performance.
Disclose	Sharing our journey and to be transparent about our performance and objectives.

2 HUMAN RIGHTS AND SOCIAL DEVELOPMENT COMMITMENTS

2.1 Respect human rights and empower communities

In accordance with the UN Guiding Principles on Business and Human Rights, we respect the right to land and the right to self-determination of indigenous peoples, and customary land rights holders and users, and wish to secure an operating environment free from conflict through:

- (i) Undertaking robust free, prior and informed consent (FPIC) processes through sustained engagement to ensure that customary, user and traditional land rights are respected;
- (ii) Establishing effective conflict resolution frameworks, which are communicated to all relevant stakeholders, including effective access to advocates and to remedy with a resolution;
- (iii) Participatory mapping prior to any new development to establish stakeholder jurisdiction;
- (iv) Prioritising community programmes with a focus on basic needs (e.g. primary education, medical services and potable water) and an aspiration to provide communities with access to these services within a one hour travel time²;

²The provision of services within a one hour travel time is in reference to the One-Hour Principle developed by New Britain Palm Oil Limited (NBPOL), which covers:

- Access to 20 litres of tap-fed potable water within one hour's walk.
- Access to a medical health post within one hour's walk.
- Access to a primary school within one hour's walk.

- (v) Developing land in a manner which enhances rather than jeopardises local food security;
- (vi) Developing CSR programmes in partnership and dialogue with communities that address real needs;
- (vii) Selecting CSR initiatives which benefit the local community, inclusive of those who have chosen not to be involved in our agricultural activities;
- (viii) Recognising that smallholders are partners in our supply chain, and prioritising their enhancement and access to prosperity mechanisms; and
- (ix) Safeguarding the cultural and spiritual values of identified and/or protected areas, and to hold them for future generations to inherit. Where applicable, we will not disclose such sites without the approval of indigenous communities.

2.2 **Protect labour standards and enhance employment conditions**

We seek to implement International Labour Organization (ILO) core labour standards and conventions, as well as, the Fair and Free Labour Principles For Oil Palm, and to implement equivalent standards in our other agricultural activities, for both employees and contractors, including but not limited to:

- (i) Eliminating all forms of bonded and forced labour, including a ban on charging of recruitment fees for the purpose of restricting free movement.
- (ii) Protecting children from exploitation and combating child labour. We will not employ anyone under the age of 18, unless in vocational and/or formal and structured apprenticeship, educational and training programmes.
- (iii) Respecting the rights of employees to form and join unions, and the right to collective bargaining. In jurisdictions where this right is limited, we will provide alternative means of employee engagement and grievance remedy.
- (iv) Providing equal opportunities and the right to equal rate of pay for equal work for all employees without discrimination.
- (v) Facilitating the opportunity for advancement of women at all levels in our organisation and ensuring their protection.
- (vi) Creating a working environment where all forms of harassment and abuse can be eliminated.
- (vii) Enhancing a work place culture where innovation and enterprise can flourish, and where promotion is based on merit and organisational requirements.
- (viii) Providing a safe work environment focused on accident prevention and risk minimisation, with special emphasis on the handling of hazardous chemicals, and where employees are provided with free and adequate protective equipment and tools to undertake their tasks safely.

- (ix) Ensuring that company-provided housing is safe, sanitary and well maintained.
- (x) Paying employees based on the legally determined minimum wage that promotes productivity targets, and overtime work is compensated statutorily.
- (xi) Complying with legal requirements on holidays and leave entitlements, and ensuring that under normal circumstances, all employees have at least one day off in seven, and that working weeks do not exceed national guidelines.
- (xii) Ensuring that violence is never used to resolve labour issues or conflict.

3 ENVIRONMENTAL COMMITMENTS

3.1 We recognise the inherent value of forests and the ecosystem services they provide, as well as the scarcity of natural resources and threats from climate change. All our activities will be guided by a precautionary approach, and a no-deforestation objective. We recognise the limitations of individual company commitments in this area, and seek to work with all stakeholders including competitors in delivering positive long term conservation results.

3.2 Protect and enhance forests

We will seek to protect and enhance forest and wildlife, and minimise carbon emissions from land use change through:

- (i) Preservation of all intact forest landscapes within and surrounding our concessions, and where possible, adopting an enrichment landscape approach which goes beyond our land boundaries.
- (ii) A robust assessment of High Carbon Stock (HCS) prior to new plantings, using best available methodologies and the latest science as it evolves.
- (iii) Limiting new developments to low carbon stock areas with priority given to grasslands and scrub areas, and which have no demonstrable High Conservation Values (HCV).
- (iv) Ensuring our new developments take into account landscape planning at a regional level that balance socio economic development and conservation needs in a low carbon environment.
- (v) Achieving economic growth through yield intensification of our existing landbank in all crops.
- (vi) Proactive prevention of the destruction of HCV, through HCV assessments, prior to development.
- (vii) Implementation of international best practices for the maintenance and management of all identified HCV's, including managing human/wildlife conflicts, and to enhance where possible, the biodiversity of such areas.

- (viii) No new development of peat areas, regardless of depth or location. We will seek to rehabilitate existing plantings on peat where possible.
- (ix) Zero tolerance of the use of fire within our land boundaries and conservation areas, and the establishment of effective monitoring and prevention systems, as well as proactive firefighting measures in and around our operations.
- (x) Recognising that haze as a result of fire is a transboundary issue, we commit to influence other stakeholders to adopt the same stance.
- (xi) Striving to embed climate resilience into all our plantation operations and associated smallholders and communities.

3.3 **Protect and disclose environmental impacts and minimise resource use**

We aim to minimise our footprint and continuously reduce our use of resources through:

- (i) Ongoing measurement and initiatives to reduce our greenhouse gas emissions.
- (ii) Continuously measuring and reviewing our carbon footprint and report using best practice reporting systems (currently PalmGHG*), with a target to reduce emissions by 40% by 2020 (against a 2009 baseline).
- (iii) Protecting waterways through minimisation of water extraction and robust effluent treatment systems, and the development of water accountability protocols within all our plantations.
- (iv) Safeguarding the fertility of soils and where possible enhance these through good agricultural practices based on best available science.
- (v) Implementing integrated pest management programmes, with no use of paraquat or chemicals classed as hazardous under the WHO 1A. We will phase out the WHO 1B and those additional chemicals listed in the Rotterdam or Stockholm conventions.
- (vi) Minimising the impact of all our polluting activities and monitoring and treating effluents from plantations, mills and refineries as part of our total water accountability programmes.

*Roundtable on Sustainable Palm Oil (RSPO) PalmGHG Calculator

4 CORPORATE INTEGRITY COMMITMENTS

4.1 Protect ethical standards

We will maintain and continuously improve robust and effective systems to avoid and counter bribery and corruption in all its forms through:

- (i) The Sime Darby Code of Business Conduct (COBC) which covers agents and contractors, and details organisational responsibilities and consequences of breach. The COBC covers bribery, facilitation payments, guidance and procedure for gifts and hospitality, disclosure of political contributions, guidelines for charitable donations and sponsorships.
- (ii) Existence of a risk assessment taking into account geographical location, sector and relevant legislation (including extraterritorial where relevant) and identification of business functions vulnerable.
- (iii) Providing an internal mechanism for reporting and investigating any claims of dishonesty, bribery or corruption, and outlining how whistleblowers are protected from negative repercussions.
- (iv) Documenting the implementation of the policy such as training or guidance documents provided within the organisation, and supplier or agent clauses in contracts, as well as evidence of board oversight and monitoring.
- (v) Zero tolerance for individuals found to breach our ethical standards.
- (vi) Ensuring that tender processes are transparent, and that there is transparency on contractual agreements on land purchase and leasing to the extent allowed by legislation or the provisions of the agreements.
- (vii) Establishing systems to safeguard legal compliance for all jurisdictions in which we operate.

4.2 Disclose performance and objectives

We will report on our social, economic and environmental performance in accordance with best practice guidelines through:

- (i) Annual communication of progress to the Roundtable on Sustainable Palm Oil (RSPO).
- (ii) Reporting on material issues in accordance with the global reporting initiative every two years.
- (iii) Reporting on progress on the implementation of this charter annually.
- (iv) Aiming for the highest level of financial transparency, including disclosure of assets in which we have beneficial ownerships.

4.3 Enhance supply chain traceability

- (i) Working toward a fully segregated RSPO certified supply chain.
- (ii) Ensuring that FFB processed by our mills are traceable to our own estates and plasma smallholders, and that third-party FFB is purchased from legal and responsible sources.
- (iii) Ensuring that CPO processed in our refineries come from RSPO certified companies or companies whose commitments and practices are aligned to this policy.

5 PHASED IMPLEMENTATION AND ENFORCEMENT

- 5.1 The commitments of this Charter are effective immediately for all of our palm oil operations, both upstream and downstream, including associated smallholders.
- 5.2 Acknowledging the challenges to independent smallholders in our supply chain that this Charter will create, we strive to jointly find innovative solutions to ensure a balanced outcome and avoid exclusion. Where breaches occur we will work through constructive engagement with our business partners to resolve and prevent further non-compliances. In cases where breaches are repeated, we will cease to conduct business with them until they are able to demonstrate compliance to our Charter.
- 5.3 The Charter will be implemented as follows:

Crops	With effect from date of publication	July 2017	2018	2020
All Sime Darby palm oil	Full Charter commitments implemented			
All palm oil 3rd party suppliers			Full Charter commitments implemented	
All other crops	Human rights + High Conservation Value	Human rights + High Conservation value + High Carbon Stock*	Full Charter commitments implemented	

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

6 ENGAGEMENT AND CONTINUOUS IMPROVEMENT

- 6.1** We will follow best practice, and are guided by best available science and consultation with our stakeholders. We prefer structured guidance developed in multi-stakeholder contexts, and follow the latest developments of such initiatives. We are committed to RSPO certification as a base, as well as the commitments laid out in the Sustainable Palm Oil Manifesto (SPOM). In addition, we will adopt and verify our operations to be in compliance with the Palm Oil Innovation Group Charter. For HCS methodologies we will combine the outputs from the HCS Science Study and the High Carbon Stock Approach. We will also seek to apply issue-specific frameworks such as the Fair and Free Labour Principles and the FPIC guidance.

7 VERIFICATION

- 7.1** This Charter will be subject to third party verification.
- 7.2** We will embrace recognised multi stakeholder transparency initiatives and provide them with access to data to assist in independent verification.

8 SCOPE OF THIS CHARTER

- 8.1** This Charter has been endorsed by the Sustainability Committee of the Main Board.
- 8.2** This Charter will be reviewed at a minimum every three years.
- 8.3** This Charter will be made available to all stakeholders and players in our supply chain.
- 8.4** We invite other stakeholders to contribute to this Charter to improve not only our commitments, but also our implementation of its principles on the ground.



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