



Plantation

CHAMPIONING INNOVATION

ADVANCING SUSTAINABILITY

INTEGRATED REPORT **2023**

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Doing More With Less, With Game-Changing Innovation

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OUR REPORTING SUITE



INTEGRATED REPORT 2023

Our Integrated Report is our primary report for stakeholders and has been prepared to provide a balanced assessment of the Group's ability to create sustainable value based on our short, medium and long-term strategies whilst supported by our six capitals. It comprises a business review; our annual financial statements, which provide a comprehensive account of the Group's financial performance for the year; a sustainability statement which provides an overview of our environmental, social and governance (ESG) performance; and a governance section, which presents detailed reporting of our corporate governance statements including reports from each Board Committee.



SUSTAINABILITY REPORT 2023

Our Sustainability Report provides a detailed account of SD Plantation's approach to sustainability, our sustainability governance as well as the material matters that we have identified and which guide us in creating sustainable value for our stakeholders. Referencing the Global Reporting Initiative (GRI) standards, it also provides a detailed account of management's approach to each material matter, our initiatives to manage them, and our performance.

COVER RATIONALE

SD Plantation's goal is simple: make the industry more sustainable for the benefit of everyone. Innovation and sustainability are the twin pillars guiding our growth, shaping a thriving and responsible palm oil industry. By harnessing the power of innovation, we unlock sustainable solutions that benefit our people, communities, and the planet. We also embrace mechanisation, automation, and digitalisation to improve efficiency and attract skilled local talent.

About This Report

SCOPE AND BOUNDARY OF REPORTING

Contents of this report cover the operations of SD Plantation including our subsidiaries and joint ventures during the financial year period from 1 January 2023 to 31 December 2023, unless stated otherwise.

TARGETED READERS

This report has been prepared primarily for the providers of financial capital, namely our investors, financiers and shareholders. It is also relevant to any stakeholder interested in how we balance our vision for growth against environmental and social imperatives while upholding good corporate governance.

FORWARD-LOOKING STATEMENTS

In this report we have included certain forward-looking statements relating to future performance. Such statements are premised on current assumptions and circumstances which could change, hence they necessarily involve uncertainty. As various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements, readers are cautioned not to place undue reliance on them.

MATERIALITY

In preparing contents for this report, we have been guided by matters that are of material interest to the providers of financial capital and other stakeholders. These material matters have been determined by extensive stakeholder engagement as well as internal evaluation. They also reflect existing and emerging risks and opportunities which could affect SD Plantation's ability to create value.

REPORTING FRAMEWORK

All financial statements in this report have been prepared in accordance with the requirement of the:

- Main Market Listing Requirements issued by Bursa Malaysia
- Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia
- Malaysian Code on Corporate Governance (MCCG) 2021 issued by Securities Commission Malaysia
- Companies Act 2016
- Malaysian Financial Reporting Standards

Our non-financial statements, including climate-related disclosures, have been guided by the:

- Taskforce on Climate-related Financial Disclosures (TCFD)
- Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
- Sustainability Accounting Standards Board (SASB) Sector Specific Disclosures
- International Federations of Accounts for International Standard on Assurance Engagements (ISAE) 3000
- ACCA Malaysia Sustainability Reporting Guidelines for Malaysian Companies


FEEDBACK


We welcome all inquiries, comments and feedback on our Integrated Report in order to clarify issues and to further improve our reporting. Please communicate with us through:

 communications@simedarbyplantation.com

 **+(603) 7848 4000**

CROSS REFERENCES

 You can find more information within the report

 You can find more information online in our corporate website: www.simedarbyplantation.com

NAVIGATING OUR REPORT

This report is interactive. You'll find these tools throughout the Report:



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Print



Doing More With Less, With Game-Changing Innovation

Enhanced Production Without Land Expansion

With our high-yielding GenomeSelect™ seeds, we can produce more palm oil yield from our estates. This means:



- Substantially more yield on existing land
- Preservation of natural carbon sinks
- Biodiversity enhancement as natural habitats are preserved
- Financial savings from not having to purchase more land

Fewer Hands, And Lighter Work

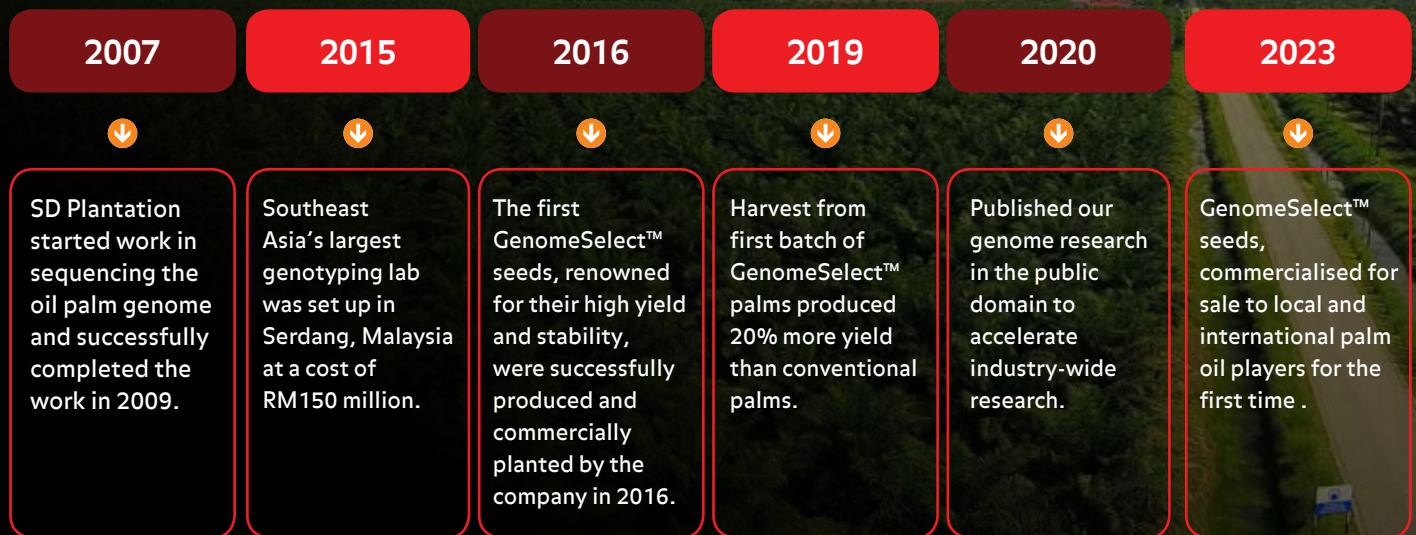
As we continue to push ahead with our mechanisation, automation and digitalisation (MAD) agenda, we are revolutionising the plantation industry, overcoming perennial challenges of:

- Labour shortage to carry out manual work
- Lack of skilled workers
- Perception of being labour-intensive and low-paying

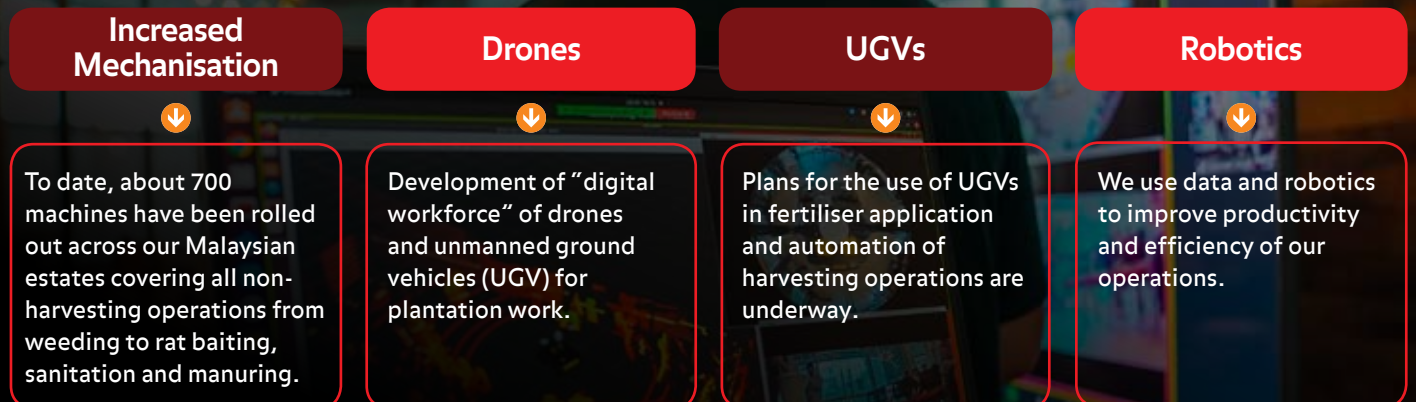


Delivering Value for a Sustainable & Brighter Future

Our journey towards producing the award-winning GenomeSelect™ began 16 years ago:



With increasingly advanced innovation, we have over the years become less and less dependent on hard labour.



NEW INNOVATIONS IN 2023

In 2023, we introduced:

- a new Geospacial-AI system enabling us to identify Ganoderma fungus-infected palms
- a new Point-to-Point drone spraying technology to control the Oryctes rhinoceros beetle
- a new method of drone baiting (R-Drop) to apply Rodenticide



Chairman's Message

Dear Stakeholders,

I first joined the Board of Sime Darby Plantation (SD Plantation or the Group) as an Independent Non-Executive Director in June 2022 and was appointed Chairman a year later, upon the retirement of Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas. It is an honour and privilege to helm the Board of a prominent establishment; one that has entrenched its position among the largest producers of certified sustainable palm oil in the world.

Over our long history, SD Plantation has pioneered agricultural best practices and several sustainability initiatives. Today, we are proud to be the first palm oil company to have our net-zero targets approved by the Science Based Targets initiative (SBTi). This validation came a year after we announced our commitment to achieving net-zero greenhouse gas (GHG) emissions across our value chain by 2050, in line with the Paris Agreement target to limit the rise in global temperature to no more than 1.5 degrees Celsius. We have made equal strides in ensuring our operations are cleared of forced labour, setting the benchmark for the industry.

As Chairman, I see it as my duty to ensure SD Plantation continues in the trajectory towards a future that lives up to our 200-year legacy. Together with my fellow Board members and the leadership team, I look forward to guiding the Group into the next phase of our growth.



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We have demonstrated resilience across the teams that have worked diligently to navigate through volatilities within the industry and global economy. ”



Chairman's Message

A WATERSHED YEAR FOR INTEGRITY

Challenges are inevitable in any industry but are more pronounced in ours given the scale of our operations, our large employee population, and the potential environmental and social impact. To manage these challenges, players have been adopting increasingly more responsible practices. Guided by our core values as well as the principles of the Roundtable on Sustainable Palm Oil (RSPO), SD Plantation has from the outset implemented comprehensive policies and procedures to safeguard the environment and support our internal and external communities. Nevertheless, our journey has taught us that there can be no room for complacency. To uphold integrity across our value chain consistently, it is critical that we continuously review our frameworks and, more importantly, strengthen our mechanisms to monitor efficacy.

It was inspiring to see the tenacity of the team at SD Plantation when addressing the import restrictions imposed by the United States Customs and Border Protection (USCBP). Beyond having this import restriction lifted, the Board was pleased with the development and implementation of a more rigorous Migrant Worker Responsible Recruitment Procedure (RRP). We also welcomed the move to implement key enablers that empower our workers to voice any concerns without fear of reprisal or other repercussions.

I am humbled by the commitment among the management team and those in operations who are implementing various new initiatives and monitoring their impacts. Sweeping changes are never easy; thus, there will be constant focus to ensure continued adherence to all the new programmes introduced.

STRONG OPERATIONAL & FINANCIAL PERFORMANCE

The year 2023 was one of mixed blessings. While the weather was largely conducive to oil palm growth and fresh fruit bunch (FFB) production, the continuing labour shortage in our Malaysian operations hindered optimum performance in the first half of the year. Nevertheless, by the third quarter we were able to bring in a sufficient number of workers to meet our needs. This allowed the Malaysian team to push ahead with a massive rehabilitation programme whilst implementing ongoing operational excellence initiatives. The result was a marked increase in crude palm oil (CPO) and palm kernel (PK) yields in our home market.

In our downstream operations, Sime Darby Oils (SDO) continued to pursue business transformation programmes, achieving positive results in the areas of digitalisation, safety, and innovation. Working closely with our mills and the Research & Development team, SDO has been able to produce healthier oils, which will be well received by our customers.

A milestone development this year was the commercialisation of GenomeSelect™ seeds which were developed in-house, and promises 10% – 34% more oil yield per hectare. Launched in the market in November 2023, sales to date have been encouraging, with take-up from both local and international players.

Overall, the Group achieved a revenue of RM18.43 billion, 12% lower year-on-year (YoY), while our profit attributable to equity holders of the Company came in at RM1.86 billion, 25% lower YoY, mainly because of the 15% decrease in realised CPO price. Based on these numbers, the Board has approved a final dividend of 6.05 sen per share. This, combined with the interim dividend of 3.25 sen per share and special interim dividend of 5.70 sen per share, translates to a total single tier dividend of 15.00 sen per share for FY2023. The Group has consistently met our dividend policy since the listing in 2017.



GenomeSelect™ seeds which were developed in-house, promises 10% – 34% more oil yield per hectare.

BUILDING OUR SUSTAINABILITY SCORECARD

The validation of our SBTi targets in 2023 illustrates the Group's steadfast commitment towards mitigating and addressing our impact on climate change.

By studying the potential impacts from rising sea levels and how it could affect our operations, we will continually evolve to adapt our efforts in sustainability. Our climate-related disclosures, an example of our commitment to transparency, are



guided by the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Looking ahead, we aim to align these disclosures with the financial reporting requirements of the International Sustainability Standards Board (ISSB). Our objective is to provide stakeholders with more detailed and transparent climate-related reporting that meets their expectations and needs.

ENHANCED GOVERNANCE PRACTICES

At the heart of our operations lies a commitment to good governance. Guided by the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission Malaysia, Bursa Malaysia's Main Market Listing Requirements (MMLR), and their equivalents in each country where we operate, we continuously enhance our practices to meet evolving standards.

We have further strengthened our Board diversity, with 40% of the Board comprising women directors, up from 30% last year. Following the annual review of our Code of Business Conduct (COBC), we also made revisions to our Conflict of Interest Guidelines and other internal policies.

Succession planning is another area that the Board focusses on as it is critical to leadership continuity. We nurture and develop talent to meet our present and future needs. Individuals showing exceptional potential are provided with accelerated development opportunities curated to enhance their skills. Employees who have been identified to take on critical positions are enrolled in prestigious executive education programmes, including those offered by the International Institute for Management Development (IMD), Harvard and the Center for Creative Leadership (CCL) for a more intense leadership development experience. Our talent also benefits from the dedicated support provided by executive coaches to guide them through their leadership journey.

ACKNOWLEDGEMENTS

The last few years have been particularly challenging for SD Plantation, yet we have emerged stronger, to chart the way forward to a brighter future. We have demonstrated resilience across the teams that have worked diligently to navigate through volatilities within the industry and global economy. To our Management and employees, thank you for your hard work and dedication to our shared goals and vision.

To my colleagues on the Board of Directors, thank you for your vote of confidence in electing me Chairman, as well as for continuing to guide the Group with wisdom and integrity. On behalf of the Board, I would like to extend a special note of gratitude to our previous Chairman, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas, who retired on 15 June 2023, for his leadership through some difficult times; as well as to Senator Datuk Seri Amir Hamzah Azizan, who stepped down from the Board on 12 December 2023 following his appointment as Finance Minister II. We would also like to welcome Mohd Irwan Ahmad Mustafa, who joined us on 23 August 2023 as Non-Independent Non-Executive Director and, at 43, has the distinction of being our youngest Board member; Jenifer Thien Bit Leong, who came on board on 22 December 2023 as an Independent Non-Executive Director; and our most recent addition, Sharifah Sheila Syed Muhamad, who joined us as a Non-Independent Non-Executive Director on 5 February 2024, replacing Senator Datuk Seri Amir Hamzah Azizan. With these new appointments, I expect robust discussions that will benefit all of us, particularly the company we are all dedicated to.

I also record my sincere appreciation to all our external stakeholders who have been integral to the many milestones we have achieved. To each of our shareholders, customers, suppliers and partners, thank you; with your continued support we can look forward to a promising future for SD Plantation.

TAN SRI DR NIK NORZRUL THANI NIK HASSAN THANI
Chairman



Our senior management attended the EY Disruptive Technology Programme at Silicon Valley, California, USA, in September 2023.



Group Managing Director's Review

The year 2023 was significant in more ways than one, as it marked 'new beginnings' for Sime Darby Plantation (SD Plantation or the Group) when we demonstrated resilience, the capacity to pivot and refresh, and the willingness to embrace change.

The year was marked by overcoming the ban imposed by the United States (US) Government on our products; resolution of a legacy legal issue in one of our operations; and addressing two years' worth of labour shortage issues that had impacted productivity. Another milestone was the commercialisation of our GenomeSelect™ seeds, the culmination of 16 years of research into oil palm genomics. We expect to make inroads into key markets, opening a whole new avenue for growth. Importantly, we continue to develop interesting leads and explore options and opportunities in the innovation journey we embarked on in 2021. In essence, we emerged from the year revitalised and ready for a new phase of growth in an industry that is evolving.

It gives me pleasure to present a review of our performance.

A YEAR OF TWO HALVES

The year got off to an uncertain start. The United States Customs and Border Protection (USCBP) ban was still in place and the labour shortage that began in the pandemic years was still hindering plantation operations.

Nearly a year after the submission of our report to the US Government, on 3 February 2023 the ban was lifted, and we resumed exports to the US. This was the result of rigorous efforts to review, revise and, where necessary, upgrade our protocols for recruiting, managing and engaging with our workers. However, by then, our Malaysian plantations were in dire need of rehabilitation, a task that was impossible earlier due to the labour shortage.

Thus, we focussed on two priorities in tandem, namely, recruiting the workers needed for our upstream operations, and increasing efforts to find solutions to reduce dependence on manual labour. The latter, codenamed Project Infinity, is about transforming SD Plantation into an Industrial Revolution 4.0 organisation through the adoption of mechanisation, automation and digitalisation.

We started the year short of about 5,000 workers. With diligence and persistence, we were able to address the deficit in phases, achieving our goal by the end of the third quarter. At the same time, supported by highly capable Research & Development (R&D) and Digital teams, we continued to explore several cutting-edge technologies around the world, including the use of autonomous vehicles and drones to substantially enhance the productivity of our plantations.

The expedited recruitment of workers helped significantly to increase both our plantation yield and the quality of our harvested fresh fruit bunches (FFB), cushioning the effects of lower crude palm oil (CPO) and palm kernel (PK) prices. For the year as a whole, the Group's FFB production in Malaysia increased 18% year-on-year (YoY) to 4.15 million metric tons (MT), while our oil extraction rate (OER) was 20.40%, as compared to 19.99% in 2022. Over in Indonesia, unusually hot and dry weather due to the early effects of El Nino led to a 3% decline in productivity to 2.68 million MT; however, OER increased from 21.32% in 2022 to 21.66% as a result of replanted areas coming to maturity. In Papua New Guinea and the Solomon Islands, shrinking mature areas due to aggressive replanting, as well as heavy rains that affected harvesting, led to both production and OER declining marginally, the former by 2% to 1.87 million MT and the latter by 0.62% to 22.06%, still the highest rate across the Group. Results for the Group collectively were extremely encouraging, with overall FFB production increasing 6% to 8.71 million MT and OER improving by 0.08% to 21.18%.

In the downstream operations, Sime Darby Oils (SDO) overcame the challenges faced in 2023, achieving higher refining margins, particularly in Europe and Africa, with an impressive 166% YoY growth. This remarkable achievement was driven by firm selling prices and reduced costs resulting from lower feedstock prices and decreased energy costs. Furthermore, SDO demonstrated its dedication to sustainability and market responsiveness by experiencing a significant 144% increase in physical sales of fully segregated and mass balance oils.



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**We leverage on
mechanisation,
automation and
digitalisation to
increase efficiencies,
drive productivity and,
ultimately, secure our
sustainability.**

”



Group Managing Director's Review

Mainly as a result of the 15% decrease in the average CPO price realised, from RM4,456 per MT in 2022 to RM3,772 per MT in 2023, SD Plantation's revenue decreased by 12% to RM18.43 billion. Profitability, meanwhile, was impacted by higher cost and lower downstream profits, leading to a net profit of RM1.86 billion compared to RM2.45 billion in 2022.

For more information on our financial performance, please read our CFO's Review on pages 52 to 55 of this report.

CORPORATE UPDATES

As part of an asset rationalisation programme, we disposed of our equity stake in two plantations in Indonesia – PT Ladangrumpun Suburabadi (LSI) and PT Sajang Heulang (SHE) – for IDR1.75 trillion (approximately RM530.25 million). The sale enabled us to settle an IDR1.65 trillion (about RM488.4 million) legal claim in early 2022, while resolving a legacy dispute matter.

In Malaysia, we have started to convert our rubber estates to alternative land uses, including solar development, that offer higher returns. If they agree, workers from the rubber estates will be redeployed to our oil palm plantations, where there is alignment to operational needs.

MOVING FORWARD

If we had to state just one reason why SD Plantation has thrived for more than 200 years, it is that we have constantly adapted to change, often leading the charge towards new frontiers in the industry. In 2022, as our last five-year strategy was coming to an end, we developed a new charter that considered shifts in the global environment. This roadmap, rolled out in 2023, has catalysed a high level of collaboration across functions Group-wide, bringing the entire team together to achieve the goals set in Operational Excellence, Innovation and Sustainability, which will serve to sustain our market leadership.

Operational Excellence

We leverage on mechanisation, automation and digitalisation (MAD) to increase efficiencies, drive productivity and, ultimately, secure our sustainability. As of at the end of 2023, 705 machines have been rolled out in our Malaysian estates, covering all non-harvesting operations, namely weeding, rat baiting, sanitation and manuring. This includes 10 new machines and a new Geospatial Analytic (Geo-AI) programme introduced in 2023. The Geo-AI system integrates our mapping capabilities, thus enabling us to identify Ganoderma fungus-infected palms. As a result of MAD, we are gradually reducing our labour requirements. In 2023 itself, we were able to reduce our non-harvesting workforce in Upstream Malaysia by 1,723 workers. Our end goal is to achieve a land to man ratio of 17.5ha:1, from 12.7ha:1 today, (which is already better than the industry average of 8ha:1), with Phase 1 aiming to achieve a ratio of 15ha:1 before 2027. The most challenging, and labour-

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We aspire to achieve a 100% local workforce for all non-harvesting work in our Upstream Malaysia operations by end-2027. ”

intensive aspect of plantation operations to mechanise is harvesting. To date, no oil palm plantation has been able to achieve this 'holy grail', and hence it is exciting that we are making credible progress in this area. Several harvesting prototypes are currently being tested and we hope to finally roll out one or more of these in the future.

We aspire to achieve a 100% local workforce for all non-harvesting work in our Upstream Malaysia operations by end-2027. With automation and machinery taking over physically demanding tasks, we will be able to attract more Malaysians to undertake tech-related functions that would also command higher salaries. Since the pandemic and restrictions on the recruitment of foreign workers, we have intensified all efforts to recruit more Malaysians, and have achieved notable success, attracting a total of 9,857 locals through various recruitment drives. Of this number, about 700 of our new recruits are in high-value jobs such as machine specialists, assistant technicians and field officers. We are also collaborating with technical and vocational education training (TVET) centers to equip students and trainees with skills that are relevant to plantation operations. We are also focussing on attracting more women to join the workforce, particularly in areas which have been mechanised. This will serve to dispel the notion that plantations are for men only, and go a long way towards creating the gender equality that we seek to achieve.

Innovation

The spirit of innovation continues to drive our operational excellence, and stems from the work being carried out in our R&D centres. In upstream operations, we created a breakthrough in 2009 by deciphering the oil palm genome. Through commercial-scale field testing, GenomeSelect™ has demonstrated an increased oil yield per ha of 10% - 34%. We have been progressively replanting our Malaysian estates with this seed since 2016, covering more than 10,000 ha to date and is set to increase significantly from this year onwards. We have sufficient seeds for more than 80% of our current requirement and are projected to have surplus quantities after 2026. This



inspired us to allocate some 300,000 seeds for sale to our partners in early November 2023. From an innovation that served our own purposes, GenomeSelect™ is set to become a viable business on its own.

Also in upstream operations, our digital experts continue to develop more platforms for precision agriculture and plantation management. This year, various upgrades were made to Palm Digital, our plantation management application which helps to improve our fertiliser management processes, digitise in-field operations and improve yields through data-driven decisions. The team is also working on expanding the use of autonomous vehicles and drones, pushing the boundaries as we seek solutions for challenging tasks. We believe that one day, these will be common sights in our plantations.

Meanwhile, collaborating closely with mills across the Group, our biotechnologists have developed oil mill procedures and analytical protocols allowing us to reduce to almost zero the mineral oil saturated hydrocarbons (MOSH) and mineral oil aromatic hydrocarbons (MOAH) contaminants in our products. This is a significant achievement as it opens many markets for SDO's pure and healthy oils, adding another feather in our cap



We have sufficient GenomeSelect™ seeds for more than 80% of our current requirement.

as we continue to seek excellence in quality, sustainability, innovation and digitalisation. This will further differentiate our oil with other players in the industry since we believe Not All Palm Oil is Created Equal.

Sustainability

SD Plantation was one of the founding members of the RSPO in 2004. We fully acknowledge the onus on oil palm players to adopt environmentally friendly and socially inclusive practices to minimise the negative impacts that have traditionally been associated with our industry. This has led to the Group becoming a frontrunner in the early adoption of best practices in sustainability. In 2023, we have continued to focus on three sustainability priorities – climate action, human rights and responsible sourcing.

Climate Action

In support of the global transition to a low-carbon economy, we have set the target of achieving 50% non-Forest, Land and Agriculture (FLAG) carbon emissions reduction by 2030 and net-zero emissions by 2050, from a 2020 baseline. We have also developed a Net-Zero Roadmap to steer us towards these goals. In November 2023, the Science Based Targets initiative (SBTi) approved our near-term and net-zero targets, making us the world's first palm oil company to attain this recognition.

Guided by our Net-Zero Roadmap, we are increasing our investments in renewable energy (RE). In 2023, we completed two biogas plants in our operations and began the construction of three more as we work towards a total of 45 plants by 2030. We also secured a 15 Megawatt quota for the development of our first solar plant in Bukit Selarong, Kedah, Malaysia, under the Energy Commission's Corporate Green Power Programme (CGPP). In addition, we continue to install solar rooftops in all feasible buildings in our operations, including our headquarters; and solar-powered fertigation systems in our estates.

We committed to No Deforestation, No Peat and No Exploitation (NDPE) in 2016. Meanwhile, large-scale tree planting and reforestation initiatives are underway in an effort to build up natural carbon sinks. During the year, we planted 470,641 trees in partnership with Nestlé Malaysia under its RELeaf Programme in Malaysia. We are also working with the Malaysian Palm Oil Green Conservation Foundation (MPOGCF) as co-founders of a project to restore 400 ha of peatland in Sarawak. The first phase of this initiative was launched in January 2024.

Our commitment to emissions reduction and responsible practices in general extends across our supply chain. I'm pleased to share that, because of regular engagements with our suppliers, 75% of them comply with the principles of NDPE.

Group Managing Director's Review

Human Rights

While we take pride in respecting and upholding human rights, the USCBP action against the Group was a wake-up call to the gaps that existed in areas not within our immediate line of sight. Following the USCBP ban, we conducted a thorough review of all protocols related to the International Labour Organization (ILO) 11 indicators of forced labour and, where necessary, revised or upgraded these guidelines. Our commitment to the highest standards of human rights practices was not only acknowledged by the US agency, but it was also validated by the RSPO in its own assessments, the final one conducted in May 2023.

We have since extended the exemplary practices implemented in Malaysia to enhance workers' welfare, into our global plantations. There is now more open dialogue with workers in Indonesia, where we have also made available an independent grievance channel and deployed a mobile application that quickens housing repairs. Meanwhile, in Papua New Guinea and the Solomon Islands, we have initiated a 10-year workers' housing improvement plan in line with ILO and national housing standards.

Responsible Sourcing

As one of the world's largest producers of certified sustainable palm oil (CSPO), we engage extensively with and support our smallholders to enhance their agriculture practices and attain the relevant sustainability certifications. To date, no less than 18,000 of our smallholders are RSPO certified. During the year, three Indonesian suppliers achieved RSPO certification, and another obtained the Indonesia Sustainable Palm Oil (ISPO) certification.

Another major exercise is the enhancement of our existing system to enable traceability of the palm oil we buy from third parties. This presents an opportunity for us to build trust with our customers. Thanks to a robust traceability system, our Traceability to Mill (TTM) currently stands at 93.2%, while our Traceability to Plantation (TTP) is at 70.9%. We are actively working to increase our TTP, exploring different solutions for spot market purchases through indirect suppliers who might lack immediate information about their upstream sources.

DEVELOPING & EMPOWERING OUR PEOPLE

It is a fact that we are only as good as our people. We therefore strive to attract the best talent and, subsequently, nurture and help them realise their true potential. In addition to providing broad-based training and development programmes, we identify skills that are required by the Group and shape our training to cater to these.



Our upstream operations are actively expanding the utilisation of autonomous vehicles and drones to perform tasks and push technological boundaries.

Today, as we transition into a high-tech, data-driven organisation, we are investing heavily into upskilling our people in various digital areas. In 2023, we launched our own Digital Academy, offering a range of modules, from the basics to more advanced. We are also leveraging the digital platform to empower self-directed learning. In June, we launched a Learning on Demand (LoD) programme powered by LinkedIn, offering more than 10,000 courses and videos for individual and team development. We have seen encouraging responses to this, with more than 1,847 employees completing over 159,554 modules on a variety of topics.

¹ S&P: Commodities 2024: Palm oil sees global recovery on biodiesel demand, stagnant supplies, 22 December 2023



In addition to professional development, we are placing greater emphasis on employee well-being. Since the pandemic, we have noticed increased stress levels, inspiring us to partner with NALURI, a Malaysia-based specialist in employee assistance programmes, to enhance our wellness initiatives. Concentrating initially on mental health, the programme has expanded to encompass physical and financial wellness. Employees in Malaysia also have access to a 24/7 wellness careline which is operated on a confidential basis.

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Today, as we transition into a high-tech, data-driven organisation, we are investing heavily into upskilling our people in various digital areas. ”

OUTLOOK

In 2024, industry pundits are predicting that CPO production in Malaysia will remain stable at around 18.7 million MT, whilst Indonesia's CPO production will remain stagnant, with dry weather, precipitated by El Nino, weighing down on yields. At the same time, demand for palm oil is expected to increase, not just for food applications but also as a biodiesel feedstock. In tandem with the Indonesian Government's B35 programme, demand to meet the country's biodiesel needs will grow substantially and in 2024 may even exceed that for food.¹

With the potential reduction in supply and corresponding increase in demand, SD Plantation looks forward to brighter prospects. Thanks to having overcome our labour shortage, acceleration of our mechanisation/automation programme, and replanting with our GenomeSelect™, we are confident of stronger production and yield. Meanwhile, efforts to enhance quality and efficiencies in our downstream operations are bearing fruit and will create more growth opportunities. These will be supported by significantly enhanced production capacity once the Sei Mangkei refinery in Indonesia is completed. The refinery is our biggest downstream investment in Indonesia, and we look forward to its commercialisation.

As we enter a new chapter of growth, we will be guided by our Strategy Blueprint which will ensure continued sustainability, creating value for the Group and for all our stakeholders. I am taking this opportunity to thank our shareholders and the entire SD Plantation family, from our Board of Directors to everyone in our workforce, for coming together in 2023. By *Championing Innovation, Advancing Sustainability*, we have further strengthened the Group's fundamentals, planting the seeds for a sustainably bright future.

DATUK MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

The Group at a Glance

Financial Highlights

Profit Before Interest and Tax

RM2.93

billion
(2022: RM3.62 billion)



Revenue

RM18.43

billion
(2022: RM21.03 billion)

Basic Earnings per share

26.9

sen



EBITDA

RM4.36

billion
(2022: RM 4.99 billion)

Return on
Shareholders' Equity

10.5%

Total Assets

RM31.90

billion
(2022: RM 31.1 billion)



Net Dividend Per Share

14.7 sen

(2022: 16.0 sen)

Certification



RSPO-1106024

Roundtable on
Sustainable
Palm Oil (RSPO)



Malaysian
Sustainable
Palm Oil
(MSPO)



Indonesia
Sustainable
Palm Oil (ISPO)

Key Highlights

Present in

**over 90
countries**



Operating in

12 countries



Oil Extraction
Rate

21.18%



Sales Volume

3,393,000
Metric Ton



Total
Employees
Globally

>84,000



Produce

12%
of global
certified sustainable
palm oil



Awards & Recognitions

4th
Place **SPOTT**

Sustainable Palm Oil Transparency Toolkit

- ASEAN Energy Awards (AEA), 2nd Runner Up, Energy - On Grid Category
- MDBC Innovation & Sustainability Awards (MISA 2023), Winner, Outstanding Malaysian Investor in the Netherlands
- ESG Positive Impacts Awards 2022, Silver Award, Governance, Reporting and Transparency (Governance Category)
- ESG Positive Impacts Awards 2022, Silver Award, Human Rights & Labour Standards (Social Category)

- ESG Positive Impacts Awards 2022, Silver Award, Waste Management (Environment Category)
- ESG Positive Impacts Awards 2022, Gold Award, Transformation (Others Category)
- ESG Positive Impacts Awards 2022, Gold Award, Supply Chain Management (Others Category)
- HR Excellence Awards 2023, Bronze Award, Talent Management
- Human Resource Development Awards 2023, Certificate of Excellence
- PwC Malaysia's Building Trust Awards 2023, Third Place (FBM KLCI category)

Credit Ratings



AAA
STABLE



FITCH RATINGS

BBB
STABLE



MOODY'S INVESTORS
SERVICE (MOODY'S)

BAA2
STABLE

Indices Representation



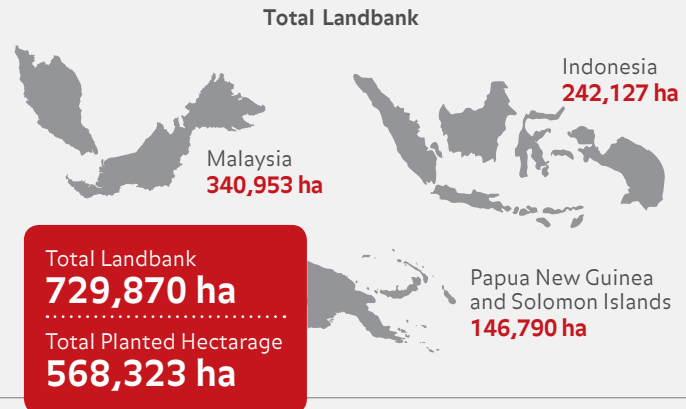
FTSE4Good

What We Do: Core Business Segments

Sime Darby Plantation (SD Plantation) is involved in the upstream and downstream sectors of the palm oil industry as well as renewable energy (RE), each supported by strong research & development (R&D) capabilities.

UPSTREAM

Our upstream business encompasses the end-to-end production of crude palm oil (CPO), from the development of seeds to the nurturing of oil palm seedlings in our nurseries, through to plantation and harvesting operations, and finally milling of fresh fruit bunches (FFB) to produce CPO and palm kernel (PK). This extensive chain comprises 234 estates and 68 palm oil mills in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands. In addition, we grow sugarcane and rear cattle.



DOWNSTREAM

Our downstream operations, represented by Sime Darby Oils (SDO), produce and market oils and fats, oleochemicals, palm oil-based biodiesel, nutraceuticals as well as other palm oil derivatives via a network of refineries, kernel crushing plants and sales offices across 11 countries in Asia, Oceania, Europe, Africa and the United States of America (USA).

- Our operations are located in:
- Malaysia
 - Indonesia
 - Singapore
 - Thailand
 - China
 - South Africa
 - Germany
 - The Netherlands
 - USA
 - United Kingdom
 - Papua New Guinea

- 11** refineries – total capacity of 3.99 million metric ton (MT) per year
- Others:
- 1** total bulking installation
 - 4** kernel crushing plants
 - 1** biodiesel plant
 - 1** soya crushing plant
 - 2** copra mills

RENEWABLES

Our commitment to sustainability led to the development of Sime Darby Plantation Renewable Energy Sdn Bhd (SDPRE), which focusses on value accretive activities in the renewable energy sector. Leveraging on assets and by-products of our core business, we are involved in solar, biogas and biomass projects that contribute to the Group's goal of achieving net-zero emissions across our value chain by 2050. We participate in various business capacities ranging from supplying feedstock to being a landowner and investor.

1,060 MWh electricity generated from **rooftop solar installations**

Total avoided emissions of **65,818 tCO₂e** through **effective biogas electricity exportation**

Commissioned **2 new biogas plants**

Total Capacity of Biogas Plants 83,630 MWh

RESEARCH & DEVELOPMENT

Our R&D capabilities encompass all research requirements across our integrated value chain. Through strategic and operational R&D, we are committed to developing, applying and transferring relevant knowledge, research findings and technologies to improve productivity and yields in our plantations and milling processes while empowering our downstream operations to produce the highest quality refined and customised products for customers. Through R&D, we also advance all our sustainability efforts, with a focus on protecting the safety of our people and well-being of the planet and its biodiversity.

5 R&D Centres in Malaysia, Indonesia and Papua New Guinea

Fully operational **genetic testing facility** in Malaysia to commercialise high yielding oil palm with secondary traits for harvesting efficiency and climate resilience

3 Innovation Centres in Malaysia, the Netherlands and South Africa

Developing better seedlings and systems to enhance plantation yields

Our Integrated Value Chain

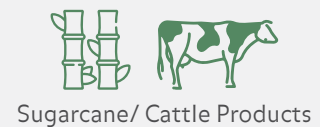
UPSTREAM



Oil Palm Nursery



Estate Management



Sugarcane/ Cattle Products

DOWNSTREAM



Health & Nutrition



Infant Formula



Food Preparation



Palm Oil Food Applications



Food



Animal Feed



Biodiesel



Oleochemical



Non-Food

RENEWABLES

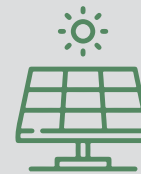
Large Scale Solar (LSS)



Rooftop Solar



Off Grid Solar



Solar Panel

RESEARCH & DEVELOPMENT (R&D)



Seed Production



GenomeSelect™



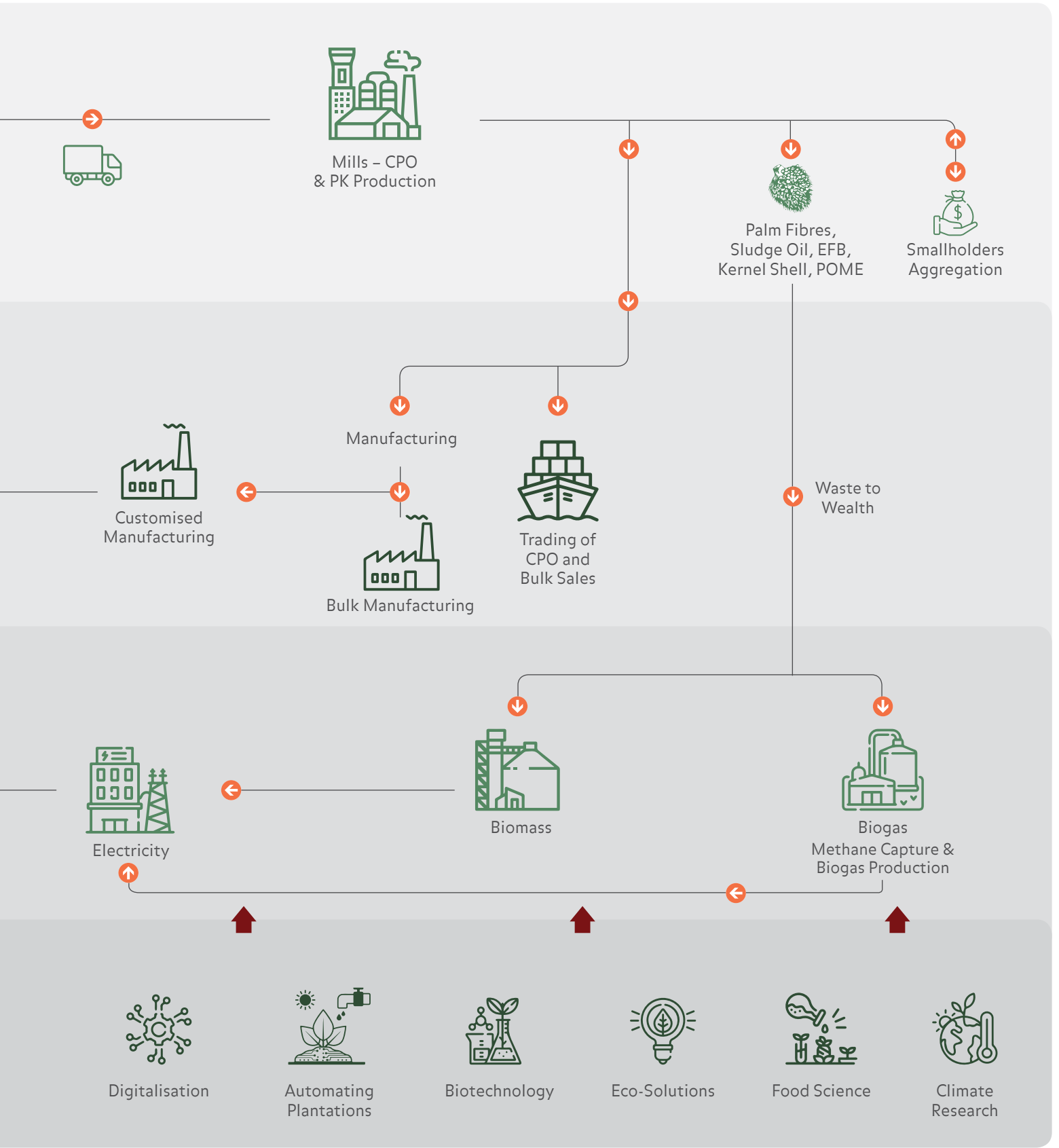
Precision Agriculture



Process Engineering



Mechanisation



1917

The first commercial planting of oil palm in Malaysia took place in Tennamaram Estate, Selangor, laying the foundations for the industry in the country.

1929

Research and development (R&D) in Kumpulan Guthrie Berhad commenced with the establishment of the Chemara Research Station.

1949

Chemara Research Station became Malaya's first R&D center to breed DxP palms, significantly enhancing yields and boosting oil palm's viability as an agricultural crop.

2001

Kumpulan Guthrie Berhad acquired Salim Group's plantation interest in Indonesia which increased its landbank by more than 260,000 hectares in Sumatra, Kalimantan and Sulawesi. This acquisition laid the foundation for the modern day Minamas Plantation.



1992

Golden Hope Plantations elected to the United Nations Environment Programme's (UNEP) Global 500 Roll of Honour for the commercialisation of Zero Burning Practice.

1990

Biological control for Integrated Pest Management (IPM) introduced in all plantations.

2004



RSPO-1106024

Golden Hope Plantations Berhad became a pioneer member of the Roundtable on Sustainable Palm Oil (RSPO).

Kumpulan Guthrie Berhad became the first plantation company in the world to receive the EUREPGAP (European Retailers and Producers Good Agriculture Practices) certification for plantation management.

2011

Gender Policy and Gender Committees, were established throughout SD Plantation's estates and mills to ensure development of female leadership and to promote active women participation in the workforce.

2010



SD Plantation launched an industry-first Child Protection Policy focussing on the protection of children living within its estates. The Policy included amongst others, the protection of children against maltreatment and the provision of access to protection mechanisms and education.

Corporate Milestones (1917 -2023)

1954

Chemara Research Centre set up a pisifera garden, enhancing DxP seed production and raising national yields by 33% with new planting materials.

1955

Harrisons & Crosfield's Palm Oil Research Station was established in Klanang Bahru estate, Banting, by research officer Brian Gray.

1960

Kumpulan Guthrie Sdn. Bhd. was incorporated.

1981

The Dawn Raid: Permodalan Nasional Berhad (PNB), acquired Guthrie Corporation Limited (GCL) bringing GCL under Malaysian control.

1989

Kumpulan Guthrie Berhad was listed on the Kuala Lumpur Stock Exchange.

1985



Golden Hope Plantations Berhad introduced the Zero-burning Replanting Technique to replace the traditional slash-and-burn method of clearing land.

2007

Merger of Kumpulan Guthrie Berhad, Golden Hope Plantations Berhad and Sime Darby Berhad to form the new Sime Darby Berhad. All plantation activities and operations were consolidated under a subsidiary, Sime Darby Plantation Sdn. Bhd. (SD Plantation).

2008

SD Plantation's Sandakan Bay Strategic Operating Unit (SOU) became the first SOU to receive RSPO certification in the company.



2009

SD Plantation decoded the oil palm genome, leading to the development of GenomeSelect™.





2016

SD Plantation launched its Responsible Agriculture Charter (RAC).

SD Plantation commenced the first large-scale planting of GenomeSelect™, its highest yielding oil palm seed to date, which would allow the company to further increase oil yield on existing land.



2015

SD Plantation acquired New Britain Palm Oil (NBPOL).

2017



SD Plantation became Malaysia's first ever company to win the Edison Award (Bronze Medal) under the Energy and Sustainable category for its GenomeSelect™.

Sime Darby Berhad demerged to create 3 iconic pure-play standalone businesses. SD Plantation was listed on Bursa Malaysia.

2021

SD Plantation began aligning its climate-related disclosures with TCFD recommendations

SD Plantation officially announced Project Infinity - its initiative towards accelerated mechanisation as well as automation and digitalisation to reimagine plantation operations and reduce its dependence on manual labour.

2022

SD Plantation announced Project OMEGA – a programme to transform all its mills in Malaysia, Indonesia and PNG into certified foodsafe facilities.



SD Plantation announced its 2050 net-zero commitment with a clear roadmap, a landmark moment for the palm oil industry.

2014

SD Plantation became the founding member of the HCS Science Study and committed to the Sustainable Palm Oil Manifesto, which set higher sustainability standards for growers, traders, end-users, and other stakeholders in the industry.



2013

SD Plantation established its Prevention of Sexual Harassment Policy.

2012

SD Plantation became the world's largest producer of Certified Sustainable Palm Oil.

2018



SD Plantation achieved 100% Malaysian Sustainable Palm Oil (MSPO) certification and became the largest producer of MSPO certified palm oil.

2019

SD Plantation launched 'Crosscheck', an open access online tool that allows everyone to trace sources of SD Plantation's palm oil in its supply chain.

2020

SD Plantation published its Genome research to help accelerate the effort by other plantation players in increasing palm oil yield on existing land and stopping deforestation.



SD Plantation achieved 100% RSPO Certified mills

2023

SD Plantation became the world's first palm oil company with fully validated net-zero targets.

SD Plantation kicked off 400-hectare Peatland Restoration in its operations in East Malaysia.

SD Plantation commercially launched its super high-yielding palm oil seed, GenomeSelect™.

SD Plantation's Integrated Approach to Value Creation

Value creation is integral to our business and strategies at Sime Darby Plantation. We recognise that, to create value for the Group, we need to protect not only the Group's interests but also those of our stakeholders. This is achieved through continuous assessment of our operating environment and engagement with our stakeholders leading to the identification of material matters. Focus on our material matters, in turn, guides the effective allocation of resources towards the attainment of our corporate goals.

Assess Our Context

Evaluate Our Operating Environment See page 36

We analyse our operating environment and identify mega trends, risks and opportunities which have the greatest impact on our ability to create value in the short, medium and long term. These include global and regional shifts in supply and demand of oils (both food and fuel), competition, changing regulatory requirements, customer trends, as well as increasing social and environmental requirements.

Identify Risks & Opportunities See page 41

Our ability to create value is impacted by risks that could derail the attainment of our goals; and opportunities that could accelerate or accentuate positive outcomes. We have in place a comprehensive risk management framework that allows us to identify these risks and opportunities, and manage them as we pursue our strategic and business objectives.

- | | |
|---|----------------------------|
| R1 Geopolitical Risk | R6 People Risk |
| R2 Supply Chain Risk | R7 Competition Risk |
| R3 Legal and Regulatory Risk | R8 Commodity Risk |
| R4 Climate and Sustainability Risk | R9 Financial Risk |
| R5 Operational Risk | |

Strengthen Stakeholder Engagement See page 25

Proactive engagement with key stakeholders allows us to understand their needs and be responsive to their expectations, prioritising what each stakeholder group values the most. In the process of delivering sustained value to all our stakeholders, we develop quality relationships with them which contribute to the continued growth and sustainability of our business.

- | | | |
|---|-----------------------------|--|
| S1 Customers | S2 Employees | S3 NGOs/Civil Society Organisations |
| S4 Industry Groups & Government Agencies | S5 Local Communities | |

Identify Our Material Matters

Material matters are those that could impact our ability to deliver value in the short, medium and long term. These are identified through an analysis of the macro-environment, our operating context, the resources we rely on, as well as feedback from our stakeholders. Our six material matters inform our strategy to manage our risks and leverage prevailing opportunities.

M1 Operational Performance


M2 Macroeconomic Conditions

M3 Occupational Safety & Health Performance

M4 People Management

M5 Social and Environmental Impact

M6 Capital Management

 See our materiality discussion on page 32 and material matrix on page 88

Reinforce Our ESG Commitments

The Group integrates robust business practices with our ESG aspirations, as a result of which, we are moving steadily towards our sustainability goals. Our initiatives focus on climate resilience, fair labour practices, and responsible agricultural methods where our collective efforts will ensure we achieve our sustainability objectives.



Integrate Our Strategy to Allocate Our Resources into Our Business Model

Outline Our Strategy

See page 48

SD Plantation has developed a comprehensive five-year strategic blueprint that will serve as a roadmap for growth and ensure our long-term success at the forefront of our industry.

- SS** Sustainability
- OE** Operational Excellence
- IN** Innovation

Allocate Our Capital

See page 24

The execution of our strategy relies on the disciplined allocation of the six capitals: Financial Capital, Natural Capital, Manufactured Capital, Intellectual Capital, Human Capital, and Social and Relationship Capital. We deploy our resources optimally and align our relationships to drive growth, reinforce resilience and deliver sustainable value for all our stakeholders.

- | | | |
|-----------------------------|--------------------------------|--|
| FC Financial Capital | MC Manufactured Capital | SRC Social & Relationship Capital |
| HC Human Capital | IC Intellectual Capital | NC Natural Capital |

Business Model

See page 22

We seek to actively manage our activities and their impacts to ensure we enhance the positive and minimise the negative outcomes of our business model, thereby generating and sustaining value for all our stakeholders.

For more details on our business activities, please refer to page 68 on our Integrated Report 2023.

Enhance Our Value

Value, for us, means Achieving Our Stakeholder Goals



Innovative Technologies



Producing More with Less



Industry Leading Blueprint



Net-Zero Roadmap Built on Best Practices and Science-Based Targets

Our Value Creating Business Model

OUR CAPITAL



... ENABLE VALUE-ADDING

Inputs

FC Financial Capital

The pool of funds available for our day-to-day operations and growth initiatives, including debt, retained earnings and equity funding

- Total Equity: **RM20.406 billion**
- Total Assets: **RM31.886 billion**
- Borrowings: **RM5.282 billion**

MC Manufactured Capital

The physical assets that we own or use in carrying out our operations across the Group, comprising our estates, machinery, mills and plants

- Estates: **234**
- Palm Oil Mills: **68**
- Palm Oil Refineries: **11**
- Bulking Installation Capacity: **284,900 MT**
- Biogas Plants: **16**
- Landbank: **729,870 ha**

IC Intellectual Capital

Intangible assets such as our R&D capabilities, the systems and processes that support our operations, our reputation and brand

- R&D Centres: **5**
R&D Malaysia (3) + R&D PNG + R&D Indonesia (Minamas Research Centre)
- Researchers (R&D) Employees: **1,384**
- Innovation Centres: **3**
- Genetic Testing Facility: **1**
- **Technology and Digital Solutions** that enhance operations including Drones and Artificial Intelligence (AI) Technology
- Total investments/expenditure in R&D: **RM181 million**

HC Human Capital

All our employees and workers who carry out our operations, determining our performance, productivity and ability to attain our corporate goals

- Total Employees: **84,670**
Employee by gender:*
- 10,901 or 17.5% Female
- 51,032 or 82.5% Male
- Workers in plantations and mills: **71,745**
- Permanent Employees: **38,379** (61%)**
- Non-Permanent Employees: **24,306** (39%)**
- High Performance and Innovative Culture

* Data does not include Papua New Guinea, Solomon Islands, the United Kingdom, and the Netherlands due to privacy laws.

** Data does not include Papua New Guinea, Solomon Islands, and the Netherlands due to privacy laws.

SRC Social & Relationship Capital

The relationships and partnerships we have developed with our network of stakeholders, including customers, employees, suppliers, NGOs and local communities

- Strong network of **3,602 vendors** approved and registered through the SD Plantation OVR (Online Vendor Registration) portal
- Smallholders support programmes and **supply chain collaboration**
- Deepen **communication and collaboration** to strengthen relationships with our key stakeholders
- High **Integrity, Trust and Transparent Communication** with our key stakeholders

NC Natural Capital

The renewable and non-renewable resources that are used throughout the Group, including electricity, fuel, water and land, among others

- Energy Consumption: **28,978,121 GJ**, 88% from renewable sources
- Water Consumption: **23,649,125 m³**
- Preserving the **environment through conservation** efforts
- Initiatives to **optimise consumption** of natural resources
- **Executing initiatives in our Net-Zero Roadmap**

STRATEGY

- SS** Sustainability
- IN** Innovation
- OE** Operational Excellence

KEY SUSTAINABILITY STRATEGIES

- Leadership in Climate Action and Social Performance
- Building Resilient Supply Chains
- Building Trust Through Engagement and Transparency

MANAGING OUR KEY RISKS

- Geopolitical Risk
- Supply Chain Risk
- Legal and Regulatory Risk
- Climate and Sustainability Risk
- Operational Risk
- People Risk
- Competition Risk
- Commodity Risk
- Financial Risk

MATERIAL MATTERS

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

MARKET TRENDS

- Rising demand for vegetable oils
- Supply disruption of palm oil
- Accelerating demand for climate action and commitment
- Volatility of vegetable oil prices
- Growing emphasis on digitalisation
- Increased competition from other edible oils
- Heightened regulatory environment
- Surging demand for renewables
- Widespread food security concerns

UPSTREAM

RENEWABLES



VISION

To be the leading integrated global palm oil player

VALUES



Integrity



Respect & Responsibility



Enterprise



Excellence

ACTIVITIES THAT CREATE ...



...VALUE FOR OUR STAKEHOLDERS.

Outputs

- **8,705,185 MT** FFB Production
- **2,206,044 MT** CPO Production
- **505,879 MT** PK Production
- **45,301,817 m³** biogas produced for methane capture



SIME DARBY OILS

RESEARCH & DEVELOPMENT

- Biomass (EFB, kernel shells)
 - **1,875,755 MT** EFB
 - **16,192 MT** kernel shells
- **11.83 million tons** carbon dioxide equivalent (tCO₂e) across Scopes 1, 2 and 3 emissions (2020: 12.2 mil tCO₂e)
- **182,810 MT** Waste (scheduled and non-scheduled) generated

Outcomes

FC FINANCIAL CAPITAL

- Profit For The Year: **RM2.033 billion** (2022: RM2.683 billion)
- Dividend Declared: **15.00 sen** per share (2022: 16.04 sen per share)
- Net Debt to Equity Ratio: **22%** (2022: 29%)

MC MANUFACTURED CAPITAL

- Yield per Hectare (MT/ha): **17.92** (2022: 16.63)
- Oil Extraction Rate (%): **21.18** (2022: 21.10)
- Palm Kernel Extraction Rate (%): **4.86** (2022: 4.87)
- SDO Sales Volume ('000 MT): **3,393** (2022: 3,318)
- Group Revenue: **RM18.428 billion** (2022: RM21.030 billion)
- Total CAPEX: **RM2.129 billion** (2022: RM1.729 billion)

IC INTELLECTUAL CAPITAL

- **-1,024** Registered Trademarks
- **-127** Pending Trademark Applications
- Implemented the **Palm Digital platform** to digitalise upstream operations, significantly enhancing efficiency in fertiliser management
- **Expanded data analytics capabilities**, focussing on improving supply chain traceability
- **Mechanisation and Technology** to reduce reliance on manual labour addressing labour scarcity, increasing productivity, efficiencies, yields and reduce environmental impact
- **Enhanced market news automation** supports our trading operations by providing actionable insights

HC HUMAN CAPITAL

- **RM47 million** allocated for **learning and development**
 - **RM2.4 billion** in wages paid
 - **Employee Attrition Rate 25.5%** (2022: 26.2%), including Malaysian Migrant Worker repatriation
 - **17.5% Women in Overall Workforce** (2022: 19.9%)
- Lost Time Injury (LTI): **1,729** (2022: 1,745)
- Lost Time Injury Frequency Rate (LTIFR): **8.7** (2022: 9.3)

SRC SOCIAL AND RELATIONSHIP CAPITAL

- Taxation paid: **RM1.087 billion** (2022: RM1.432 billion)
- **RM56.7 million** invested in community (2022: RM73.5 million)
- **24,526 individuals** benefitted from SD Plantation's CSR initiatives (2022: 62,906 individuals)
- **33,746** smallholders in support programmes

NC NATURAL CAPITAL

- Water Consumption Intensity: **1.52 m³/ton** FFB processed (2022: 1.37 m³/ton FFB processed)
- **2.28 million** trees planted to date (2022: 1.9 million trees)
- Sustainable palm oil practices support climate action and maintain ecosystem health
- Greenhouse Gas (GHG) emissions intensity (Scope 1 & 2) (tCO₂e/MT CPO/PK) **1.45** (2022: 1.61 tCO₂e/MT CPO/PK)
- Renewable energy capacity:
 - Biogas: **22.57 MWe** (Megawatt electric) (2022: 21.07 MWe)
 - Rooftop Solar: **2.03 MWp** (Megawatt peak) (2022: 0.58 MWp)



Our Value Creating Business Model





Stakeholder Engagement: Needs and Expectations

SD Plantation has an extensive network of stakeholders who contribute to our business, as well as those who are impacted by our operations. We highly value all our stakeholders and seek to create better relationships with them through open dialogue and transparency in everything we do. The ultimate objective is to create value for each stakeholder group, strengthening our position and reputation in the market.

Quality of Relationship	◆ No existing relationship	◆◆ Poor relationship	◆◆◆ Relationship established – room for improvement	◆◆◆◆ Good-quality relationship	◆◆◆◆◆ Excellent relationship	
Frequency of Engagement	Ⓜ Monthly	Ⓟ Bi-Annually	Ⓠ Quarterly	Ⓡ Annually	Ⓢ As required	
Capitals	Ⓢ Financial Capital	Ⓢ Human Capital	Ⓢ Manufactured Capital	Ⓢ Intellectual Capital	Ⓢ Social & Relationship Capital	Ⓢ Natural Capital
Material Matters	Ⓜ1 Operational Performance	Ⓜ2 Macroeconomic Conditions	Ⓜ3 Occupational Safety & Health Performance	Ⓜ4 People Management	Ⓜ5 Social and Environmental Impact	Ⓜ6 Capital Management

CUSTOMERS ◆◆◆◆

We have a global base of customers who purchase our refined oils and fats, including edible oils, biodiesel, nutraceuticals, and other palm oil-based derivatives.

Why We Engage

We work closely with our customers to understand their needs in order to tailor our products accordingly.

How We Engage

- Events, webinars, forums, meetings Ⓡ
- Surveys and feedback Ⓡ
- Regular business touchpoints Ⓡ
- Collaborative platforms and working groups Ⓡ
- Exhibitions Ⓡ
- SDO Customer Day Ⓡ
- Social media platforms Ⓡ
- Digital: Customer Dashboard Ⓡ

Key Concerns Raised

- Product quality, food safety, delivery and security of supply and services
- Product innovation and development
- Traceability
- Environmental harm, social injustice or exploitation
- Short-term and long-term product pricing

Our Approach

- HACCP, Indonesia Sustainable Palm Oil (ISPO), Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) certifications
- R&D support in developing new products
- Use of Crosscheck for transparency on source of oil
- Adherence to RSPO as well as NDPE policy
- Focus on product differentiation enables us to secure better pricing positions

How We Measure Value

- Customer satisfaction as measured in our annual survey
- The number of new products developed in a year
- Traceability to Mills (TTM) and Traceability to Plantation (TTP) rates
- Various ESG metrics on workers' well-being and environmental footprint

Capitals: Ⓢ Ⓢ Ⓢ Ⓢ Ⓢ Ⓢ Ⓢ Ⓢ

Material Matters: Ⓜ1 Ⓜ2 Ⓜ5

Stakeholder Engagement: Needs and Expectations

EMPLOYEES

We have **84,670** employees whereby 71,745 are workers in our plantations and mills.

Why We Engage

Our employees are our greatest asset as they drive our operations and are critical to the achievement of our business targets and strategy.

Key Concerns Raised

- Succession pipeline and talent bench strength
- Performance management and rewards
- Employee well-being and support
- Workers' welfare, wages and overtime
- Organisational culture and work environment

How We Engage

- Social dialogue sessions
- Muster, Union and Gender committee meetings
- Suara Kami helpline and Oil Palm Pal app
- Volunteer programmes
- Townhalls
- Recreational activities and social events

Our Approach

- Robust succession plan for key positions
- Quarterly employee performance conversations and annual appraisals
- Employee wellness programme including 24-hour hotline
- Enhanced recruitment procedures, worker hotlines, social dialogue platforms and app for workers to communicate with management
- Continuous engagement to drive a healthy working culture

How We Measure Value

- The ratio of talent to key positions
- Number of talents in the talent pool
- Organisational Health Index (OHI)
- Employee Net Promoter Score (eNPS)
- Number of grievances made through workers' hotlines

Capitals:



Material Matters:



NGOS/CIVIL SOCIETY ORGANISATIONS

SD Plantation is a founding member of the RSPO and subscribes to the MSPO and ISPO, while engaging with numerous NGOs and civil society organisations focussed on environmental and social issues.

Why We Engage

Engagement with NGOs enables us to contribute more meaningfully to creating positive environmental and social impact in combination with business performance.

Key Concerns Raised

- Well-being of communities living near SD Plantation sites
- Impact of existing operations and expansion plans
- Maintenance of human rights and labour rights
- Traceability of source of palm oil used in products.

How We Engage

- Information sharing forums, roundtable discussions, events
- Engagement surveys
- Collaborative projects, mentoring programmes
- Third-party verification on our supply chain

Our Approach

- Obtain communities' FPIC pre-development
- Adhere to Responsible Agriculture Charter, RSPO principles and NDPE Policy
- Adhere to Human Rights Charter, RSPO principles, and ILO guidelines
- We make our supply chain traceability data transparent through Crosscheck
- Submitted climate targets for SBTi validation

How We Measure Value

- Compliance with ILO labour indicators
- NDPE compliance in the supply chain
- Number of smallholders engaged in capacity-building

Capitals:



Material Matters:



Quality of Relationship

No existing relationship

Poor relationship

Relationship established - room for improvement

Good-quality relationship

Excellent relationship

Frequency of Engagement

Monthly

Bi-Annually

Quarterly

Annually

As required



FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

M1 Operational Performance **M2** Macroeconomic Conditions **M3** Occupational Safety & Health Performance **M4** People Management **M5** Social and Environmental Impact **M6** Capital Management

INDUSTRY GROUPS & GOVERNMENT AGENCIES ◆◆◆◆

Representatives from SD Plantation are involved in various industry bodies – Malaysian Palm Oil Board (MPOB), Palm Oil Refiners Association of Malaysia (PORAM), Malaysian Palm Oil Association (MPOA), etc – while the organisation also engages regularly with government agencies.

Why We Engage

Industry groups are forums for us to share knowledge and expertise, and stay abreast of current developments in the industry. Through partnerships with peers, we are also able to address industry issues more effectively. Meanwhile, government agencies set the rules and regulations that we must comply with, and which impact our businesses and the industry at large.

How We Engage

- Working groups
- Events, webinars, roundtable discussions, feedback
- Technical and taskforce committees
- Field and lab visits, and information sharing sessions

Capitals:



Material Matters:



Key Concerns Raised

- Support given to smallholders towards their certification
- Enhancing industry productivity given limited land for expansion
- Regulatory pressure and market forces on the uptake of RSPO certified oils
- Sustainability issues such as human/elephant conflict

Our Approach

- Capacity building and support for smallholders
- Sharing of genomic discoveries, and commercialisation of high-yield seeds
- Active representation in working groups of certification schemes (RSPO, MSPO, ISCC)
- Multistakeholder collaboration to resolve elephant encroachment
- Establish new sustainable supply chains and develop geospatial technology for monitoring and transparency

How We Measure Value

- Number of certified smallholders
- Productivity of member companies
- Uptake of RSPO-certified oils from member companies

LOCAL COMMUNITIES ◆◆◆◆

Local communities are those that live near our plantations and other operational sites, including some 52,000 small and independent farmers who supply us with FFB.

Why We Engage

Because local communities are close to our operations, they are necessarily impacted by our business activities. We engage with them to understand their needs and allay any concerns they may have.

How We Engage

- Community meetings and other forms of engagement
- Grievance mechanisms

Capitals:



Material Matters:



Key Concerns Raised

- Respecting land rights of local communities, often Orang Asli
- Fire and haze prevention
- Protection of the local ecosystem
- Support smallholders to enhance their livelihood
- Supporting employment and other needs

Our Approach

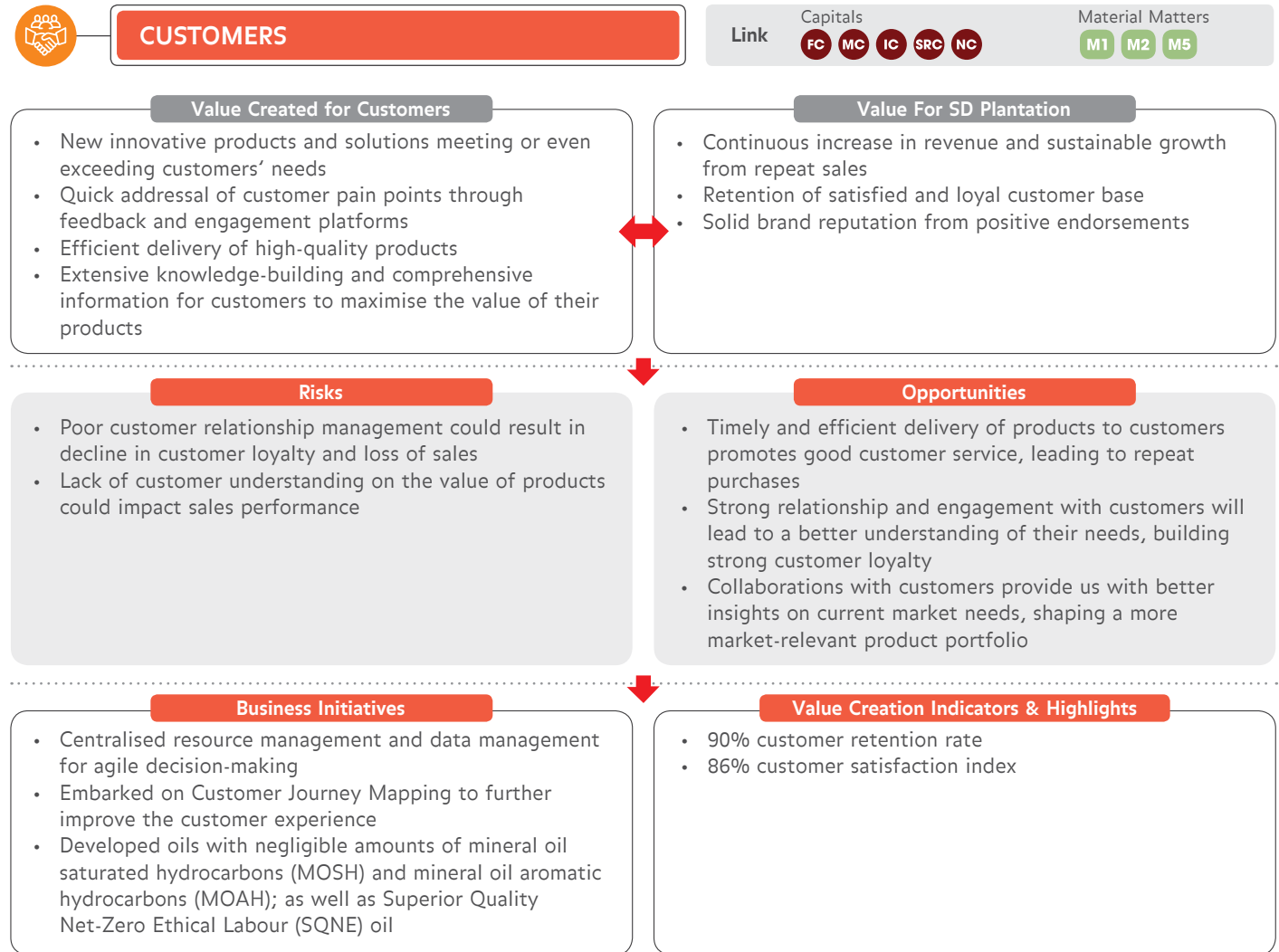
- Adherence to FPIC before developing any land
- Implementation of community fire prevention programmes
- Adherence to NDPE Policy, Responsible Agriculture Charter, endangered species conservation programme
- Assist smallholders to become RSPO-certified.
- Hire locals and provide training through Project *Lokal* and PROTÉGÉ Programme
- Community development through philanthropy; provision of scholarships; ensuring schools and health infrastructure in estates

How We Measure Value

- Certification of smallholders
- Conservation of endangered species
- Community awareness and capability in fire prevention and management

The Value We Create

We seek to manage our stakeholder relationships effectively because our stakeholders are important to us. In the following pages, we demonstrate the value that each key stakeholder group creates for Sime Darby Plantation (SD Plantation), and vice versa. Our objective is to build even greater trust and confidence in our stakeholders of SD Plantation's ability to deliver.





EMPLOYEES

Link

Capitals

FC HC SRC

Material Matters

M1 M3 M4

Value Created for Employees

- Market-competitive salaries and benefits to attract and retain talent
- Wellness programme and support to ensure the well-being of employees
- Flexible working arrangements for improved work-life balance
- Development of a purpose-driven culture
- Comprehensive HR Policies and governance structure
- Opportunities for employees to make their voices heard via engagements and social dialogue

Value For SD Plantation

- Energised and engaged employees contribute positively to the attainment of our business strategies and growth
- An innovative, up-to-date and competent workforce ensures long-term relevance
- A high-performance and customer-focussed work culture contributes to enhanced business outcomes
- Continuous improvement via acting-on-feedback

Risks

- Non-conducive work environment could lead to disengagement and potential hazards
- If employees are not sufficiently stretched or challenged, complacency could set in, impacting productivity
- Lack of governance could lead to non-compliance with regulatory requirements

Opportunities

- Intensive employee engagement would develop a sense of connection and inspire strong performance
- Robust professional development programmes and clear career progression serve to retain quality talent
- Diversity and inclusivity would establish SD Plantation as a forward-looking organisation and an employer of choice
- Digitalisation of human resources processes will facilitate productivity and efficiency

Business Initiatives

- Management Trainee Programme focussed on developing young leaders for future growth
- Flexible Working Arrangement Policy to promote work-life balance
- Wellness webinars/programmes covering aspects of physical, mental, social and financial wellness

Value Creation Indicators & Highlights

- Organisational Health Index (OHI)
- Employee Net Promoter Score
- Workers Satisfaction Survey



SUPPLIERS & VENDORS

Link

Capitals

FC MC SRC

Material Matters

M2 M3 M6

Value Created for Suppliers and Vendors

- High safety standards in line with stringent health and safety guidelines
- Prioritisation of local vendors to support their economic development
- Protection of suppliers' rights through robust policies and frameworks

Value For SD Plantation

- An engaged and reliable supply chain results in minimal disruption to operations
- Competitive prices and efficient delivery of suppliers' products and services
- The ability of SD Plantation to maintain high-quality products and services aligned with our brand promise

Risks

- Lags in delivery or receipt of low-quality products/ services from poorly managed suppliers could disrupt operations
- Suppliers' non-adherence to Environmental, Social and Governance (ESG) standards would impact the Group's overall sustainability performance

Opportunities

- Cost savings from procurement efficiencies and the diligent sourcing of the best value products and services
- Overall increase in quality of work of service providers due to fair and safe working conditions
- Coordinated shutdowns with feedstock and utility suppliers to minimise business disruption
- Establishment of SD Plantation as a sustainable organisation supported by a sustainable supply chain

Business Initiatives

- Regular engagement with suppliers through various formal and informal channels
- Vendor Development Programme (VDP) to elevate suppliers and help them grow their business

Value Creation Indicators & Highlights

- Supplier risk assessment on our No Deforestation, No Peat and No Exploitation (NDPE) commitments in 2023 indicated 95% of suppliers are low-risk, 3% medium-risk and 2% high-risk
- 17 Bumiputera vendors currently enrolled under VDP
- 98.9% of total procurement spend (RM10 billion) went to local suppliers

The Value We Create



COMMUNITIES

Link
Capitals: FC MC IC SRC NC
Material Matters: M1 M2 M5

Value Created for Communities

- Various socio-economic benefits from SD Plantation's contributions
- An abundance of training and job opportunities within the agriculture industry
- Environmentally safe operations throughout the value chain

Value For SD Plantation

- Positive brand and reputation as a responsible corporate citizen
- The support of engaged communities who understand our business objectives
- Creation of a sustainable supply chain through certification of smallholders within the community

Risks

- Any detrimental effects on surrounding communities or the environment could lead to a loss of public confidence
- Communities that are underdeveloped, could slow down inclusive economic progress

Opportunities

- Improved credibility as a responsible business via community outreach programmes
- Regular and consistent community engagements to address concerns effectively
- The creation of a certified and sustainable supply chain, and enhanced traceability to mills and plantation

Business Initiatives

- Smallholder programme
- Community engagement and development programmes
- Community fire prevention programme
- Education of school-going children
- Local employment opportunities through Project *Lokal* and PROTÉGÉ Programme
- Employee Volunteering Programme through Yayasan Sime Darby

Value Creation Indicators & Highlights

- 668 independent smallholders trained on sustainable agriculture practices to date
- Community-based fire prevention programme in 34 villages totaling 161,000 hectares
- Approximately 14,000 children in Indonesia receive free education
- 155 new local recruits via Project *Lokal*

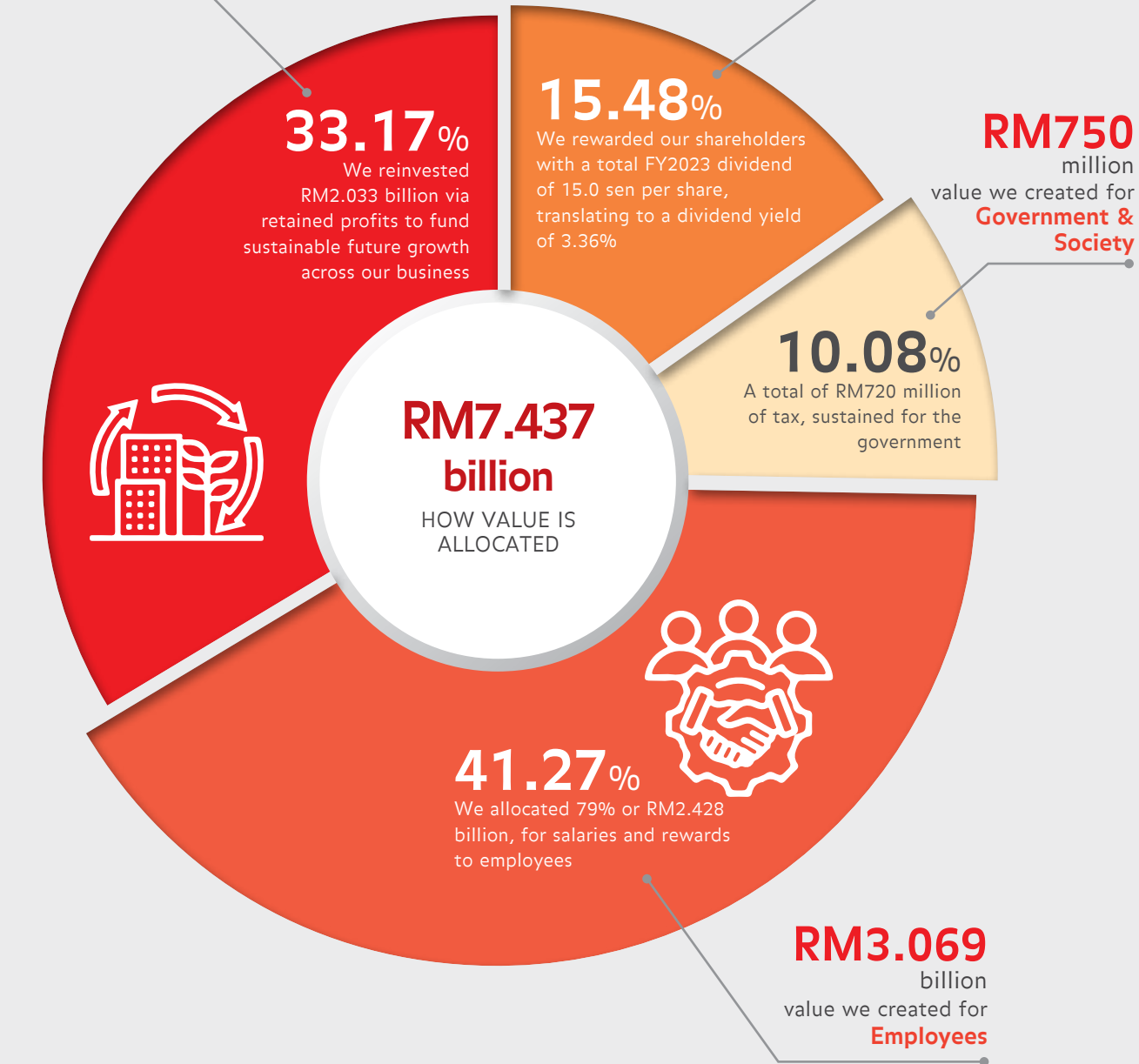
How We Distribute Value Created

RM2.467

billion
value we created for our
**Reinvestment and
Future Growth**

RM1.151

billion
value we created for
Providers of Capital



Material Matters

Through our engagement with stakeholders and analysis of the operating environment, we are able to discern our material matters, namely matters that are key to addressing risks and achieving our corporate objectives. These matters are taken into consideration when formulating plans and strategies to ensure we meet our goals while satisfying the needs of our diverse stakeholders.

OPERATIONAL PERFORMANCE

Our operational performance refers to the performance of our entire upstream and downstream operations, encompassing the productivity of our plantations, oil yield and production of oils, fats as well as other derivative products.

Why It's Important

Our operational performance is the core of our business and determines our financial performance, and our ability to create value for all our stakeholders - from our suppliers and smallholders to our employees, business partners, customers and local communities.

Risks

- Efforts to enhance productivity indiscriminately could have negative environmental and/or social consequences, impacting our reputation
- Sales would be impacted if our products do not meet increasingly stringent regulatory requirements
- Supply chain disruptions within our operations could delay critical supplies, affecting our customers. This, in turn, would affect our production and sales, leading to the loss of customers

Opportunities

- Strengthen our operational performance through responsible and sustainable practices while reinforcing relationships with our suppliers, including smallholders
- The development of innovative technologies to drive operational excellence could generate new revenue streams, reduce leakage and wastage, and lower costs

How We Respond

- Adoption of precision agriculture, mechanisation, automation, digitalisation and other innovative technology to reduce reliance on manual labour, as well as increase efficiency and productivity
- Adherence to sustainable practices, certifications and standards including our Responsible Agriculture Charter (RAC), Roundtable on Sustainable Palm Oil (RSPO) principles and No Deforestation, No Peat and No Exploitation (NDPE) commitment to maintain sustainable performance
- Focus on research and development (R&D) and work closely with customers to develop high quality products that meet regulatory requirements in all jurisdictions
- Maintain a high level of safety standards and Standard operating procedures (SOPs) across all operations to sustain a high level of productivity

Capitals

FC HC MC IC SRC NC

Strategy

SS OE IN

Stakeholders

S1 S2 S3 S5

FC Financial Capital HC Human Capital MC Manufactured Capital IC Intellectual Capital SRC Social & Relationship Capital NC Natural Capital

SS Sustainability OE Operational Excellence IN Innovation

S1 Customers S2 Employees S3 NGOs/Civil Society Organisations S4 Industry Groups & Government Agencies S5 Local Communities



PEOPLE MANAGEMENT

People management refers to all the policies and procedures in place to attract the best talent, nurture them, and ensure optimum performance as well as productivity. This encompasses protecting the well-being and safeguarding the rights of everyone who works for SD Plantation.

Why It's Important

Our people are our greatest asset as they determine our performance and the achievement of our corporate goals and objectives.

Risks

- If the well-being of our employees/workers is not protected, it will impact motivation levels and mental health, resulting in a high turnover, ultimately affecting our productivity and profitability
- Contravention of international labour policies could lead to sanctions and reputational damage
- Lack of adequate safety supervision could result in accidents or incidents, posing risks to employees'/workers' safety and well-being
- Dependence on foreign workers carries a risk of labour shortage

Opportunities

- By ensuring our employees'/workers' optimum well-being, we will not only enhance productivity and performance but also establish SD Plantation as an employer of choice, enhancing our retention rate and facilitating the recruitment of the best talent
- By modernising and scaling up the use of technology in our operations, we are able to attract more local employees and reduce our dependence on foreign labour

Capitals



Strategy



Stakeholders



How We Respond

- Complete review and strengthening of policies related to the recruitment and well-being of workers
- Frequent and timely employee engagement and management of grievances, by establishing grievance channels such as worker helplines and social dialogue sessions in our operations
- Continued implementation of hybrid working arrangements to allow flexibility for employees to achieve work-life balance
- Implementation of Project *Lokal* to attract more locals to work in our Malaysian plantations, offering more sophisticated jobs that involve the use of advanced mechanisation, automation and digital technology
- Implementation of voluntary health coverage, incentive schemes, and continuous review of rewards and benefits
- Implementing Nurturing Employee Wellness (NEW) programme covering mental, physical and financial well-being
- Contribute to nation-building by enhancing employability of young graduates in Malaysia via the PROTÉGÉ programme

MACROECONOMIC CONDITIONS

Macroeconomic conditions across global, regional and local context impacts all industries. The usual economic indicators actively monitored include GDP, inflation, unemployment and trade balance as well as fiscal and monetary policies.

Why It's Important

It is important to monitor macroeconomic factors that are relevant to our industry – such as fluctuations in commodity prices due to trade protectionist policies, geopolitical conflicts and market competition – as these can affect demand and supply trends and erode revenue potential. Changes in prevailing legal and regulatory frameworks may exert additional pressure on the business and increase the cost of compliance and operations.

Risks

Not keeping track of commodity prices, currency fluctuations, interest rate changes, weather-related events, regulatory shifts, global events and trends, and evolving consumer preferences would not only impact SD Plantation's performance in the short term, it would also result in the Group becoming irrelevant and losing our competitive edge.

Opportunities

The adoption of business intelligence (BI) tools and an agile way of working that is responsive to changes in the macroenvironment would place SD Plantation on a stronger footing to anticipate challenges, identify opportunities, and maintain our industry leadership.

Capitals



Strategy



Stakeholders



How We Respond

- Dedicated units as well as committees to keep abreast of developments, monitor and advise on the most appropriate strategies to navigate the challenges and capitalise on opportunities
- Adoption of an agile mindset via training to strengthen the ability of our business to respond to changing market conditions innovatively and quickly
- Practise proactive risk management, which includes active engagement of stakeholders to assess the business environment for disruptive changes or emerging risks, while capitalising on business cycles to deliver sustainable profit growth
- Diversify our business portfolio to capture more opportunities and spread our risks
- Intensify our investment into R&D to maintain a culture of innovation that keeps SD Plantation at the cutting-edge of ground-breaking technology

Material Matters

SOCIAL AND ENVIRONMENTAL IMPACT

The operations of all agriculture-based organisations have an environmental footprint and affect surrounding communities. This necessitates ethical business practices, sustainability initiatives as well as regular community and supplier engagement to create positive value.

Why It's Important

It is important to contribute positively to our local communities and minimise our negative environmental footprint to avoid regulatory sanctions and maintain a positive reputation in order to sustain our operations and the goodwill of society.

Risks

- In addition to legal and regulatory sanctions, we face the risk of conflicts with our local communities, and challenges in accessing markets that demand sustainable practices if we do not manage our social and environmental impacts
- By not addressing climate-related issues, we also face the risk of increased climate events that could disrupt production, yield and quality

Opportunities

- Increased investment into positive environmental and social outcomes would strengthen our reputation while ensuring sustainable operations
- By developing robust relationships with local communities, we are assured of their support, including the provision of human capital for our operations

Capitals



Strategy



Stakeholders



How We Respond

Social

- Engage regularly with the local communities and practise Free, Prior and Informed Consent (FPIC) principles before developing any land
- Provide technical and training support to smallholders through our Smallholder Inclusion programme
- Provide training and employment opportunities to locals in Malaysia through Project *Lokal* as well as the PROTÉGÉ Programme
- Assist in community development through outreach programmes, the provision of scholarships, and providing education and healthcare facilities in estates
- Empower local communities, for example, via fire prevention programmes to safeguard against such potential crises

Environment

- Adherence to our Responsible Agriculture Charter and NDPE Policy
- Strengthened our climate action commitment by developing science-based targets to achieve net-zero emissions across SD Plantation operations and supply chain by 2050
- Engaging suppliers to replicate our measures across their operations as a collaborative effort towards achieving sustainability

FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

SS Sustainability **OE** Operational Excellence **IN** Innovation

S1 Customers **S2** Employees **S3** NGOs/Civil Society Organisations **S4** Industry Groups & Government Agencies **S5** Local Communities

OCCUPATIONAL SAFETY & HEALTH PERFORMANCE

Commitment to preventing incidents, prioritising employee well-being, and continuously improving safety measures to create a sustainable and safe work environment.

Why It's Important

It is important to create a safe workplace to protect our employees and workers as well as our assets, thus enhancing our productivity and performance. At the same time, we are required to comply with all the relevant safety and health regulations in order to maintain our licence to operate.

Risks

Any safety and health shortcoming exposes SD Plantation to the risks of employee injury, legal consequences, financial losses, decreased productivity, damaged reputation, and potential regulatory scrutiny.

Opportunities

Continuous improvement of our safety and health protocols would lead to improved productivity, a positive workplace culture and image, and increased employee/stakeholder trust, leading to long-term sustainability.

Capitals



Strategy



Stakeholders



How We Respond

- Proactive Hazard Identification, Risk Assessment, and Risk Control by all employees
- Employees and supply chain partners receive regular training on safety and health awareness, equipping them with the knowledge and skills to operate safely
- Implementing Culture of Care and Project OMEGA to maintain high level health, safety, and environment (HSE) standards across all operations

CAPITAL MANAGEMENT

Strategic planning and systematic approach in maintaining financial stability and handling financial resources to achieve long-term growth and profitability.

Why It's Important

Effective capital management is critical for maximising returns to the Group as well as mitigating risks associated with capital depreciation, financial distress, value dilution or corporate credit rating downgrades.

Risks

Inefficient working capital management increases the risk of incurring a high cost of capital/financing which would decrease our margins and impact our bottom line.

Opportunities

Effective capital management provides opportunities for SD Plantation to optimise our financial structure and enhance our stakeholder value, contributing to the creation of sustainable long-term value.

Capitals



Strategy



Stakeholders



How We Respond

- Prudent and resilient capital management to maintain a strong balance sheet
- Optimise capital allocation among competing requirements while managing financial targets
- Effective management of working capital through optimisation of inventory levels, efficient collection from debtors, and effective utilisation of credit facilities to ensure sufficient capital resources for investment in income-generating activities

Our Market Landscape

We have a global customer base and operate in a complex business and regulatory environment that spans 12 countries. It is imperative that we stay engaged with our stakeholders to understand current issues. We keep abreast of evolving global trends and local developments which may impact our business and our ability to create value for stakeholders.

RISING DEMAND FOR VEGETABLE OILS

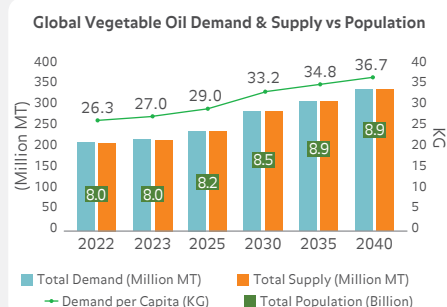
Potential Impact

Global food oil demand has been remarkably resilient despite challenges posed by the pandemic and geopolitical tensions. Current near-term demand continues to be driven by the requirement for high-quality clean palm oil products, balanced by concerns of a global slowdown in economic growth.

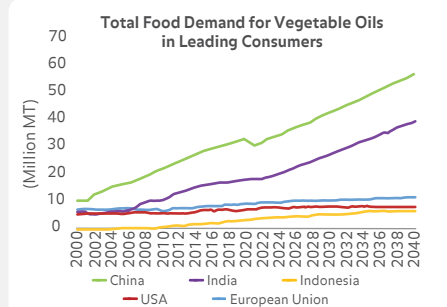
Of all the vegetable oils, palm oil is the most widely consumed, accounting for 36% of the total market. It has also been the fastest-growing vegetable oil since 2000 with a compound annual growth rate (CAGR) of 6%.

Outlook

The long-term outlook for vegetable oils is promising, driven by demand from the food and biofuel (primarily biodiesel) sectors. Demand for food oil will continue to increase along with the growing global population and increasing real gross domestic product (GDP) per capita. Demand for biodiesel, meanwhile, will be driven by a global move towards renewable fuels.



Source: LMC Oilseeds & Oil Report 2023



Source: LMC Oilseeds & Oil Report 2023

Our Response

- Drive productivity through innovation and improved efficiency, thus generating higher production sustainably. For example, we are working to improve yields with our GenomeSelect™ seeds while transforming our operational practices through advanced mechanisation, automation and digitalisation
- Continue to build, secure and maintain good relationships with customers by innovating to meet their needs proactively, seamlessly and promptly, via a robust supply chain model

SUPPLY DISRUPTION OF PALM OIL

Potential Impact

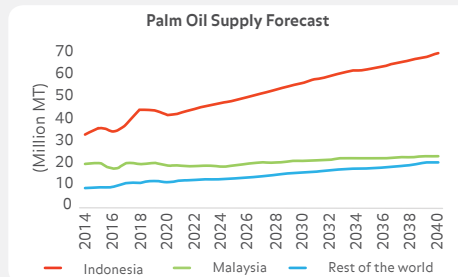
Palm oil production is affected by historical plantings and weather conditions which can affect yield and productivity.

In Malaysia, palm oil production has also been impacted by a labour shortage due to border control restrictions during the pandemic. The Russia-Ukraine conflict further hit our industry by driving up the price of input materials, notably fertilisers and fuel.

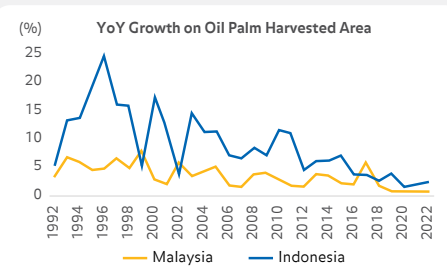
These factors have changed planting decisions as they alter the relative profitability of competing vegetable oil crops.

In the longer term, palm oil supply is expected to reduce due to environmental, social and governance (ESG) concerns that could impede expansion.

The palm oil industry has long been at the leading edge in sustainability issues. However, the focus on the industry remains, although issues have shifted over time, from environmental/biodiversity matters towards social and governance matters and, finally, back to climate change and greenhouse gases (GHG) mitigation. Any long-term palm oil supply disruption would require other vegetable oils such as sunflower, rapeseed and soybean oil to fill the demand gap.



Source: LMC Oilseeds & Oil Report 2023



Source: United States Department of Agriculture 2023

Our Response

- Actively recruit locals through Project Lokal to reduce reliance on foreign labour
- Invest in precision agriculture, such as advanced mechanisation, automation, and digitalisation solutions in our upstream operations, reducing reliance on manual labour
- Increase the use of higher-yielding planting materials, such as GenomeSelect™, which was developed in-house and is also more resilient to weather conditions and more efficient in terms of nutrition and water use
- Improve our yield per hectare in all mature areas



INCREASED COMPETITION FROM OTHER EDIBLE OILS

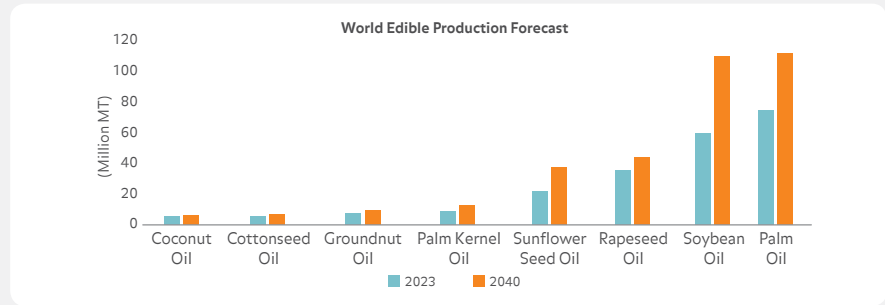
Potential Impact

Palm oil competes for market share with other vegetable oils such as rapeseed oil, soybean oil and sunflower oil. Although it benefits from higher productivity per hectare compared to the other oils, it is comparatively more labour-intensive, particularly during harvesting. In recent years, the expansion of oil palm plantations in Malaysia and Indonesia has slowed because of environmental concerns.

Collectively, these factors pose challenges for palm oil to scale up and increase long-term production.

Outlook

In 2023, palm oil and soybean oil accounted for over 64% of the vegetable oil market. This may increase to 67% by 2040. While soybean oil currently ranks second to palm oil, the gap between the two is likely to narrow over the next few years as palm oil supply growth in Southeast Asia slows, while the plantation of soybeans expands in Brazil. Some industry watchers predict that soybean may account for 33% of vegetable oils by 2040, next to palm oil at 34%.



Source: LMC Oilseeds & Oils Report 2023

Our Response

- Further enhance productivity and efficiency by replanting with higher-yielding GenomeSelect™ seeds and implementing precision agriculture through mechanisation, automation and digitalisation to improve yields and productivity while reducing costs
- Continue to focus on innovation for product differentiation, providing solutions that fulfil customer needs within the shortest possible lead time
- Explore diversification into the production of other crops and build the necessary supply chain

VOLATILITY OF VEGETABLE OIL PRICES

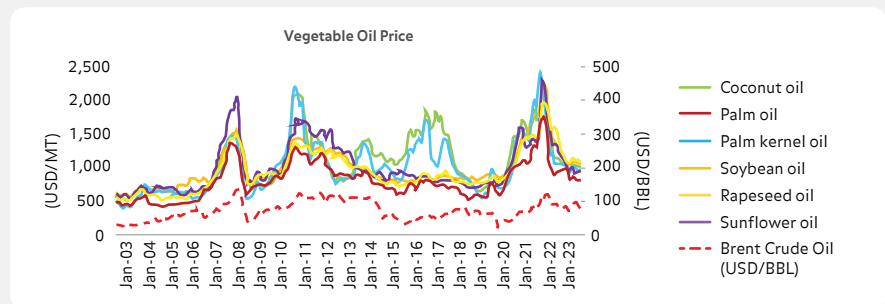
Potential Impact

Palm oil prices continue to be volatile due to disruptions and constraints in global supply. In 2022, these disruptions caused CPO prices to reach an all-time high.

Prices were stable in 2023 but remain susceptible to changes in global demand, tariff structures in major export and import countries, geopolitical factors, biodiesel mandates, and CPO inventory levels in Indonesia and Malaysia. The looming fear of a recession in China adds to the list of potentially disruptive factors.

Outlook

The price of palm oil currently sits at around USD1,000 per tonne, remaining strong compared with historical levels. Between now and 2040, its price is expected to remain relatively stable, at around USD1,000-1,200/MT, with the occasional spike in between. The next spike may occur in 2024, triggered by the 2023/24 El Nino season.



Source: World Bank

Our Response

- Enhance and optimise our supply chain to ensure seamless connectivity and prompt response to customer needs
- Focus on growing the downstream business to minimise the impact of price volatility on the Group's revenue
- Increases the proportion of differentiated product offerings over commodity products Differentiated products enjoy more stable prices as these are less vulnerable to volatilities caused by market shocks and disruptions
- Identify and expand alternative revenue streams from renewable sources, i.e. solar, biogas, biomass and alternative land uses

Our Market Landscape

ACCELERATING DEMAND FOR CLIMATE ACTION COMMITMENT

Outlook

Potential Impact

There is increasing pressure for companies to step up and take urgent decarbonisation action to limit global warming in line with the Paris Agreement. This has resulted in pressure on corporates and investors to also make environmental, social and governance (ESG) commitments.

In Malaysia, the Securities Commission Malaysia updated the Malaysian Code on Corporate Governance (MCCG) in 2021, to encourage companies to address sustainability risks and opportunities in an integrated and strategic manner, in order to support their long-term strategies.

Demand for climate action will continue to intensify as businesses, regulators and governments seek to fulfil their decarbonisation pledges.

Our Response

- Commit to achieving net-zero carbon emissions across the entire value chain by 2050, supported by a comprehensive strategy that includes accelerating renewable energy (RE) implementation, expanding land use transformation, and engaging with our suppliers
- Set Science Based Targets initiative (SBTi) targets and are monitoring the progress of our emissions reduction initiatives
- Continued adherence to MCCG 2021 by adopting and implementing practices and policies to address sustainability risks and opportunities

GROWING EMPHASIS ON DIGITALISATION

Potential Impact

Agricultural players have traditionally invested in mechanisation to enhance physical operations and reduce their dependence on labour. More recently, they have started to embrace digital technologies to take operational, administrative, and business management efficiencies to a new level. With a 360-degree view of estates via data collection, mining and analysis, plantation owners are able to plan, strategise, and make decisions more effectively.

In the downstream sector, there is increasing adoption of Fourth Industrial Revolution (IR4.0) concepts such as artificial intelligence (AI) and the Internet of Things (IoT) which utilise digitalisation and automation to improve manufacturing processes.

There are also growing expectations for digital solutions to support and improve ESG practices.

Our Response

- Focus on our digital delivery to achieve the targets outlined in our digital roadmap, aiming to transform our operations and align our processes and practices with global ESG standards. This includes incorporating intelligence into our systems and machinery to enhance operational efficiencies and governance.
- At the organisational level, explore and adopt relevant technologies that enable us to be more data-driven, leveraging insights obtained through data analytics, AI/machine learning and IoT solutions
- Set up a Digital Academy to develop digital and related skills in our people, equipping them with the relevant tools and capabilities to be more agile and thrive in a continuously changing business landscape

HEIGHTENED REGULATORY ENVIRONMENT

Outlook

Potential Impact

The palm oil industry is often required to defend itself against questions on sustainability, focussing on deforestation, open burning and forced labour, as governments, such as the European Union (EU) – have been imposing increasingly more stringent regulatory requirements.

- In 2018, the EU called for a phase-out of the use of palm-based biofuels in Europe by 2030
- In 2022, the EU Standing Committee on Plants, Animals, Food, and Feed (SCoPAFF) set limits of quantification (LOQ) for mineral oil aromatic hydrocarbons (MOAH) in fats/oils at 2mg/kg. European food companies will begin complying with the LOQ in the near-term
- On 29 June 2023, the EU Deforestation Regulation (EUDR) was passed, banning the import of any product that has contributed to deforestation

Regulations related to palm oil have become more prominent since the EUDR came into effect. Going forward, developed economies are expected to start imposing further regulations aligned with net-zero carbon emission commitments. As food safety and carbon emissions-related regulations become more stringent, agricultural companies will have to be more vigilant about maintaining the standards expected.

Our Response

- Effectively manage sustainability issues by engaging with relevant regulators and governments to address any allegations, resolve disputes, and create solutions
- Ensure the sustainability of improvement plans, from the assessment phase to their implementation and rollout beyond Malaysia



SURGING DEMAND FOR RENEWABLES

Potential Impact

Following the Paris Agreement, many countries are pledging to achieve net-zero emissions. This surge is further driven by heightened expectations from global investors for transparency and the implementation of stricter regulations, such as carbon taxes, which have already been introduced in neighbouring countries, Singapore and Indonesia. With the likelihood of Malaysia adopting a similar carbon tax system in the near future, industries are preparing for its potential impact with many turning their focus towards RE.

The Malaysian Government has consistently sought alignment with global carbon obligations. On 27 July 2023, it launched the National Energy Transition Roadmap (NETR) which is expected to unlock between RM1.2 trillion and RM1.3 trillion in investment prospects by 2050, for local and foreign investors. This is projected to contribute an additional RM220 billion to GDP and create approximately 310,000 green growth job opportunities by 2050.

Biofuel

Biofuel policies are being pursued with renewed vigour in the US, EU and elsewhere. Renewable diesel technologies allow for higher fuel blends than fatty acid methyl esters (FAME), while sustainable aviation fuel (SAF) policies will add another layer to biofuel consumption.

Biogas

Biogas production began to grow in the 1990s and has been rising since then, but policy support has only surged strongly in the last two years, due to a combination of factors.

First, with energy security concerns caused by the Russia-Ukraine conflict and the subsequent energy crisis, biogas is now regarded as a domestic energy source that can reduce dependence on natural gas imports and support energy security in many countries.

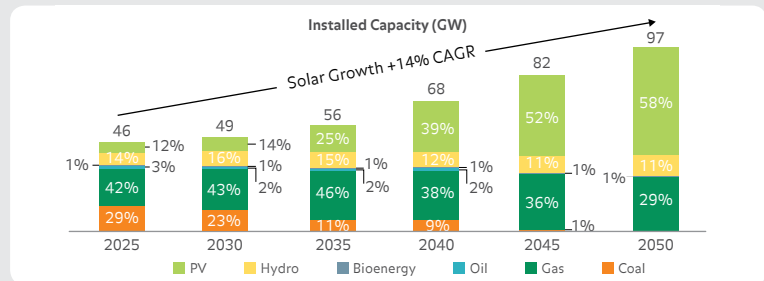
Second, given the urgent need to limit any rise in the global temperature to 1.5°C, countries have begun to view biogas as a ready-to-use technology that can help accelerate decarbonisation in the short term, and are developing specific policies that include biogas as a key component in their energy transition strategies.

Outlook

NETR's National Energy Mix

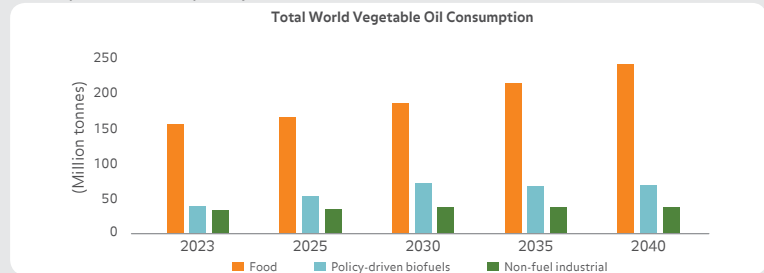
The Total Primary Energy Source (TPES) modelling indicates that Malaysia's energy demand will increase marginally at 0.2% annually from approximately 1,105MWh in 2023 to 1,186MWh in 2050.

NETR's Responsible Transition will help Malaysia to shift from traditional, fossil fuel-based energy systems to a greener, low-carbon energy framework. The ambition to achieve 70% RE share of installed capacity by 2050 is expected to be achieved, driven predominantly by solar PV installations. Significant solar capacity growth is required in the next three decades, with 59 GW of installed capacity by 2050.



Source: NETR

Vegetable oil demand has entered a wave of expansion driven by interest in renewable bio-based road and aviation fuels. In 2023, the world's total vegetable oil consumption for policy-driven biofuels increased by 2.79 million tonnes from 2022, and consumption is expected to grow by 4.4% per annum up to year 2040.



Source: LMC Oilseeds & Oil Report 2023.

Compared with 2017-2022, global biogas production growth is expected to accelerate over 2023-2028 thanks to the introduction of impactful new policies in more than 13 countries in 2022-2023.

The greatest growth will be in the EU and North America, owing partially to established infrastructure and greater experience, and driven by previous policies that make rapid deployment in a five-year term possible. Since China and India have considerable biogas production potential, rising energy demand and ambitious decarbonisation goals, they are also likely to be ready for accelerated growth beyond 2028.



Our Market Landscape

Our Response

Leveraging on NETR Agenda

- We proactively strategise RE initiatives, ensuring that all development plans are in line with the latest national directives
- While our primary goal is to reduce the Group’s carbon emissions and fulfil our net-zero commitments, we will explore opportunities to generate additional revenue streams through RE projects

Contributing to National Objectives

- We contribute to the national energy transition plan by leasing our lands for the development of solar farms. Some of our land is near industrial areas and could be used for RE generation

Utilisation of All Our Assets

- We embrace circular economy principles by utilising waste materials from our mills as feedstock for bioenergy through the operation of biogas plants and planned biomass initiatives. Consequently, we reduce the carbon intensity of SD Plantation’s palm products and supply chain

Readiness for Emerging Trends

- Following the surge in RE demand, we are exploring future technologies such as battery energy storage systems (BESS), hydrogen, and agrivoltaics

Biogas & Biomass

- We are exploring more RE opportunities using biogas and biomass

GEOPOLITICAL RISKS

Outlook

Potential Impact

Geopolitical unrest – such as the Russia-Ukraine and Israel-Palestine conflicts – affects the edible oil industry, causing fluctuations in demand, disruptions in global supply chains, and increased volatility in commodity prices.

In 2024, geopolitical tensions rose further as a result of the evolving Israel-Palestine conflict. 2024 is also dubbed the year of elections, with many populous nations holding elections such as India, the US, Indonesia, Pakistan, Russia and Mexico, which are also major markets for edible oil consumption and production.

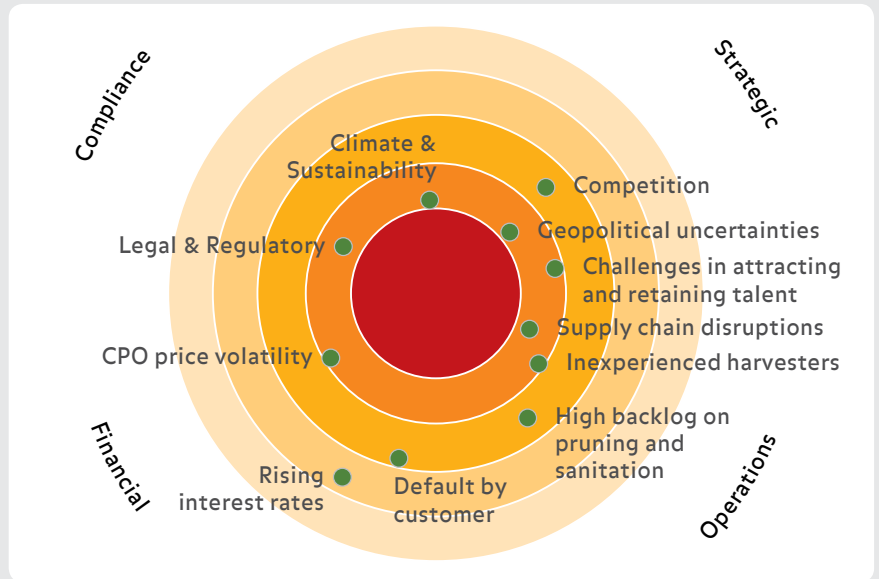
In the face of volatility, it is important for businesses to be cognisant of current and emerging risk trends as well as opportunities.

Our Response

- Continue to monitor geopolitical developments
- Close engagement with customers and suppliers to understand impact
- Monitor global raw material prices to ensure budget accuracy

Managing Our Key Risks

As with any other industry, the palm oil industry faces numerous risks that could be potentially disrupt and impede the achievement of strategic targets. In response, Sime Darby Plantation (SD Plantation or the Group) has taken a proactive stance by systematically identifying both current and anticipated risks, and put in place mechanisms to manage and mitigate them. In the following pages, we outline our key risks as well as the strategies implemented to minimise their impact.



Note: Risk perspectives that are closer to the centre of the radar have either a significant impact/strategic importance to SD Plantation and/or have a higher probability of occurrence.

RISK TREND

▲ INCREASED ▼ DECREASED ◀ STATIC

1 Geopolitical Risk

RISK TREND ▲

DESCRIPTION

Geopolitical uncertainties from events such as the ongoing Russia-Ukraine and Israel-Palestine conflicts could affect demand from the Group's key markets, disrupt global supply chains and cause volatility in commodity prices.

FY2024 will see numerous general elections around the world. Elections in the countries where we operate – i.e. Indonesia and the Solomon Islands – could heighten political and security risks for the Group.

Potential Impact

- Decline in demand from key markets
- Increase in operating costs

Key Mitigation Strategies

- Continuously monitor key geopolitical developments that may expose the Group to systemic risks and realign strategies such as supply chain decisions
- On-the-ground and close engagement with customers and suppliers to monitor and understand the impact of geopolitical developments
- Close monitoring of global raw material prices to ensure accurate budget costing for projects
- Adopting appropriate selling strategies in response to the changing operating environment

Link to SD Plantation's Strategic Pillars

OE Operational Excellence

IN Innovation

Capital Impacted

FC MC SRC

Material Matters

M1 M2 M4 M5

FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

M1 Operational Performance **M2** Macroeconomic Conditions **M3** Occupational Safety & Health Performance **M4** People Management **M5** Social and Environmental Impact **M6** Capital Management

Managing Our Key Risks

2

Supply Chain Risk

RISK TREND
▲

DESCRIPTION

Geopolitical uncertainties continue to pose a threat to global supply chains as international conflict could impact shipping routes, rates and availability.

Potential Impact

- Disruption to business operations
- Increased cost of doing business (i.e. freight rates)

Key Mitigation Strategies

- Implement proper planning and inventory management
- Manage costs strategically by, for example, consolidating orders for better utilisation of containers and undertaking bulk purchases for economies of scale

Capital Impacted

FC
MC
SRC

Material Matters

M1
M2
M3
M5

Link to SD Plantation's Strategic Pillars

OE

Operational Excellence

3

Legal and Regulatory Risk

RISK TREND
▲

DESCRIPTION

Changes in the regulatory landscape in the markets where the Group operates may expose us to higher compliance costs and increased scrutiny.

Rising nationalistic sentiment, particularly in the countries with upcoming elections where the Group operates, exposes Sime Darby Plantation (SD Plantation) to the risk of unfavourable policies that could impact the Group's strategy, operations and financials.

Potential Impact

- Increased cost of doing business
- More stringent regulatory requirements in the countries where the Group operates

Key Mitigation Strategies

- Proactive engagement and communication with all stakeholders to understand and, where possible, mitigate the potential impact of proposed regulatory changes
- Close liaison with local regulators or authorities to ensure continued compliance with any policy changes
- Active monitoring of potential policy changes to prevent any non-compliance

Capital Impacted

FC
MC
IC
SRC

Material Matters

M1
M2
M3
M4
M5
M6

Link to SD Plantation's Strategic Pillars

SS

Sustainability

OE

Operational Excellence



FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

M1 Operational Performance **M2** Macroeconomic Conditions **M3** Occupational Safety & Health Performance **M4** People Management **M5** Social and Environmental Impact **M6** Capital Management

4 Climate and Sustainability Risk

RISK TREND ▲

DESCRIPTION

Sustainability posed a key risk in FY2023 with increasing scrutiny from customers and regulators resulting in stricter sustainability requirements (e.g. Mineral Oil Saturated Hydrocarbons (MOSH)/ Mineral Oil Aromatic Hydrocarbons (MOAH) and 3-monochloropropane diol (3MCPD) and Glycidyl fatty acid esters (GE) requirements).

An emerging risk includes the European Union Deforestation Regulation (EUDR) in response to climate change, which comes into effect on 30 December 2024.

Adverse or unpredictable/ unexpected weather conditions intensified by El Nino in countries where the Group operates may also have an impact on the safety and productivity of employees, yield and supply chain.

Potential Impact

- Increasingly stringent requirements from customers and regulators on sustainability practices
- Increased cost of doing business
- Adverse weather impacting yield and productivity

Key Mitigation Strategies

- Developed a strategy to achieve net-zero emissions by 2050 with targets that have been approved by the Science Based Targets initiative (SBTi)
- Implementing Project OMEGA initiative to accelerate food safety compliance and certification of SD Plantation’s oil mills
- Active engagement with all stakeholders to communicate the Group’s sustainability initiatives
- Continuous strengthening of sustainability practices on the ground, with monitoring and tracking to ensure compliance
- Climate risk management initiatives, e.g. community awareness of fire prevention in Indonesia; and water conservation, soil management, water irrigation and retention strategies

Link to SD Plantation’s Strategic Pillars

- SS** Sustainability
- OE** Operational Excellence
- IN** Innovation

Capital Impacted

FC **MC** **IC** **SRC** **NC**

Material Matters

M1 **M3** **M5**

5 Operational Risk

RISK TREND ▼

DESCRIPTION

High backlog on pruning and sanitation

The labour shortage and reassignment of general workers to harvesting operations during the pandemic resulted in a substantial backlog for pruning and sanitation. However, this risk has been significantly reduced with the arrival of workers in FY2023.

Potential Impact

- Lower productivity leading to opportunity loss

Key Mitigation Strategies

- Mechanisation and automation initiatives, such as utilisation of specialised machinery, mechanical cutters and mini excavators
- Active recruitment of pruners
- Close monitoring by management

Link to SD Plantation’s Strategic Pillars

- OE** Operational Excellence
- IN** Innovation

Capital Impacted

FC **HC** **MC** **IC**

Material Matters

M1 **M3** **M4**

Managing Our Key Risks

6 People Risk RISK TREND

DESCRIPTION

Inexperienced harvesters

Lack of relevant skills or experience among harvesters as new workers have little to no experience in harvesting.

Potential Impact

- Lower productivity leading to opportunity loss

Key Mitigation Strategies

- Accelerate mechanisation, automation and digitalisation initiatives in plantations, including finding technological solutions for harvesting
- Attract, retain and motivate local workers via improved remuneration, additional training, and collaboration with government agencies as well as educational institutions to tap into local talent
- Intensive on-the job training to accelerate skills development among harvesters, while actively monitoring their productivity and coverage
- Implement operational solutions such as team-based harvesting system fostering collaboration and specialisation

Link to SD Plantation's Strategic Pillars

- SS** Sustainability
- OE** Operational Excellence

Capital Impacted

FC HC MC IC SRC

Material Matters

M1 M3 M4

DESCRIPTION

Challenges in attracting and retaining talent

Increased cost of living, challenging economic conditions, and the expansion of job markets beyond borders with new/remote ways of working increase the flight risk to our talent pool. There is also increased competition in attracting and retaining the right talent.

Potential Impact

- Lack of resources and diminished availability of specific skillsets, experience and knowledge to execute the Group's strategies

Key Mitigation Strategies

- Comprehensive succession plans for critical job functions, with succession planning made a key performance indicator (KPI) for key management personnel
- Continuous training and development through Digital Academy and Learning on Demand to enhance employees' skills and knowledge
- Robust performance management framework to identify and develop key talents
- Rewards review and benchmarking to ensure competitive remuneration packages
- Focus on employee well-being through programmes in collaboration with Naluri, Sime Darby Oil's Culture of Care and other initiatives

RISK TREND

Link to SD Plantation's Strategic Pillars

- SS** Sustainability
- OE** Operational Excellence
- IN** Innovation

Capital Impacted

FC HC MC IC SRC

Material Matters

M1 M3 M4



FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

M1 Operational Performance **M2** Macroeconomic Conditions **M3** Occupational Safety & Health Performance **M4** People Management **M5** Social and Environmental Impact **M6** Capital Management

7 Competition Risk **RISK TREND** ▲

DESCRIPTION

Competition risk escalates under challenging economic conditions, exacerbated by factors such as market demand for vegetable oils, increase in operating costs, inflationary pressure, and regulatory changes.

- Potential Impact**
- Intense price competition affecting profitability
- Key Mitigation Strategies**
- Close monitoring of customers' and competitors' strategies to better prepare for any shift in market trends
 - Close engagement with customers to ensure competitiveness
 - Continuous assessment and realignment of selling strategies to remain competitive
 - Marketing activities to strengthen the Group's brand in key markets
 - Operational initiatives to ensure quality of products and services as well as their differentiation

[Link to SD Plantation's Strategic Pillars](#)

- OE** Operational Excellence
- IN** Innovation

Capital Impacted
FC MC SRC NC

Material Matters
M1 M2 M5 M6

8 Commodity Risk **RISK TREND** ◀▶

DESCRIPTION

The CPO price was volatile in FY2023 due to factors such as intense competition from other vegetable oils, weak demand for palm oil, as well as higher palm oil output.

- Potential Impact**
- Lower profitability
 - Risk of higher inventories due to lower demand
- Key Mitigation Strategies**
- The Group uses derivative instruments to hedge against the risk of adverse price fluctuations
 - Improve product and service offerings through diversification and differentiation of existing products

[Link to SD Plantation's Strategic Pillars](#)

- OE** Operational Excellence

Capital Impacted
FC MC IC

Material Matters
M1 M2 M6

Managing Our Key Risks

9 Financial Risk RISK TREND

DESCRIPTION

Soft demand for palm oil due to economic conditions, competition from other oils and high inventories could increase the risk of payment default by buyers as well as non-performance of contracts.

Link to SD Plantation's Strategic Pillars

OE Operational Excellence

Capital Impacted
FC MC SRC

Material Matters
M1 M2 M6

Potential Impact

- Financial losses

Key Mitigation Strategies

- Active monitoring of credit exposures and outstanding contracts at various levels of management including the Group Credit Committee
- Implementation of controls to manage deferment of delivery (e.g. obtain appropriate approvals)
- Enforcement of advance payment terms or more secured payment methods on higher-risk contracts
- Secure trade credit insurance to mitigate credit risk

DESCRIPTION

High interest rates

Multiple interest rate hikes by central banks worldwide in FY2023 have increased the cost of financing for SD Plantation, suppliers and customers. This has indirectly increased the cost of doing business for all parties.

RISK TREND

Link to SD Plantation's Strategic Pillars

OE Operational Excellence

Capital Impacted
FC MC SRC

Material Matters
M1 M2 M6

Potential Impact

- Increased financing costs

Key Mitigation Strategies


- The Group's gearing is diligently monitored and maintained at a reasonable level by optimising cash utilisation and assessing the currency of the Group's borrowings to manage interest rate risks
- Permitted derivative instruments such as short-tenure interest rate swaps are considered to protect against adverse interest rate movements

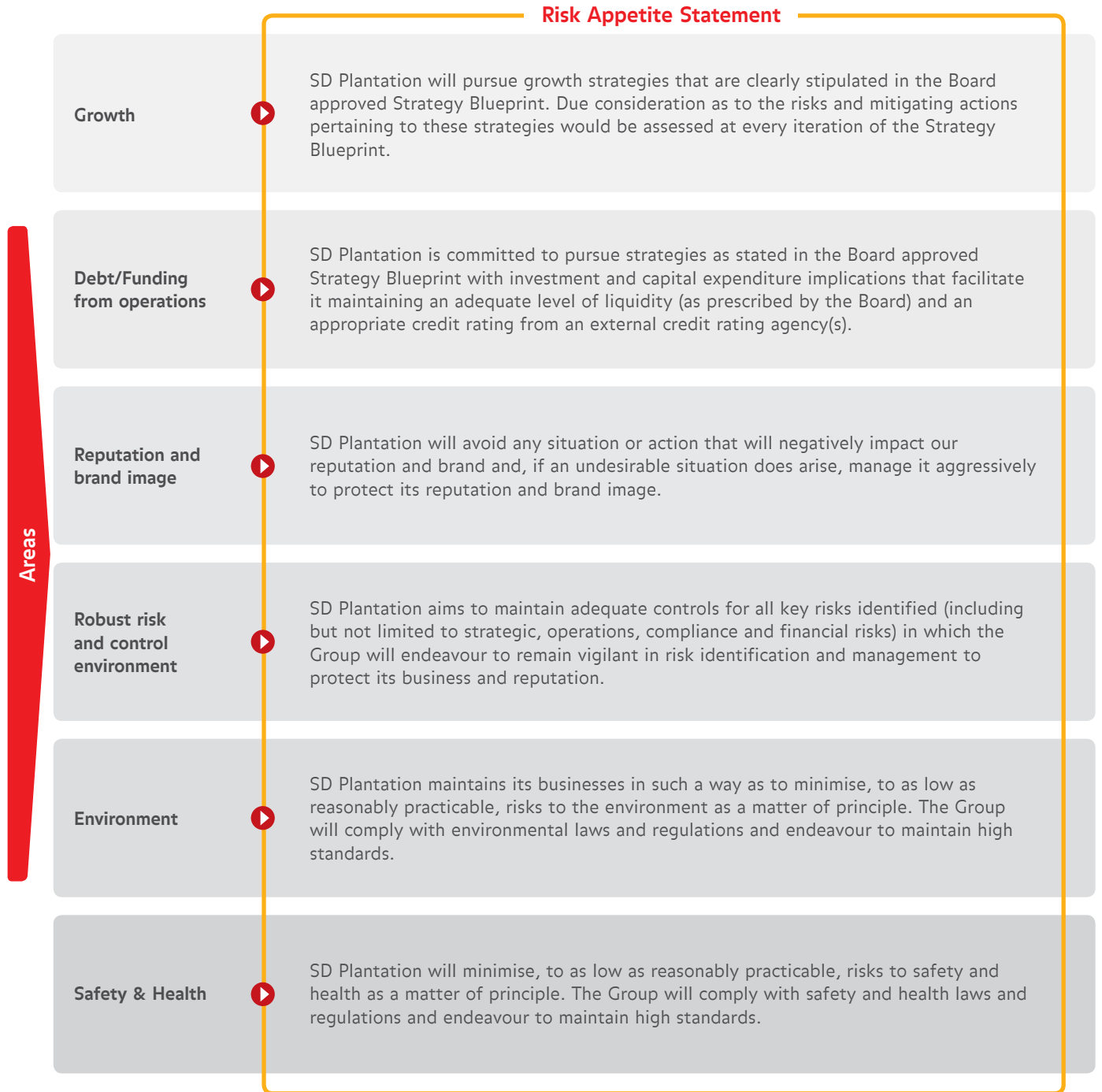
FC Financial Capital **HC** Human Capital **MC** Manufactured Capital **IC** Intellectual Capital **SRC** Social & Relationship Capital **NC** Natural Capital

M1 Operational Performance **M2** Macroeconomic Conditions **M3** Occupational Safety & Health Performance **M4** People Management **M5** Social and Environmental Impact **M6** Capital Management



RISK APPETITE

SD Plantation’s risk appetite is the amount of risk we are willing to accept in pursuit of our strategic objectives. Our risk appetite statements are guided by our Risk Appetite Framework. For more information on the Risk Appetite Framework, please refer to page 129 .



Our Strategy Blueprint

SD Plantation's Strategic Charter (FY2023 – 2027)



FY2023-2027 SD Plantation's objectives and goals:

Sustainable
YoY PATAMI
Growth

Carbon Emission
Reduction in line
with Net-Zero
Commitment

Improved Oil
Yield

100% Traceable
Commodities

100% Human
Rights Risk
Managed



FORGING GROWTH THROUGH SUSTAINABILITY AND INNOVATION



SUSTAINABILITY

"Sustainability
Leadership that
Differentiates"

SS



OPERATIONAL EXCELLENCE

"Strengthening
& Growing the
Core"

OE



INNOVATION

"Monetising
Innovation for
Growth"

IN

Strategic Priorities

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> • Leadership in Climate Action and Social Performance • Build Resilient Supply Chains • Building Trust Through Engagement and Transparency | <ul style="list-style-type: none"> • Performance Excellence Across All Businesses • Delivery of Customer Value (Quality & Safety) • Sustained Value Creation via Transformation | <ul style="list-style-type: none"> • Innovation that drives Business Growth • Digitalisation transforming Business Solutions and Integration • Ecosystem to intensify Innovation Rigour |
|--|--|--|



KEY ENABLERS

Talent & Culture

Research & Development

Corporate Governance & Structure

Capital Allocation & Portfolio Management

Brand & Communication



Review of Strategic Performance

SD Plantation has developed a comprehensive five-year strategic blueprint that will serve as a roadmap for growth and ensure our long-term success at the forefront of our industry. Our strategy prioritises sustainability, leverages our core strength in operational excellence, and positions innovation as a key value driver while enabling us to future-proof our business.

SS Strategy Pillar I: Sustainability

Key Priorities/Focus Areas:

1. Leadership in climate action and social performance
2. Build resilient supply chain
3. Build trust through engagement and transparency

Resource Allocation



Initiatives

- Land use transformation – reforestation of suboptimal and unplantable areas and peat management
- Acceleration of renewables into solar and biogas
- Implement enhanced fair labour practices programme in Indonesia, Papua New Guinea (PNG), and Solomon Islands
- External validation of supply chain traceability data and No Deforestation, No Peat and No Exploitation (NDPE) International Reporting Framework
- Building climate resilient supply chains
- Rollout of Smallholder Programme
- Identification of strategic jurisdictional/landscape projects for SD Plantation participation
- Reduction in Roundtable on Sustainable Palm Oil (RSPO) non-compliance throughout SD Plantation operations
- Enhancing transparency and improve Sustainable Palm Oil Transparency Toolkit (SPOTT) ranking

Achievements

- Obtained the approval of the Science Based Targets initiative (SBTi) on our net-zero targets in November 2023
- Planted 2.28 million trees as of 2023
- Dedicated 400 hectares of peatland in operations in Sarawak, East Malaysia for reforestation, and restoring into a functional peat ecosystem, opting not to replant oil palm
- The completion of 2 biogas plants in 2023 and commissioning of 3 rooftop solar projects*
- SDO refinery carbon profiles completed
- Participated on international and local platforms (e.g. Innovation Forum, RSPO, large industry engagement platforms)
- SD Plantation supply chain traceability data and No Deforestation, Peat and Exploitation - Implementation Reporting Framework (NDPE-IRF) profiles for FY2022 were successfully verified externally
- SD Plantation's SPOTT Ranking improved from #7 to #4, our highest rating since the inception of the benchmarking in 2014

*The 3 rooftop projects are at SD Plantation Tower, R&D Banting and Center of Sustainability, and R&D Carey Island.

Headline KPIs

- SPOTT evaluation and ranking
- Environmental, social and governance (ESG) ratings
- SBTi target validation
- Supply chain transparency

Priorities for 2024

- Execute net-zero carbon roadmap in stages
- Focus on biogas and solar expansion under renewable energy initiatives
- Intensify land use transformation across our operations
- Profile our leadership in social performance through enhanced labour practices
- Improve traceability to plantations across supply chains
- Support and facilitate adoption of responsible agriculture practices by smallholders
- Gain recognition as a sustainable supply chain partner of choice for customers
- Adopt leading standards for disclosures, such as the International Sustainability Standard Board IFRS S1 and S2

Review of Strategic Performance

OE Strategy Pillar II: Operational Excellence

Key Priorities/Focus Areas:

1. Performance excellence across all businesses
2. Delivery of customer value (quality & safety)
3. Sustained value creation via transformation

Resource Allocation



Initiatives

- Implementation of large-scale advanced mechanisation, automation, and digitalisation initiatives in plantations
- Maximising yield and minimising losses by adoptions of Best Practices and adherence to Agriculture Reference Manual (ARM). Ensuring continuous improvement in crop quality, sustaining optimal productivity and effective resources allocation
- Reduced dependence on foreign workers in Malaysia by modernising plantation work and offering attractive remuneration to qualified and skilled local workers
- Improving and standardising operations across 68 mills in four countries, to ensure all plants meet international food safety production standards
- Upstream are focussed on yield improvement. In addition to this, Indonesia is focussing on replanting and improving workers' living and working conditions. PNG and SI on the other hand, on product quality and cost efficiency

Achievements

- Launched Palm Digital and SMART platform
- Completed rollout of certain non-harvesting machinery
- FFB production in Malaysia increased 6% to 8,705,185 MT; OER was 21.18% (2022: 21.10%) and KER was 4.86% (2022: 4.87%)
- Reduced need for 1,973 general workers (not harvesters), as a result of mechanisation
- Certified 11 mills with the Hazard Analysis Critical Control Points (HACCP) since commencement of Project OMEGA, bringing total number of HACCP-certified mills in Malaysia to 15
- Met MOSH/MOAH target levels in NBPOL CPO production
- Achieved ideal harvester ratio i.e. sufficient number of harvesters in Malaysia Operations

Headline KPIs

- FFB production/yield
- OER & KER
- Mill utilisation
- Acreage replanted per annum
- Land-to-man ratio
- Sales of physical CPO
- Customer Satisfaction Index
- Organisational Health Index
- Revenue
- PBIT/PBT
- Overall Equipment Effectiveness
- Differentiated vs commodity ratio
- Refinery utilisation/availability
- Brand perception – External Customer Survey
- HSE Index
- Environmental, Social & Governance
- Culture of Care (CoC)
- Digitalisation
- Value Creation

Priorities for 2024

- Improve yield from all mature areas
- Strengthening the fundamentals toward operational excellence
- Streamlining the operations to best agro management practices as per the ARM
- Improve equipment efficiency at mills, produce CPO that meets food quality and safety standards
- Strengthen supply of quality raw materials with low levels of MOSH and MOAH
- Continue to create value through business transformation, and intensify focus on ESG in line with stakeholder expectations
- Continue to enhance critical areas of food safety, HSE and efficiency to meet highest standards, maintaining our leadership
- Improve customer experience via mechanisation, automation, and digitalisation, particularly in new product development
- Engage suppliers who embrace high labour standards within their supply chains to become more competitive and sustainable
- Pro-active marketing to reposition our products and create additional value from our leadership position



IN Strategy Pillar III: Innovation

Key Priorities/Focus Areas:

1. Innovation that drives business growth
2. Digitalisation to transform business solutions and integration
3. Ecosystem to intensify innovation rigour

Resource Allocation



Initiatives

- Yield enhancement through genomics
- Continuous product innovation to meet customer demand
- Emphasis on alternative crops as part of Food Strategy in support of the Malaysian national food security agenda
- Process and product enhancement using advanced network, digital and automation solutions
- Deployment of digital platforms to optimise workflows, increase efficiency, and streamline monitoring procedures for enhanced ESG governance
- Streamline supply chain operations through integrated business planning and market intelligence services
- Development of “digital workforce” of drones and unmanned ground vehicles for plantation work
- Identification of avenues for new business ventures

Achievements

- Commercialised our super-charged seeds in the market
- Development of new healthy bakery products, e.g., low calorie and Low Saturated Fatty Acids (SAFA) shortening, alignment of plant-based product development strategy with current products
- Met MOSH/MOAH specifications in NBPOL and grow volume for new commercialisation opportunities in Malaysia
- Digitisation of product and customer data to support growth
- Use of rentice land for cash crop farming
- Delivered traceability to mills for internal supply as planned for internal and external reporting

Headline KPIs

- Acreage planted with premium seedlings
- Expansion into new strategic businesses
- Develop innovation, digital-first and agile mindset among employees
- Upskill and reskill our employees through launch of SD Plantation Digital Academy to build a future-ready workforce
- Co-create innovative technology through internal cross-functional collaboration and external partnerships
- Strengthen our innovation ecosystem to support our innovation agenda

Priorities for 2024

- Accelerate business-as-usual initiatives for renewable energy, waste management and circular economy
- Improve management of risks associated with new ventures
- Enhance efficiency in automated data collection
- Continue to enhance process optimisation and reduce costs
- Adopt a customer-centric approach to improve customer satisfaction
- Explore novel business models with innovation as a core component
- Promote a strong innovation culture and digital and technology literacy through learning and development
- Strengthen our capabilities in data and analytics, product and design, and digital leadership
- Develop self-maintained tools and platforms to reduce reliance on external parties
- Intensify technology scouting and adoption of new technology
- Focussing on the completion of mechanisation, automation and robotics prototypes
- Accelerate deployment of selected mechanisation initiatives



For the year 2023, SD Plantation reported a net profit of RM1.860 billion, translating to an earnings per share (EPS) of 26.9 sen, based on which the Company declared a total dividend of RM1.037 billion at 15.0 sen per share. These results were very commendable given the confluence of challenging events in our operating environment, particularly declining prices of oil seeds, demand fluctuations, high interest rates and the increased cost of borrowing. Although the prices of CPO and other commodities rallied in July 2023, the average for the year did not match 2022's exceptional prices.

INFLATION, HIGH INTEREST RATES AND LOWER COMMODITY PRICES

In the United States (US), to contain inflation which peaked at 9.1% in June 2022, the Federal Reserve increased interest rates 11 times. This achieved the intended results, with inflation gradually declining to 3.4% by December 2023; yet it remained above the Federal Reserve's target of 2%. On a positive note, the global energy crisis triggered by the Russia-Ukraine conflict in 2022, dissipated in 2023, resulting in healthy demand recovery. However, global trade is now affected by growing fears of the Israel-Palestine conflict spreading across the Middle East.

Overall, global growth decelerated from 3.5% in 2022 to 3.0% in 2023, well below the historical average of 3.8% between the years 2000–2019.

In Malaysia, the sharp rise in interest rates, together with adverse movements of the Ringgit against major currencies, put pressure on the cost of borrowing, and continued to negatively impact the economy. The price of CPO, as mentioned, softened considerably from the record-breaking highs of 2022, when the Malaysian Palm Oil Board (MPOB) monthly average reached its peak in the second quarter. However, lower-than-expected production in Malaysia and Indonesia, as well as concerns over the impact of El-Nino continued to provide support for prices.

More positively, the labour shortage situation facing the industries in Malaysia saw improvements with the arrival of more foreign workers subsequent to the Malaysian government rolling back its restrictions on hiring of foreign workers in February 2022. For SD Plantation, with the exception of our East Malaysia operations, this ensured that we finally enjoyed a full complement of workers in our estates and mills by the end of 2023. The shortage in Sabah and Sarawak is expected to be resolved by mid-2024.

Commendable Financial Performance

Despite the headwinds, SD Plantation closed the financial year ended 31 December 2023 (FY2023) with commendable results, registering a net profit of RM1.860 billion. It was, however, 25% lower than the preceding year's net profit, mainly due to lower recurring profit before interest and tax (PBIT) and higher finance costs, partially mitigated by higher non-recurring PBIT.



GROUP PROFIT/LOSS (RM'million)	2022	2023
Revenue	21,030	18,428
Recurring profit before interest and tax	3,324	1,800
Non-recurring transactions	291	1,127
Profit before interest and tax	3,615	2,927
Finance income	12	23
Finance cost	(135)	(198)
Profit before tax	3,492	2,752
Tax expenses	(809)	(719)
Profit after tax	2,683	2,033
Perpetual Sukuk	(124)	(124)
Non-controlling interests	(71)	(49)
Profit attributable to equity holders of the Company	2,488	1,860

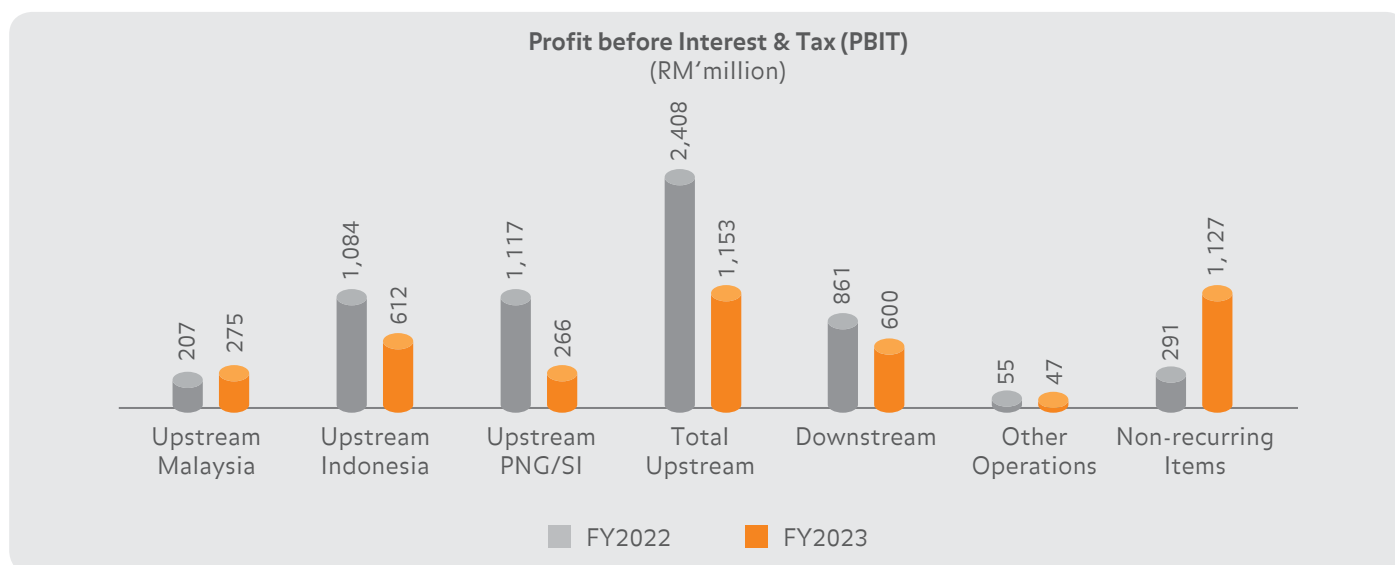
Recurring PBIT was largely affected by lower realised CPO and PK prices, and hence margin pressures, although this was mitigated by growth in overall FFB production year-on-year (YoY), driven by the recovery in our Malaysian operations.

Further affecting profit, our finance costs increased by a significant 47% YoY to RM198 million, driven up by the increase in benchmark lending rates. This was partially mitigated by our borrowing balance decreasing by an average of 6% during the year.

During the year we divested certain non-performing assets and marginal land as part of ongoing efforts to deleverage. This contributed to a non-recurring profit of RM1.127 billion, which comprised mainly of gains from the sale of land in Malaysia and the disposal of equity interests in two of the Group's wholly-owned subsidiaries in Indonesia, PT Ladangrumpun Suburabadi (PT LSI) and PT Sajang Heulang (PT SHE).

Lower CPO Price Reflected in Segmental Performance

The declining CPO price, together with margin pressures, naturally affected the Group's operating segments.





Chief Financial Officer's Review

The Upstream Operations reported a recurring PBIT of RM1.153 billion, 52% lower than the previous year's, largely due to the 15% and 35% decline in the average realised prices for CPO and PK respectively, and higher estate and mill operating costs. The latter was driven primarily by an increase in labour costs, particularly in Malaysia, where the Group is rehabilitating our operations. The Group also incurred higher maintenance costs in Papua New Guinea and the Solomon Islands where the estates were inundated by high rainfall and subsequent floods.

These margin pressures were partially compensated for by the 6% growth in FFB production during the year, driven by recovery in the Malaysian operations. Upon resolution of the labour shortage and improvement in operating conditions at the estates, production in Malaysia increased by 18% YoY. The CPO extraction rate (OER) also inched up to average at 21.18%, from 21.10% in 2022.

The Downstream segment reported a recurring PBIT of RM600 million compared to RM861 million in 2022. Strong profits were recorded by our European refineries due to higher margins and sales volume, driven by recovery from the energy price shocks experienced in 2022 and improved demand, as economies around the region picked up.

The Asia Pacific bulk and differentiated market segments remained challenging, registering lower margins as a result of declines in their average selling prices. Likewise, the trading segment also underperformed, owing to the adverse impact on price from higher-than-expected palm oil inventory levels in Malaysia, better output of competing oils as well as lower energy prices.

Managing Leverage Amid High Interest Rates & Depreciating Ringgit

One of our key priorities is to ensure the Group remains agile in times of economic stress, hence we continue to optimise leverage by driving down gearing. Maintaining an optimal borrowing profile has, moreover, become paramount in the face of rising interest rates and foreign exchange uncertainties.

Consistent efforts in this regard have resulted in SD Plantation's gearing improving tremendously since our listing, with net debt reducing from RM6.540 billion as at end 2017 to RM4.452 billion at end 2023. The Group's gearing ratio, measured as net debt to equity (DE ratio), fell to 29% at the end of 2022, achieving our leverage aspiration of less than 30%, one year ahead of target. As of 31 December 2023, the Group's net DE ratio reduced further to 22%.

Despite constraints in the financial markets with persistent inflation and an escalating cost of borrowing, the Group successfully raised new term loan facilities exceeding

RM2.5 billion in 2023. The new banking facilities, which are integral to SD Plantation's continuous debt management, comprise mostly Ringgit denominated borrowings, taking advantage of the weak ringgit, and prevailing lower interest rates, compared to USD denominated borrowings.

The new banking facilities will also reduce the Group's foreign exchange risk by lowering our exposure to fluctuating foreign currencies. As of 31 December 2023, 43% of the Group's borrowings were denominated in USD, compared to 63% a year earlier, despite the significant appreciation of the greenback against Ringgit in 2023.

The Group's net borrowings as of 31 December 2023 decreased by RM1.009 billion to RM4.452 billion, mainly due to net loan repayments totaling RM1.029 billion and a net increase in cash of RM201 million, enabled by surplus cash generated from our operations. Our net repayment mitigated the impact of appreciating foreign currencies against the Ringgit, resulting in a lower total borrowing balance.

Maintaining Prudence in Capital Management

Prudent capital management is critical for maximising returns to the Group as well as mitigating risks associated with capital depreciation, financial distress, value dilution or corporate credit rating downgrades. The Group strives to optimise our capital allocation by balancing our resources among competing requirements while managing our financial targets.

SD Plantation's capital allocation in 2023 was as follows:

RM'million	2022	2023
Funds from operations & divestments:		
Operating cash flow	3,644	3,075
Proceeds from disposals	438	1,466
Dividend income & others	63	10
Finance cost, net of finance income	(177)	(303)
Total available capital	3,968	4,248
Uses of funds:		
Capital expenditure	1,729	2,129
Dividends & perpetual sukuk distribution	1,751	820
Reduction in net debt	458	1,230
Repayment of leases & others	30	69
Total allocation	3,968	4,248



In order to grow our production capacity, RM1.073 billion – or 50% of the Group's total capital expenditure of RM2.129 billion for the year – went towards oil palm planting. As of 31 December 2023, the Group had 81,505 ha of immature oil palm areas planted with improved planting materials which will lead to higher potential yields in the future.

The Group paid a total of RM820 million in dividends to shareholders of the Group's holding company and minority shareholders of our subsidiaries, together with distribution to holders of the Group's perpetual sukuk, ensuring sufficient returns on investments.

Meanwhile, in line with our objective to reduce our leverage and ensure good credit standing, the Group reduced our net debt by RM1.230 billion during the year.

Meeting Our Dividend Policy

SD Plantation declared a total dividend of RM1.037 billion for FY2023, which represents a payout of approximately 63% of the Group's recurring net profits and 50% of net profits from non-recurring activities. This exceeds the Group's policy of distributing not less than 50% of the consolidated recurring net earnings as dividends to shareholders.

Details of the dividends are as follows:

	FY2022		FY2023	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	10.00	692	3.25	225
Special dividend	-	-	5.70	394
Final dividend	6.04	418	6.05	418
	16.04	1,110	15.00	1,037

OUTLOOK FOR 2024

Although CPO demand is expected to remain steady in the long term, near-term demand could be impacted by seasonally high stockpiles in key destination countries as well as continued geopolitical risks and the likelihood of further moderation in global economic growth. On the supply side of the equation, unpredictable weather is a concern for vegetable oils production globally. This in turn, is anticipated to provide favourable support for CPO price in 2024.

With the improved labour situation and rehabilitation of our Upstream Malaysia operations, the Group is optimistic of sustaining our FFB production growth in 2024. Whilst continuing with operational improvement efforts, SD Plantation also actively seeks strategic collaborative opportunities to advocate positive change in the industry.

Taking these factors into consideration, and barring any unforeseen circumstances, the Group remains positive about our short and long-term prospects; and looks forward to another satisfactory performance in FY2024.

RENAKA RAMACHANDRAN

Chief Financial Officer



5-Year Group Financial Summary

FY 31 December

FINANCIAL YEAR ENDED (RM'000)

2019

2020

2021

2022

2023

FINANCIAL RESULTS**CONTINUING OPERATIONS**

Revenue	12,001,593	13,044,271	18,532,714	21,029,690	18,427,883
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,615,960	3,077,921	5,005,271	4,987,137	4,359,334
Profit before interest and tax	409,947	1,853,374	3,673,916	3,614,596	2,927,303
Profit before tax	255,377	1,754,250	3,600,069	3,492,200	2,752,455
Profit after tax	278,946	1,288,724	2,490,685	2,683,270	2,033,379
Perpetual sukuk	(124,300)	(124,641)	(124,300)	(124,300)	(124,300)
Non-controlling interests	(28,952)	(53,352)	(111,694)	(70,895)	(49,039)

Profit from continuing operations attributable to equity holders of the Company

125,694	1,110,731	2,254,691	2,488,075	1,860,040
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DISCONTINUED OPERATIONS

(Loss)/profit from discontinued operations attributable to equity holders of the Company	(325,854)	73,838	-	-	-
(Loss)/profit attributable to equity holders of the Company	(200,160)	1,184,569	2,254,691	2,488,075	1,860,040

FINANCIAL POSITION

Share capital	1,506,119	1,506,119	1,633,790	1,633,790	1,633,790
Reserves	11,754,854	12,147,381	13,554,332	14,733,439	16,108,766
Shareholders' equity	13,260,973	13,653,500	15,188,122	16,367,229	17,742,556
Perpetual sukuk	2,231,398	2,231,398	2,231,398	2,230,717	2,231,058
Non-controlling interests	368,351	384,850	436,641	418,068	432,799
Total equity	15,860,722	16,269,748	17,856,161	19,016,014	20,406,413
Borrowings	7,744,927	6,682,203	6,250,676	6,096,488	5,282,303
Liabilities associated with assets held for sale	35,735	17,699	138,513	139,100	12,260
Other liabilities	4,866,338	5,351,001	6,090,382	5,896,524	6,185,478
Total equity and liabilities	28,507,722	28,320,651	30,335,732	31,148,126	31,886,454
Non-current assets	23,541,567	23,476,819	23,318,312	23,908,544	25,511,672
Current assets excluding Cash	4,012,270	4,369,523	5,806,885	5,953,585	5,378,541
Assets held for sale	522,538	165,280	607,972	651,004	165,859
Cash	431,347	309,029	602,563	634,993	830,382
Total assets	28,507,722	28,320,651	30,335,732	31,148,126	31,886,454

FINANCIAL RATIOS

Operating margin (%)	3.4	14.3	19.6	16.9	15.7
Return on shareholders' equity (%)	(1.5)	8.7	14.8	15.2	10.5
Net Debt/Equity (%)	46.1	39.2	31.6	28.7	21.8
Net Debt/EBITDA (times)	4.5	2.1	1.1	1.1	1.0

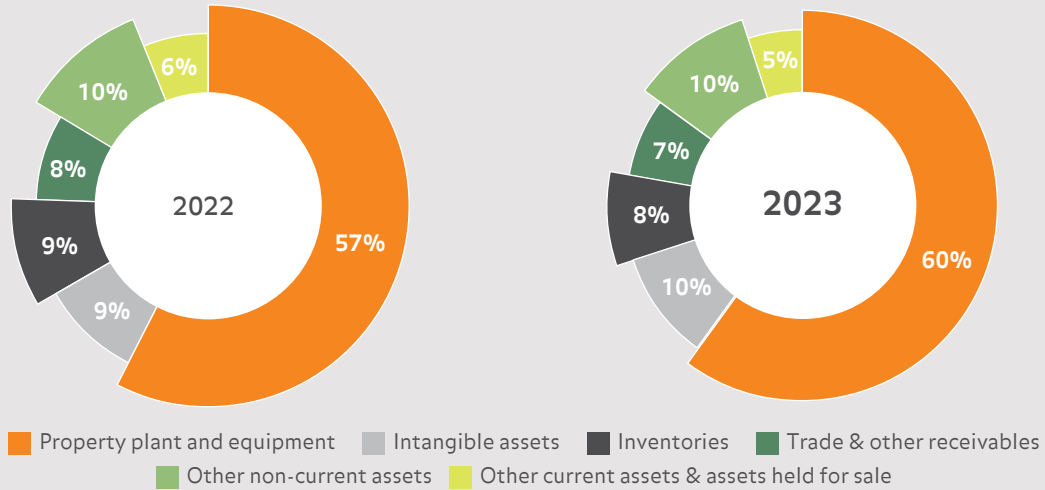
SHARE INFORMATION⁽¹⁾

Basic earnings per share (sen)	(2.9)	17.2	32.6	36.0	26.9
Net assets per share attributable to owners of the Company (RM)	1.9	2.0	2.2	2.4	2.6
Net dividend per share (sen)	1.0	11.6	20.3	16.0	15.0

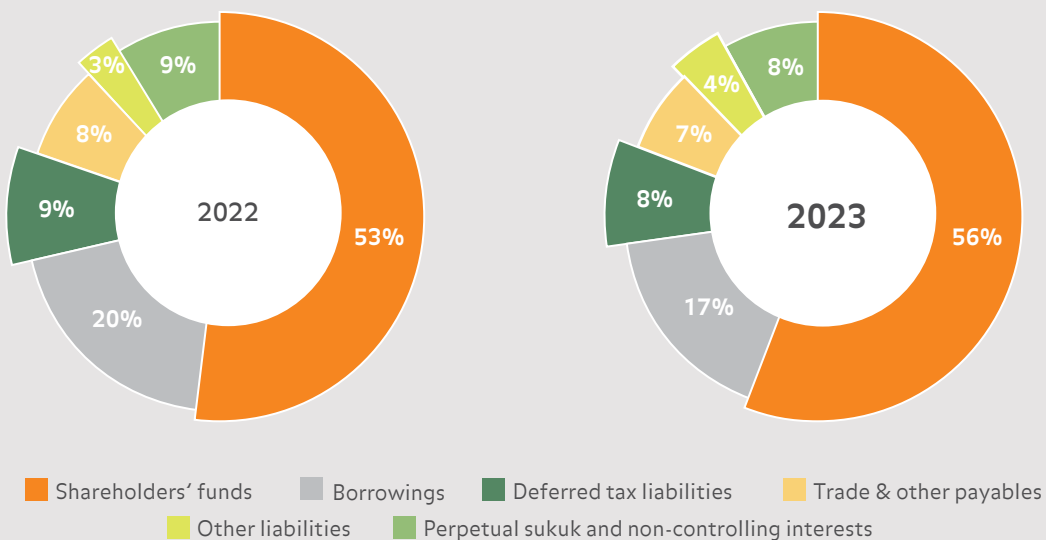
¹ Based on number of ordinary shares in issue of 6,884,575,283 as at 31 December 2019 and 31 December 2020, and 6,915,714,601 as at 31 December 2021, 31 December 2022 and 31 December 2023.

Simplified Statements of Financial Position

TOTAL ASSETS



TOTAL EQUITY AND LIABILITIES

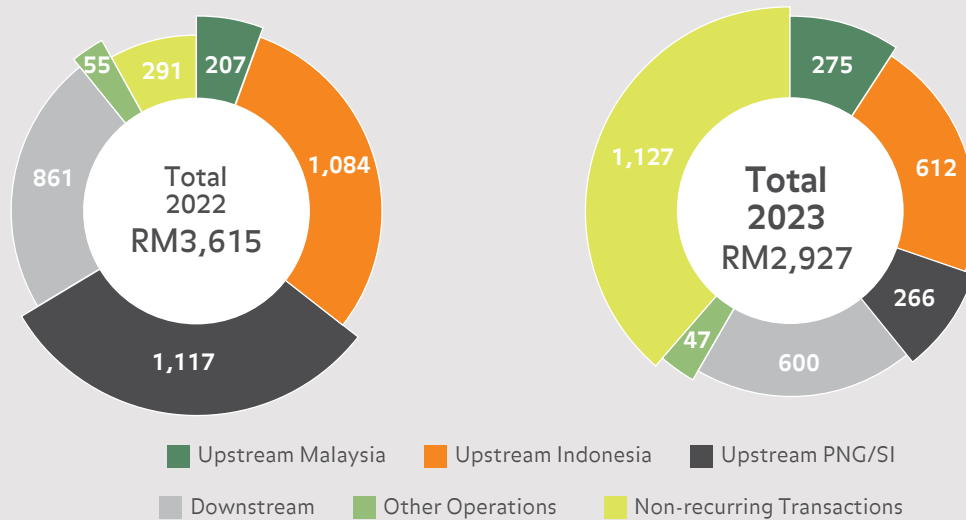


Segmental Analysis

REVENUE (RM'million)



PROFIT BEFORE INTEREST & TAX (RM'million)





Statement of Value Added & Value Distribution

RM'million	2022	2023
VALUE ADDED		
Turnover	21,030	18,428
Direct & Indirect Costs	(14,229)	(12,333)
Value Added from Operations	6,801	6,095
Other Operating Income	838	1,392
Other Gains/(Losses)	41	(113)
Share of Results of Joint Ventures	37	39
Share of Results of Associates	15	1
Finance Income	12	23
Total Value Added	7,744	7,437
VALUE DISTRIBUTED		
Employees	2,750	3,069
Government & Society	849	750
	3,599	3,819
Providers of Capital		
Dividends to Equity holders of Company	1,548	642
Finance Costs	197	336
Non-controlling Interests	71	49
Perpetual Sukuk	124	124
	1,940	1,151
Reinvestment and Future Growth	2,205	2,467
Total Value Distributed	7,744	7,437

Quarterly Performance

RM'million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2023
Revenue	4,069	4,305	4,774	5,280	18,428
Operating profit	301	520	1,645	421	2,887
Profit before interest & tax	303	527	1,661	436	2,927
Profit for the period/year	108	422	1,259	244	2,033
Profit attributable to equity holders of the Company	69	380	1,211	200	1,860
Earnings per share (Sen)	1.0	5.5	17.5	2.9	26.9

RM'million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2022
Revenue	4,381	5,587	5,392	5,670	21,030
Operating profit	1,029	1,109	618	807	3,563
Profit before interest & tax	1,060	1,146	622	787	3,615
Profit for the period/year	780	862	431	610	2,683
Profit attributable to equity holders of the Company	718	812	396	562	2,488
Earnings per share (Sen)	10.4	11.7	5.7	8.1	36.0



3-Year Plantation Statistics

	FY2021 (January 2021 - December 2021)			
	Malaysia	Indonesia	PNG & SI	Total
FFB Production (in MT)	4,630,138	2,609,306	1,889,565	9,129,009
OP Hectarage (in ha)				
• Mature hectares	256,381	159,874	85,451	501,706
• Immature hectares	40,612	31,950	5,440	78,002
• Total planted hectares	296,993	191,825	90,890	579,708
Yield per Hectare (in MT/ha)	18.54	16.47	22.06	18.49
FFB Processed (in MT)				
• Own	4,626,249	2,608,159	1,889,565	9,123,973
• Outside	717,966	590,217	557,174	1,865,357
• Total	5,344,215	3,198,376	2,446,739	10,989,330
Mill Production				
• Crude Palm Oil (in MT)	1,119,997	692,818	559,686	2,372,501
• Palm Kernel (in MT)	265,305	144,253	139,166	548,724
• Oil Extraction Rate (%)	20.96	21.66	22.87	21.59
• Kernel Extraction Rate (%)	4.96	4.51	5.69	4.99
Rubber				
• Planted hectare (in ha)	12,013			12,013
• Rubber production (in kg)	3,840,036			3,840,036
• Yield per Hectare (kg/ha)	800			800
Coconut				
• Planted hectare (in ha)	139			139
Sugarcane				
• Planted hectare (in ha)			5,637	5,637
• Cane yield (MT/ha)			40.74	40.74
Beef Production				
• Total herd as at December (in heads)			27,499	27,499
• Average deadweight (kg/head)			280	280
Total Landbank/Concession	341,815	256,169	146,646	744,630



	FY2022 (January 2022 - December 2022)				FY2023 (January 2023 - December 2023)			
	Malaysia	Indonesia	PNG & SI	Total	Malaysia	Indonesia	PNG & SI	Total
	3,513,096	2,780,881	1,912,796	8,206,774	4,149,629	2,684,735	1,870,821	8,705,185
	253,129	158,336	84,839	496,304	253,864	149,202	83,752	486,818
	42,969	32,878	5,963	81,810	41,274	33,021	7,210	81,505
	296,098	191,214	90,802	578,114	295,138	182,223	90,962	568,323
	14.01	17.66	22.37	16.63	16.71	17.58	22.07	17.92
	3,513,096	2,780,881	1,912,796	8,206,774	4,149,622	2,676,343	1,870,821	8,696,786
	722,712	555,656	587,697	1,866,065	623,774	537,837	558,922	1,720,532
	4,235,809	3,336,537	2,500,493	10,072,839	4,773,396	3,214,180	2,429,743	10,417,319
	846,688	711,340	567,156	2,125,184	973,859	696,177	536,008	2,206,044
	204,000	143,781	142,697	490,478	229,759	140,636	135,484	505,879
	19.99	21.32	22.68	21.10	20.40	21.66	22.06	21.18
	4.82	4.31	5.71	4.87	4.81	4.38	5.58	4.86
	5,009			5,009	4,895			4,895
	1,774,035			1,774,035	1,231,046			1,231,046
	363			363	248			248
	278			278	304			304
			5,637	5,637			5,637	5,637
			41.02	41.02			41.02	41.02
			27,490	27,490			28,189	28,189
			290	290			279	279
	341,535	256,007	146,646	744,188	340,953	242,127	146,790	729,870

Financial Calendar

For the financial year ended 31 December 2023

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

1st Quarter

Ended 31 March 2023



24 May 2023

2nd Quarter

Ended 30 June 2023



23 August 2023

3rd Quarter

Ended 30 September 2023



24 November 2023

4th Quarter

Ended 31 December 2023



22 February 2024

DIVIDEND

Announcement Date

Entitlement Date

Payment Date

Interim dividend of 3.25 sen per ordinary share

23 August 2023

2 November 2023

17 November 2023

Special interim dividend of 5.70 sen per ordinary share

27 October 2023

27 December 2023

24 January 2024

Final single tier dividend of 6.05 sen per ordinary share

22 February 2024

6 May 2024

20 May 2024

21ST ANNUAL GENERAL MEETING



Notice Date : 25 April 2024

Meeting Date : 28 May 2024



Investor Relations

At Sime Darby Plantation (SD Plantation or the Group) our investors and shareholders are not only critical providers of financial capital but are also contributors to our governance structure which is crucial to ensure the company's sustained growth and success. To maintain confidence and manage their expectations, our experienced Investor Relations team engages regularly with our investor community who also comprises fund managers, financial analysts, credit rating agencies and ESG rating agencies. Our priority is to keep them updated on the Group's material developments, providing fair and balanced information on matters that are of interest to them, transparently and in a timely fashion.

HOW WE ENGAGE WITH OUR INVESTOR COMMUNITY

Our Investor Relations (IR) team has a well-planned calendar of events encompassing quarterly results announcements and briefings, annual general meetings (AGMs), roadshows, site visits as well as group and one-on-one meetings with members of the investor community. This is in addition to responding efficiently to requests or queries received; and posting important information as well as updates on the IR microsite of the Group's corporate website.

Since the pandemic, we have conducted most of our engagements with the investor community online, as per the government's and our own standard operating procedures (SOPs). For safety precautions, our AGMs have also been conducted virtually since 2020, and the same format will be applied for the upcoming AGM to be held on 28 May 2024. Holding the AGM virtually, moreover, ensures that all shareholders are able to attend the proceedings, including those living overseas.

We issue our quarterly financial results on Bursa Malaysia as per the Main Market Listing Requirements (MMLR). In conjunction with releasing these results, we organise analyst briefings, where analysts and fund managers can pose any queries they may have with regard to SD Plantation's performance to assist them in deriving fair market evaluation of the company and recommendations on the Group. The quarterly announcements and presentations are also shared publicly on our corporate website.

All IR engagements are led by authorised spokespersons including the Group Managing Director, Chief Financial Officer and Head of IR to ensure credibility and effective communication. The GMD and CFO lead the investor relations activities with support from the IR team.

INVESTOR CONFERENCES

We participate regularly in investor conferences organised by research houses and fund managers to increase our visibility within the investor community, and to provide our input and investment insights on the plantation industry. During the year, we participated in the following conferences:

Event	Date	Physical/Virtual
CGS-CIMB Annual Malaysia Virtual Corporate Day	4 January	Conference Call
UBS OneASEAN Conference	30 May – 1 June	Physical
BNP Paribas Global ESG Corporate Access	27 June	Physical
CIMB ESG Corporate Day	12 September	Physical
RHB Sectorial Series X Bursa Malaysia: Plantation	26 September	Conference Call

SITE VISITS

We encourage investors, fund managers and analysts to visit our plantations/estates for a better understanding and a first-hand experience of how we manage our operations and business. During the year, two plantation visits were organised:

Visit	Date
Affin Hwang ESG themed visit to Tennamaram Estate	14 March 2023
UBS Plantation Day visit to Carey Island	2 August 2023



Investor Relations

ANALYST COVERAGE

The following 17 analysts, representing local and international research houses, covered our stock in 2023. As at end 2023, the average target price of our stock stood at RM3.18, with 4 Buy, 10 Hold and 3 Sell recommendations.

No.	Research House	Analyst(s)
1	Affin Hwang Investment Bank Berhad	Nadia Aqidah
2	AmlInvestment Bank Berhad	Gan Huey Ling
3	BIMB Securities Sdn Bhd	Noorhayati Maamor
4	Citi Research	Lester Siew
5	CLSA Securities Malaysia Sdn Bhd	Abdul Hadi Manaf
6	Hong Leong Investment Bank Berhad	Chye Wen Fei
7	KAF Equities Sdn Bhd	Thomas Soon
8	Kenanga Investment Bank Berhad	Teh Kian Yeong
9	Macquarie Capital Securities (Malaysia) Sdn Bhd	Huan Wen Gan
10	Maybank Investment Bank Berhad	Ong Chee Ting
11	MIDF Amanah Investment Bank Berhad	Team coverage
12	Nomura Securities International Inc.	Raghavendra Divekar
13	Public Investment Bank	Chong Hoe Leong
14	RHB Investment Bank Berhad	Hoe Lee Leng Syahril Hanafiah
15	TA Securities Holdings Berhad	Angeline Chin
16	UBS Securities Pte. Ltd.	Amanda Foo
17	UOB Kay Hian Private Limited	Leow Huey Chuen Jacquelyn Yow Hui

In the table below, we itemise the issues that analysts/fund managers brought up the most, as well as our latest updates on those issues:

Issue	Summarised Update	Relevant disclosures on pages
Modification of findings by the USCBP	<ul style="list-style-type: none"> On 3 February 2023, the USCBP announced it had modified the forced labour finding against SD Plantation This came following the comprehensive measures we took to ensure the Group's operations are free from forced labour, such as the reimbursement of all recruitment fees incurred by our former and current workers To ensure the changes implemented are sustained, the Group has introduced improved grievance channels and procedures as well as social dialogue platforms for workers, the latter being the industry's first. We also enhanced our recruitment procedures and introduced an ESG scorecard in our operations to drive behavioural change 	
ESG matters (net-zero/SBTi submission/ biodiversity & conservation, etc)	<ul style="list-style-type: none"> In November 2023, SD Plantation became the world's first palm oil company to have net-zero targets that are approved by the Science Based Targets initiative (SBTi) We are expanding our reforestation, conservation, biodiversity as well as reforestation efforts with initiatives such as rehabilitating 400 ha of peatland in our Sarawak estates Through smallholder support programmes, we educate and assist smallholders to get their operations sustainably certified 	



Relevant disclosures on pages

Issue

Summarised Update

Our growth strategy/
expansion plans

- The key pillars of our growth strategy are operational excellence, sustainability and innovation

Operational excellence

- Our immediate focus under the operational excellence pillar, is the rehabilitation of our Malaysian operations with the availability of more foreign workers in our operations, especially harvesters, to help us improve our productivity. We also continue to focus on improving efficiency, occupational safety and the standards of our operations and mills to become food-safe compliant facilities and explore further value creation/circular economy initiatives to add value to our by-products
- Following an acute labour shortage for two years our Malaysian operations focussed on addressing the labour shortage through the recruitment of foreign workers and attracting more locals as well as accelerating our mechanisation and automation efforts.

Sustainability

- Under the sustainability pillar, the immediate key focus would be on the execution of our Net-Zero Roadmap in stages and achieving a 100% NDPE-committed supply chain by 2025
- On the social front, we are also committed to pushing for changes/improvements in the industry by continuing to take on leadership roles and advocate for more positive changes (for example our CFO is Co-Chair of the Roundtable on Sustainable Palm Oil (RSPO) Human Rights Working Group)

Innovation

- The innovation pillar will ensure that we are able to future proof our business through actionable and differentiated insights

Innovation/
mechanisation
automation &
digitalisation

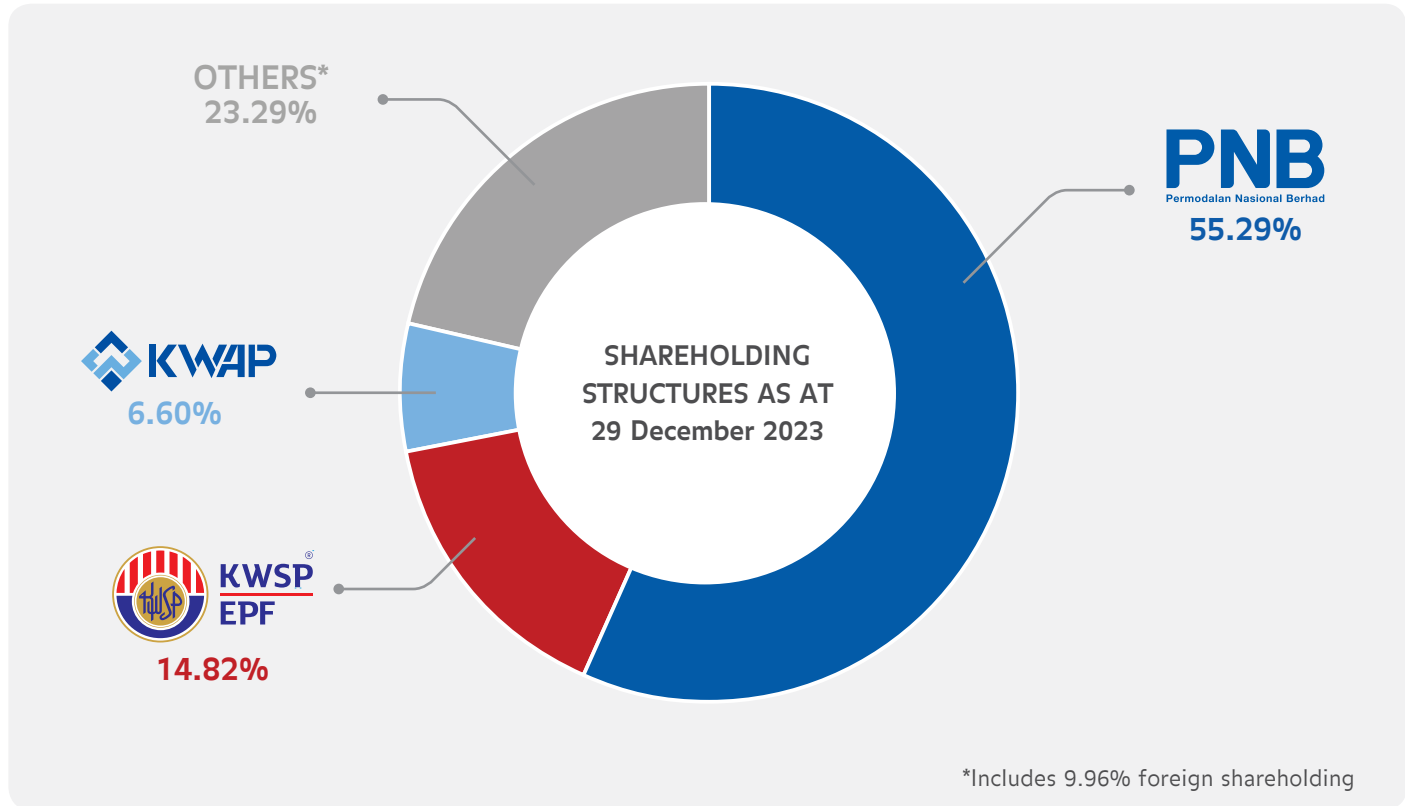
- SD Plantation has made great progress in automating and mechanising our operations to reduce our reliance on manual labour and attract more locals as we strive for a 100% local workforce (for non-harvesting work) in our Malaysian plantations by end 2027 (with a proviso that a solution for a mechanised/ automated cutter is achieved)
- We are introducing new roles and skills in plantation work, such as drone pilots, bot operators and maintenance and software engineers as we use data and robotics to improve productivity and efficiency
- We are also driving innovation through active third-party collaboration to complement our internal resources

Financial and
operational
performance

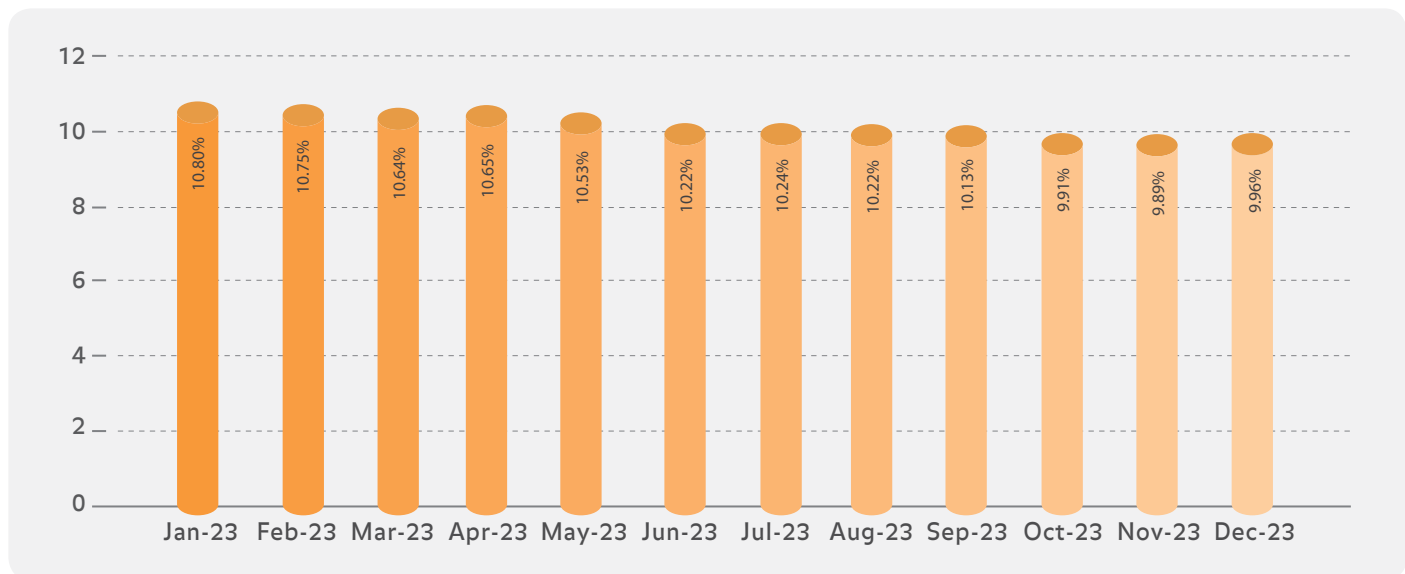
- CPO prices in 2023 were lower than the record highs seen in 2022 and generally less volatile, with prices hovering between RM3,500 to RM3,800 for the most part of 2H
- Cost of production increased with substantial hike in the cost of fertiliser and labour, the latter due to one-off recruitment costs as we filled up our labour shortage and the impact from higher minimum wage rate in Malaysia. The rehabilitation efforts in our estates in Malaysia further increased costs as our operations caught up with estate upkeep activities that needed to be done
- OER and yields in Malaysia, which were affected in 1H due to labour shortage over the last two years, improved in second half of FY2023 following with our estate rehabilitation initiative
- On the downstream front, our operations in Europe performed extremely well with higher margins and volumes which helped to mitigate poor performance in the Asia-Pacific operations impacted by the challenging market conditions

Investor Relations

SHAREHOLDER INFORMATION



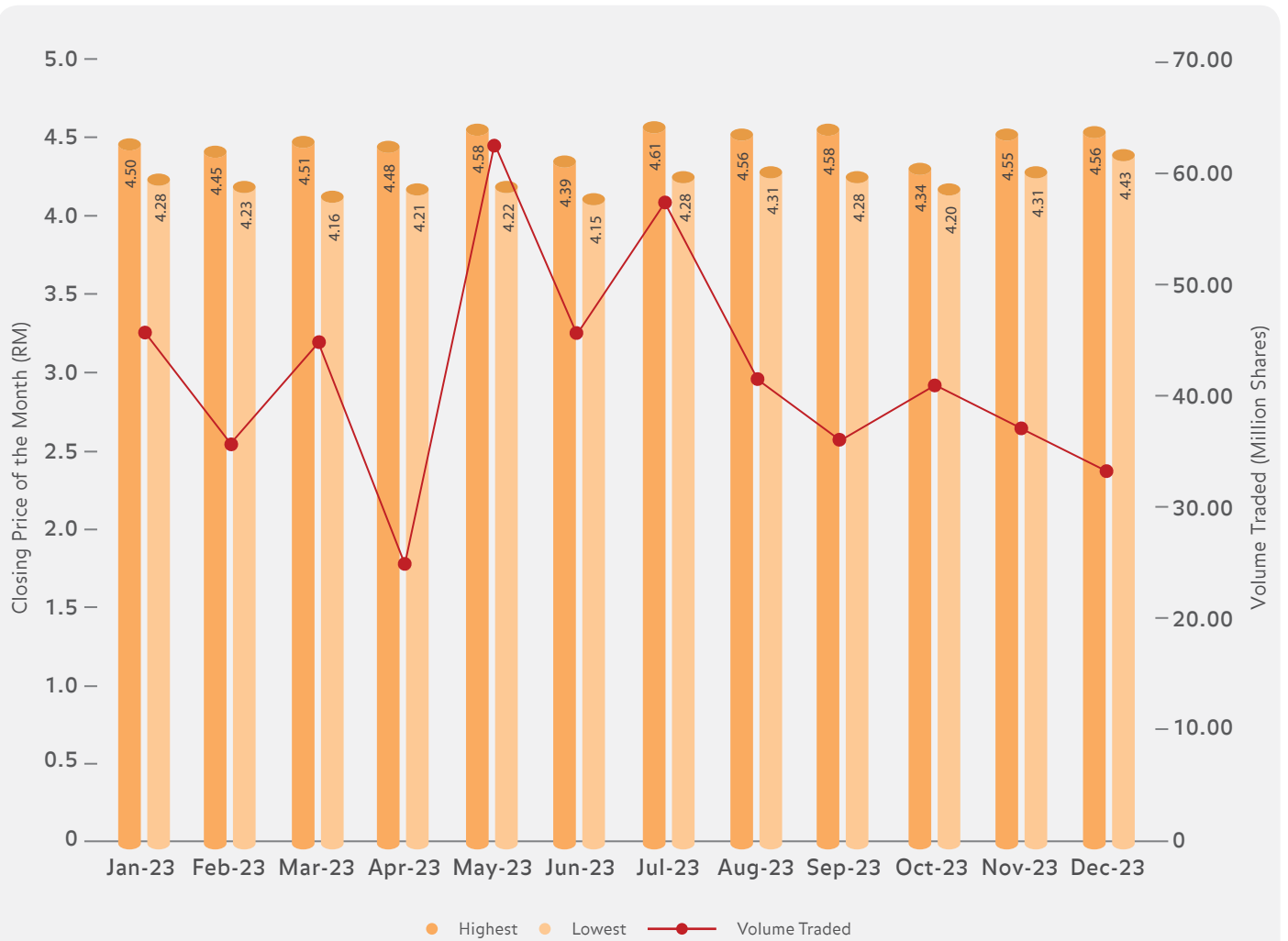
We also have a sizeable number of foreign investors who make up approximately 10% of our shareholding.



Foreign Shareholding in SD Plantation From January to December 2023



SHARE PRICE MOVEMENT IN 2023



	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
Highest (RM)	4.50	4.45	4.51	4.48	4.58	4.39	4.61	4.56	4.58	4.34	4.55	4.56
Lowest (RM)	4.28	4.23	4.16	4.21	4.22	4.15	4.28	4.31	4.28	4.20	4.31	4.43
Volume Traded (Million shares)	45.48	35.66	44.76	24.81	62.45	45.72	57.30	41.38	35.96	40.83	37.02	33.19

CONTACT

Members of the investor community who would like to get in touch with the IR team can email us at investor.relations@simeidarbyplantation.com



Business Review

Upstream

Our upstream business involves the development, cultivation and management of oil palm plantations and milling of fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK). We manage 234 plantation estates and 68 palm oil mills in Malaysia, Indonesia, Papua New Guinea (PNG) and the Solomon Islands (SI) spread across a total landbank of 729,870 hectares (ha).

We also develop, cultivate and manage sugarcane plantations, and rear cattle for beef production.

With R&D capabilities encompassing all research requirements across our integrated value chain, we have pioneered various innovations to improve plantation yields and operations. Our breakthrough in oil palm genomics resulted in the award-winning high-yielding GenomeSelect™ seeds which are now commercially available. Through mechanisation, automation and digitalisation, we are transforming laborious manual work in plantations and reimagining oil palm plantations of the future. Firmly rooted in sustainable operations, our mills are 100% certified to the Roundtable on Sustainable Palm Oil (RSPO), making us one of the world's largest producers of Certified Sustainable Palm Oil (CSPO).

Key Focus Areas

- **Replanting:** We target to replant 100% of our plantations with GenomeSelect™ for optimum productivity
- **Manuring:** We adhere to best practices to ensure our palms grow and produce optimally. This includes proper timing of fertiliser application to maximise nutrient uptake
- **Reimagining plantations:** We are transforming our plantation operations to become tech-driven through intense mechanisation, automation and digitalisation
- **Mills transformation:** Accelerating certification of SD Plantation oil mills as food safety compliant facilities under the Project OMEGA

2023 OVERVIEW

Inflation and the depreciation of the Ringgit contributed to the increase in fertiliser and chemical prices resulting in higher cost of agricultural inputs. This required SD Plantation to closely monitor our expenses while forging ahead with our rehabilitation efforts in Malaysia and replanting programmes in Indonesia.

In Malaysia, favourable weather and the availability of more labour, especially harvesters, led to increased productivity in the second half of the year. Meanwhile, better quality FFB and enhanced efficiencies at the mills led to a higher oil extraction rate (OER). For the year, Malaysia's FFB yield increased by 18% to 4.15 million metric tons (MT) while OER stood at 20.4% (2022: 19.99%).

In Indonesia, the accelerated replanting programme carried out since 2016 is addressing the age profile of our plantations, especially in South Kalimantan, resulting in increased quantity and quality of FFB as well as OER. Results have been further enhanced since fields replanted with the superior DxP iCalix seeds, beginning 2019, have started to mature. These seeds, produced at the Planting Material Unit of Minamas Research Centre in Siak, Riau Province, have led to a 10-fold increase in production and sales. In 2023, the replanting contributed to an increase in the country's OER from 21.32% to 21.66%. Impacted by a five-month dry spell induced by El Nino, however, FFB yield dropped by 3% year-on-year (YoY) to 2.69 million MT. Indonesia will continue to

see positive returns from the replanting exercise undertaken, as each year, an average of 10,000 ha of newly replanted fields will come into maturity.

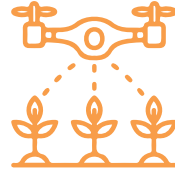
PNG and SI, meanwhile, experienced a 36% YoY increase in rainfall with unusually heavy rains in the fourth quarter. This, together with smaller mature acreage following replanting, contributed to a 2% drop in FFB production from 1.91 million MT in 2022 to 1.87 million MT; and saw OER dip from 22.68% to 22.06%.

Other than macroeconomic factors, the year was marked by several significant corporate developments. Most notably, as of February, the CPO export ban to the US was lifted following a deep review and revision of our labour-related policies and processes. During the year, we also closed down our rubber operations in Malaysia to explore other crops that can provide better returns. Workers from our rubber estates were redeployed to our oil palm plantations, further alleviating the labour shortage. Meanwhile, in Indonesia, we sold off two subsidiaries – PT Ladangrumpun Suburabadi and PT Sajang Heulang – to PT Global Berkat Usahatama (GBU); and with the proceeds we were able to fully settle a lawsuit that had been ongoing for over a decade. Furthermore, the sale of these assets was a boon for productivity, as issues surrounding the plantations had been hampering our operations for many years.

PERFORMANCE HIGHLIGHTS

Operations

705 machines covering all non-harvesting operations have been deployed



Drones are being used extensively in our nursery for weeding and to spot overgrown palms

A new AI programme enabled **Ganoderma areas to be mapped** in Carey Island



Plans for the use of **unmanned ground vehicle (UGV)** in fertiliser application and to automate harvesting operations are currently underway

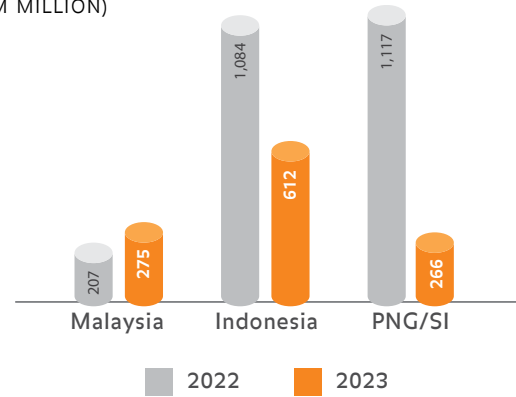
Establishment of the **Malaysian Southern and Northern Region Innovation Committees** to improve operational efficiencies

Financial

REVENUE (RM MILLION)



RECURRING PBIT (RM MILLION)



Sustainability

9,857 locals have been hired

100 youths trained as machine specialists in collaboration with Malaysian Institute of Plantation and Commodities (IMPAC)



15 TVET graduates have been placed in our mills upon completing a bootcamp conducted with National Advanced Youth Vocational Institute (IKTBN) Pagoh in 2023

Recruited **152** local harvesters in collaboration with education institutes and government agencies



Training and job placement for **61** Kolej Komuniti students sponsored by Yayasan Sime Darby



Replaced **653** houses in Indonesia in 2023 (total replaced since 2021:1,395 units)

Business Review

BUSINESS PERFORMANCE REVIEW

Operations

Key Initiatives

Mechanisation, automation and digitalisation of our plantations

Digitalisation and innovation to further enhance plantation and mill management

Towards 100% Malaysian workforce by end-2027 (*for non-harvesting activities*)

Replace old semi-permanent houses with permanent houses

Achievements

- As at the end of 2023, 705 machines have been rolled out in our Malaysian estates, covering all non-harvesting operations, namely weeding, rat baiting, sanitation and manuring
 - Early prototypes are being tested for automated harvesting, with the first test completed in 2023
 - Drones are being used extensively in our nursery and immature areas for weeding and to identify overgrown palms
 - As a result of positive tests on UGV prototypes, there are plans for usage of UGVs in fertiliser application and to automate harvesting operations
-
- Several dashboards have been rolled out to measure and oversee operational progress
 - A new AI programme enabled Ganoderma areas to be mapped in Carey Island
 - Newly established Southern and Northern Region Innovation Committees have inspired employees to contribute 66 innovative ideas to improve operational efficiencies
 - Project OMEGA – Hazard Analysis and Critical Control Points (HACCP) Certification (% against target):
 - Malaysia: 31 mills (100%)
 - Indonesia: 6 mills (30%)
 - PNG & SI: 12 mills, 7 KCPs and 5 bulking (100%)
-
- A total of 9,857 locals have been hired through various local recruitment drives since 2020
 - Development of attractive career paths (since 2020) for local talent, with the hiring of 603 machine specialists, 39 assistant technicians and 53 field officers since 2020
 - Plans to run a pilot programme to train 100 youths as machine specialists in collaboration with Institute of Malaysian Plantation and Commodities (IMPAC)
 - Collaborating with Technical and Vocational Education and Training (TVET) institutions and local communities on upskilling programmes:
 - 15 TVET graduates were placed in our mills upon completing a bootcamp conducted with IKTBN Pagoh in 2023
 - Recruited 152 local harvesters in collaboration with Kolej Yayasan Pahang Advanced Skills (KYPAS) and Department of Orang Asli Development (JAKOA)
 - Training and job placement for 61 Yayasan Sime Darby-sponsored *Kolej Komuniti* students
-
- Replaced a total of 653 houses in Indonesia in 2023, bringing the total number of houses replaced since 2021 to 1,395 units



KEY CHALLENGES AND OUR MITIGATION STRATEGIES

Challenge	Mitigation strategies	Results
Continued worker shortage (since the pandemic) up to the end of the first half of the year; and lack of experience among new workers	<p>Hired sufficient number of foreign workers while adhering to our Migrant Worker Responsible Recruitment Procedure, and provided adequate training to equip them with the required skills.</p> <p>Intensified efforts to recruit Malaysians by making available more skilled jobs and opportunities for upskilling local youth.</p> <p>Continue to reduce dependence on manual labour through advanced mechanisation, automation and digitalisation of plantation operations.</p>	<p>Closed the shortage gap, and new workers are sufficiently skilled to carry out their jobs safely as well as productively.</p> <p>Through enhanced mechanisation, we reduced our dependence on non-harvesters by 1,723 workers as of end 2023 from end 2022.</p>
Need to keep at the cutting-edge of technological advancements to develop innovative solutions to address pain points	Establish partnerships with tech start-ups and companies, as well as universities.	In the process of crafting cutting-edge autonomous prototypes for both fertiliser application and harvesting, with several more projects in the pipeline.
Tough-to-navigate terrains in plantations making it difficult to use machines on the ground	Technology teams collaborate with internal subject matter experts and external solution providers to find the best solutions.	Use of drones to map the terrains to assist machines in accessing these areas. Development of machinery with robust components to address different terrain requirements.

CREATING STAKEHOLDER VALUE

Stakeholder	How We Deliver Value
Workers	<ul style="list-style-type: none"> Recruitment of foreign workers in accordance with enhanced Migrant Worker Responsible Recruitment Procedure, ensuring that licensed agents appointed adhere to International Labour Organization (ILO) standards All recruitment fees and related costs of employment are paid; and workers sign employment contracts in their own native language Workers' passports and/or personal documents are not withheld Workers' accommodation across the Group has been upgraded to ensure a good standard of living Estate infrastructure – water supply and roads – has been improved Employees' children are given swimming lessons to enhance water safety
Smallholders	<ul style="list-style-type: none"> Our Kredit Koperasi Primer Anggota (KKPA)/Plasma schemes provide assistance/ know-how on oil palm plantation management as part of capacity building Engage frequently with smallholder suppliers on the importance of RSPO/Indonesia Sustainable Palm Oil (ISPO) certification
Community	<ul style="list-style-type: none"> Provision of skilled job employment opportunities for youth CSR efforts to enhance the well-being of communities surrounding our operations Manage and repair roads for the use of surrounding villagers Assist communities within 5km of our estate boundaries in Indonesia to monitor and manage any fire incidents

Business Review

KEY WINS

Indonesia Upstream

- Gold Medal for Best Practice in Environment, Indonesia Sustainable Development Award (ISDA), acknowledging community-based forest and land fire-prevention programme
- Silver Medal for Best Practice in Environment, CSR Outlook 2023, acknowledging community-based forest and land fire-prevention programme

OUTLOOK

The outlook for 2024 is looking bright as the rehabilitation of our Malaysian operations continues with the availability of more harvesters in our plantations and the recovery of our Indonesian plantations from El Nino, both of which are expected to contribute to better yields and OER. In Malaysia, efforts to attract more local workers through our recruitment drive and collaboration with various TVET partners will also continue. Weather permitting, production from Indonesia and PNG/SI is expected to improve as larger tracts of plantation mature. In ensuring continuous improvement of ethical labour practices across our global operations, our operations in Indonesia as well as PNG & SI will follow in the footsteps of our Malaysia operations, working towards identifying and eliminating any signs of forced labour.

While the price of agricultural inputs started to decrease towards the second half of 2023, we will continue to keep a tight rein on spending to ensure healthy margins. In line with our 2050 net-zero target, we will also press ahead with carbon emissions reduction initiatives via expansion of our biogas plants at our mills to capture methane from palm oil mill effluent (POME), as well as greater use of solar technology and other green energy sources in our operations.



We continue to reduce our dependence on manual labour through advanced mechanisation, automation and digitalisation of plantation operations.



Sime Darby Oils

Sime Darby Oils (SDO) produces edible oils, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives for the global market. Driven by a philosophy of “Realising possibilities, together”, SDO collaborates closely with customers to develop bespoke solutions, including superior refined oils and fats that are tailor-made to their needs.

SDO owns and manages 11 refineries with a total capacity of 3.99 million metric ton (MT) per year and a total bulking installation capacity of 284,900 MT; four kernel crushing plants with a total annual capacity of 465,000 MT; one biodiesel plant with a production capacity of 120,000 MT per annum; one soya crushing plant with a production capacity of 132,000 MT per annum; as well as two copra mills in Papua New Guinea with a combined production capacity of 42,000 MT.

Key Focus Areas

- **Business transformation:** Drive operational and commercial excellence through Project Matterhorn, launched in 2020, with the ultimate objective of enhancing profit before interest and taxes (PBIT)
- **Culture transformation:** Inculcate a Culture of Care (CoC) across SDO via regional workshops, train-the-trainer to develop CoC change agents, development of regional leadership as role models, and effective internal communication
- **Digitalisation:** Launched our Digital Ambition, “Connecting Insights, Delivering Beyond”, anchored on customer centricity and data centralisation
- **Net-Zero Journey:** Work towards near-term (2030) and long-term (2050) emissions reduction targets, involving the transition of suppliers in the entire value chain

2023 OVERVIEW

The global economic slowdown in 2023 posed challenges for SDO, resulting in an erosion of margins. Despite these challenges, SDO managed to successfully achieve several key highlights for the year, showcasing resilience in the face of adversity.

European and African operations experienced 166% year-on-year margin growth, driven by firm selling prices and cost reduction stemming from lower feedstock prices and decreased energy expenses.

Increased year-on-year sales volume primarily in Europe, capitalising on heightened market demand.

Physical sales of fully segregated and mass balance oils as well as Roundtable on Sustainable Palm Oil (RSPO) certificates increased by 144% year-on-year.

Business Review

PERFORMANCE HIGHLIGHTS

Operational



Sales Volume

3,393

FY2022: 3,318 ('000 MT)
Var YoY: +2%

Capacity Utilisation

55%

FY2022: 61%
Var YoY: -6%

Business



Achieved a **higher than the market average crude palm oil (CPO) price** for Indonesia

Sustainability

- **Delivering 75% No Deforestation, Peat and Exploitation (NDPE)** commitment from suppliers in our supply chain based on the NDPE Implementation Reporting Framework (NDPE-IRF) developed by the Palm Oil Collaboration Group (POCG)
- Our **traceability to mill (TTM) stands at 96.2%** while **traceability to plantation (TTP) stands at 73.9%**, an improvement of up to 6% over the last three financial years

BUSINESS PERFORMANCE REVIEW

Key Initiatives

Manufacturing Excellence & Digitalisation Roadmap

Safety Leadership: Towards a Proactive Culture

Product Innovation & Development (PID)

Outcomes

- Tailored assessment for machinery well-being, emphasising safety, risk management and compliance to achieve a safe operating environment
- Implemented an autonomous predictive maintenance system, improving machine efficiency and reducing downtime
- Equipping employees with knowledge and skills across the manufacturing value chain
- Established a centralised hub to optimise resource management, enhance data management and agile decision-making, and improve customer experience, ensuring strategic alignment and providing scalability
- Embarked on Customer Journey Mapping to further improve customer experience
- Conducted multiple Front Line Leadership (FLL) sessions for business unit (BU) supervisors
- Within Process Safety Management, focus is directed towards change management, shift handover, and the Take 5 procedure. This includes managing risks related to process safety, ensuring the safety of critical equipment, and implementing procedures for process isolation and lockout/tagout (LOTO)
- Developed Health, Safety and Environment (HSE) Competency Profile and Manufacturing Value Chain – HSE for employees at all levels
- Distribution of Safe Driver & Rider handbook (developed in 2022)
- Conducted HSE Capability Assessment before appointment of new contractors
- Inspire HSE performance through inclusion of HSE-related criteria in annual awards such as SDO Managing Director's Award, HSE Excellence Award and SDO Chairman's Award
- 12 new products commercialised across Frying, Bakery and Confectionery segments in all regions, including healthier oils and fats with low trans and saturated fats
- Butter-Oil Substitute and Low-Trans bakery products were developed and expanded into China and South America
- Development of processes and facilities to promote oil quality in global market; as well as a Food Safety Dashboard to track oil quality from mills to customers
- Expanded the adoption of digital systems to collate and provide access to customer intel, as well as our virtual product matching and development tool, iTas Online
- Revamped our digital product development and innovation project management portal to enable better project and value tracking for new product development



Key Initiatives	Outcomes
Strategic Communication & Brand Perception	<ul style="list-style-type: none"> Increased stakeholder engagement with over 230 activities involving global employees and BUs, surpassing the 146 activities organised in 2022 Exceeded 2022 volunteering hours of 11,917 hours with SDO employees achieving a total of 18,042 hours in 2023 through 172 CSR activities encompassing 18 global BUs Enhanced brand image assessed through an annual customer survey to evaluate perceptions of the SDO brand: <ul style="list-style-type: none"> Achieved overall score of 86.3%, which was higher than the previous year's score of 84.4% 94% of customers rated SDO's sustainability performance as "Excellent" or "Good" Our strategic communication efforts under the banner of "Not All Palm Oil is Created Equal (NAPOICE)", have conveyed our commitment to quality, sustainability, and innovation, differentiating us from other players in the industry
Towards Net-Zero	<ul style="list-style-type: none"> All greenhouse gas (GHG) emissions targets had achieved Science Based Targets initiatives (SBTi) validation in December 2023 SDO is dedicated to ensuring 79% of our customers and suppliers will have science-based targets by 2027, encompassing emissions from purchased goods and services, capital goods, fuel and energy-related activities as well as upstream and downstream transportation and processing of sold products

KEY CHALLENGES AND OUR MITIGATION STRATEGIES

Key Challenges	Key Mitigation Strategies
<p>Geopolitical Uncertainties Potential decline in demand from key markets and increase in operating costs due to Russia-Ukraine and Israel-Palestine conflicts, further exacerbated by upcoming general elections in countries where SDO operates.</p>	<ul style="list-style-type: none"> Continuous monitoring of geopolitical developments that may expose SDO to systemic risks and realign strategies such as supply chain decisions, where applicable On-the-ground and close engagement with customers and suppliers to monitor and understand the impact of geopolitical developments Close monitoring of global raw material prices to ensure accurate budget costing for projects
<p>Climate & Sustainability Risk Increasingly stringent requirements from customers and regulators on sustainability practices, which could also increase the cost of doing business.</p> <p>Meanwhile, adverse weather due to El Nino or other climate events may impact yield and productivity.</p>	<ul style="list-style-type: none"> Developed a comprehensive strategy to achieve net-zero emissions with targets approved by SBTi Accelerate Food Safety compliance and certification initiative of SD Plantation oil mills through Project OMEGA Active engagement with all stakeholders to communicate the Group's sustainability initiatives Continuous improvement to further strengthen sustainability practices on the ground, supported by strict monitoring and tracking to ensure compliance Implementation of climate risk management in response to climate change
<p>Competition & Commodity Risk Intense price competition affecting profitability and risk of higher inventories due to lower demand.</p>	<ul style="list-style-type: none"> Continuous assessment and realignment of strategies to remain competitive Continue to strengthen SDO's brand through marketing initiatives whilst further enhancing product quality and services as well as product differentiation Use of derivative instruments to hedge against the price fluctuations
<p>Legal & Regulatory Risk Possibly more stringent regulatory requirements to be fulfilled where the Group operates.</p>	<ul style="list-style-type: none"> Proactive engagement and communication with all stakeholders to ensure the potential impact of proposed regulatory changes is understood and, where possible, mitigated

Business Review

CREATING STAKEHOLDER VALUE

Stakeholder	How We Deliver Value
Employees	<ul style="list-style-type: none"> • Prioritise diversity, equity and inclusion (DEI) as well as employee experience, emphasising employee well-being and professional development • Provide competitive rewards, comprehensive benefits, and a supportive work environment
Customers	<ul style="list-style-type: none"> • Committed to understanding and exceeding customer expectations through innovation, quality products/services, and personalised experiences
Communities	<ul style="list-style-type: none"> • Engage in philanthropy to support communities' needs • Ensure responsible practices to safeguard the environment
NGOs & Civil Society Organisations	<ul style="list-style-type: none"> • Participate in initiatives and projects that address societal challenges, aligning our business practices with broader social goals
Academic Institutions	<ul style="list-style-type: none"> • Support academic endeavours to elevate skills and knowledge and to develop future industry leaders through partnerships and sponsorships

KEY ACHIEVEMENTS

Award	Recognition	Awarding Body
Sime Darby Oils	GRADUAN Brand Awards 2023 Most Preferred Employer in Manufacturing & Engineering Category	GRADUAN
SDO Morakot	Thai Food and Drug Administration Quality Award 2023 Best Food Manufacturer Quality Standard, Good Governance and Social Responsibility Business	Thai Food and Drug Administration of the Ministry of Public Health
	Superbrands Thailand's Choice	Superbrands Thailand
	Thai Chamber of Commerce Business Ethics Standard Test Awards 2023 (TCC BEST 2023)	The Thai Chamber of Commerce and the Board of Trade
	The No.1 Brand Thailand 2023 Most Popular Brand and Excellence in Branding in Cooking Oil Segment	Marketeer Magazine

OUTLOOK

Our top priority in 2024 will be to progress towards our Matterhorn targets, focussing on:

- Talent development and culture transformation
- Enterprise-wide digitalisation
- Customer centricity to address changing expectations of consumers, investors and other stakeholders

At the same time, we will collaborate more closely with the Group's Upstream Division to maintain the consistent production and supply of high-quality CPO as this will be reflected in the quality and value of SDO's products. We will also underline our commitment to ESG by nurturing a sustainable supply chain. Our goals are for most of our material suppliers to have science-based emissions reduction targets in line with SBTi by 2027; and for our supply chain to be EU Deforestation Regulation (EUDR) compliant by 2024 and NDPE compliant by 2025.



Renewables

Sime Darby Plantation Renewable Energy Sdn Bhd (SDPRE), established in 2020, is a wholly owned subsidiary of SD Plantation. As part of the Group's net-zero target aspiration, SDPRE is mandated to initiate, plan, develop, execute, operate and monitor the Group's carbon emissions reduction and renewable energy growth strategy initiatives (Green Initiatives).

As part of the Group's near-term net-zero target, SDPRE plays a crucial role in assisting the Group to achieve a 42% reduction in Scope 1 and Scope 2 Energy and Industrial (E&I) carbon emissions by 2030. SDPRE is also helping to grow the Group's annual profit before interest and tax (PBIT) in the renewable energy business segment to RM100 million by FY2026.

This is to be achieved via biogas, solar and biomass projects. To date, there are 16 operational biogas plants in Malaysia, Indonesia and Papua New Guinea which convert methane from palm oil mill effluent (POME) into renewable energy. For solar energy, in addition to leasing selected landbank to third parties for use as solar farms, SDPRE also undertakes the installation of rooftop solar panels to reduce the Group's conventional energy and diesel consumption. SDPRE also actively explores biomass enhancement opportunities at SD Plantation which converts biomass waste into valuable resources, further reducing carbon emissions and fostering a circular economy.

Key Focus Areas

SDPRE's focus areas are in the three business pillars of Biogas, Solar and Biomass:

Biogas

- Seeks opportunities for the development of biogas plant installations within the Group's operations to effectively capture methane emissions
- Facilitate and coordinate various renewable energy business models such as own asset investment, third-party investment as well as joint venture partnerships
- Contribute to SD Plantation's Carbon Emissions Reduction (CER) target while generating income

Solar

- Seek opportunities, evaluate new technologies, initiate and coordinate all solar-related projects, including but not limited, to large-scale solar, rooftop solar and off-grid solar systems
- Develop a stable and relatively low-risk income-generating business

Biomass

- Enhance SD Plantation's biomass waste via suitable methods such as converting biomass to power, biomass to pellet, and/or biomass to fuel
- Promote circular economy in SD Plantation by converting waste to wealth and further assist in CER

BUSINESS ENVIRONMENT

As energy demand rises alongside population growth and increased economic activities, there is a growing emphasis on renewable energy (RE) to meet the global energy needs in an efficient and sustainable manner. Given the current global call to urgently tackle climate change, the Malaysian government aims for RE to constitute 40% of the primary energy supply mix by 2035, and 70% by 2050 in the country. Achieving this goal necessitates significant expansion of RE capacity nationwide, a goal reinforced by the National Energy Transition Roadmap (NETR) launched in August 2023.

Business Review

As the Group is already involved in the solar and bioenergy sectors, it is positioned to contribute effectively to the government’s energy transition agenda. SDPRE is committed to exploring all available opportunities to capitalise on the NETR for the Group’s economic benefit.

CREATING STAKEHOLDER VALUE

Stakeholders	How we deliver value
Internal	<ul style="list-style-type: none"> Assist the Group to achieve our sustainability goals and net-zero target by planning and executing RE projects to reduce our carbon emissions Generate new income stream for the Group from RE initiatives
Partners	<ul style="list-style-type: none"> Actively seek opportunities for synergistic joint initiatives or potential collaboration with reputable partners in the RE industry Develop win-win partnerships and foster collaboration leading to value creation for both SD Plantation and our partners

BUSINESS PERFORMANCE REVIEW

Pillars	Key Initiatives	Outcomes
Biogas	Feed-in-Tariff (FiT) – electricity generation for sale to the national grid	Completed one biogas plant at Seri Intan (Perak) and commenced construction of two more plants at Sg. Dingin (Kedah) and Kok Foh (Negeri Sembilan).
	Co-firing – use of biogas in boilers resulting in Palm Kernel Shell savings	Completed the construction of the Lavang (Sarawak) biogas plant in Malaysia.
	Captive Power – use of biogas to generate electricity for own use resulting in diesel displacement	Started construction of the Sangara biogas power plant in Papua New Guinea.
Solar	Large Scale Solar (LSS)*	<ul style="list-style-type: none"> Secured 15MW quota for the development of SD Plantation’s first solar plant in Bukit Selarong (Kedah) under the Corporate Green Power Programme (CGPP) Secured additional 11 tenants to develop solar plants on SD Plantation land under the CGPP Five LSS 4 plants developed and operated by tenants on SD Plantation land and started official operations in December 2023
	Rooftop solar*	Commissioning of rooftop solar at SD Plantation Plantation Tower, Centre of Sustainability (COS) and R&D Carey Island.
	Off grid*	Completed solar-operated fertigation system in Sungai Buloh Estate.
Biomass	Microalgae*	<p>Completed the installation of trial plants for microalgae carbon sequestration.</p> <p>Biomass Empty Fruit Bunches press, Biomass FiT, Biomass Power Plant and Palm wood plant are in planning and development stage.</p>

* All initiatives were carried out in Malaysia.

KEY CHALLENGES AND MITIGATION STRATEGIES

Challenge	Mitigation strategies	Results
Lack of key personnel and technical support to carry out projects efficiently.	<p>Work with Group Human Resources to recruit project consultants or talents with expertise in relevant fields.</p> <p>Appoint reputable Engineering, Procurement, Construction and Commissioning contractors through tender process, as well as conduct due diligence to ensure proper selection of solar contractors with good track records.</p>	Strengthen technical support and business operations capabilities of SDPRE, enhancing project development and execution.
Low processing trend at oil mills resulting in low POME production, directly impacting power generation and revenue from biogas plants.	<p>Evaluate and explore crop diversion initiatives and increase the supply of outside crop.</p> <p>Incorporate relevant considerations in forecasts and business model.</p>	Improved power generation and revenue from biogas power plants. Continue to sustain good relationships with biogas partners and SD Plantation's stakeholders.
Rapid evolution of high-cost technologies challenge the viability and profitability of projects.	Keep abreast of new market developments through summits and conferences, exploratory discussions with potential partners, and by building strategic relationship with relevant stakeholders.	Alignment of SDPRE team's knowledge with the latest technology.
Economic viability, capital costs, immature technology (exploration) and higher technical requirements need to be evaluated when starting projects.	Adoption by SDPRE team of an active role in evaluating new technologies and their incorporation into operations.	Maintaining a balance between adapting to the latest technologies and maintaining project profitability.



Rooftop solar panels at our R&D centre in Banting, Selangor, Malaysia.

Business Review

PERFORMANCE HIGHLIGHTS

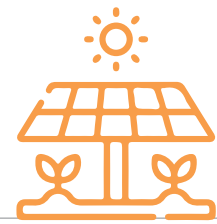
Financial

SDPRE earned a total of
RM 6.26
Million
from **land rental and other**
revenue streams

Achieved a total of
RM 4.58
Million
in **savings from Biogas**
and **Solar**

Business

Secured **15MW CGPP quota**
qualifying SD Plantation to
become a **project developer**
for **large-scale solar**.



Sustainability

Biogas

- Emissions from effluent treatment are **1,303,290 tCO₂e** in 2023 and has reduced **12.5%** from 2020.
- Total emissions reduction** through biogas initiatives in 2023 was **423,172 tCO₂e**, the equivalent to planting 42 million forest trees.

Solar

- Solar rooftop initiatives contributed to a 436 MT CO₂ emissions reduction in 2023.
- With the addition of five newly completed solar systems, annual emissions reduction is set to more than triple, reaching a significant milestone of 1,479 MT CO₂ annually. With the completion of the three rooftop solar systems currently in progress, emissions will reduce by 3,500 MT CO₂ annually.

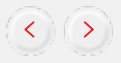
Key Achievements

- 2nd runner up** at the **ASEAN Renewable Energy Project Awards** in the Renewable Energy, On-grid category
- Winner** in Category 2 – Renewable Energy (On-grid, Local Grid) at the **National Energy Awards (NEA) 2023**



OUTLOOK

- SDPRE remains committed to supporting SD Plantation achieve our net-zero target while actively seeking additional revenue streams and positioning ourselves as a competitive player in the RE sector.
- The company is also set to initiate and expand our involvement in RE activities in Indonesia and Papua New Guinea.
- SDPRE will continue to explore new frontiers in RE such as hydrogen, agrivoltaic, carbon capture utilisation and storage (CCUS), battery energy storage system (BESS) and electric vehicle hub development.



Research & Development

The Group's business throughout the entire palm oil value chain is supported by market-leading Research & Development (R&D) capabilities. Research at SD Plantation is carried out at five R&D centres in Malaysia, Indonesia and Papua New Guinea; three Innovation Centres in Malaysia, the Netherlands and South Africa, as well as a fully operational genetic testing facility in Malaysia.

R&D also supports Sime Darby Oils (SDO) through Centres of Excellence that are focussed on developing solutions for frying, bakery, confectionery, food safety, nutrition and wellness, animal nutrition and process innovation. Leveraging our R&D capabilities, SDO is empowered to customise products to meet customers' needs.

We have more than 150 scientists who continue to develop and create innovations that are not only adopted within the Group but also commercialised. These include industry-leading oil palm genomics technology and cutting-edge solutions that improve yield, plantation operations as well as milling and refining processes.

Key Focus Areas

- **Biotechnology & breeding:** leverage latest technologies to produce elite high-yielding oil palms and planting materials with increased disease tolerance and improved yields
- **Plantation research & advisory:** improve plantation operations to enhance efficiencies, reducing costs and reliance on manual labour
- **Processing & engineering:** develop and test technology to improve milling efficiency, sustainability and product quality; and provide advisory services for milling process optimisation as well as system improvement
- **Oils & fats:** develop and test technology/solutions and provide advisory services to optimise refinery operations' capability to produce high-value quality products
- **Advanced mechanisation technology:** develop and test solutions that have the potential to increase productivity and reduce dependence on manual labour
- **Lab services:** provide measurement and testing services to support operational regulatory requirements, food safety commitments and ad-hoc requests for initiatives and activities applied along the supply chain
- **Product innovation & development:** innovate/develop new formulas, independently or in collaboration with customers, and commercialise new products

Business Review

PERFORMANCE DURING THE YEAR

R&D BIOTECHNOLOGY & BREEDING (BB)

Key Initiatives

Produce high-quality planting materials for SD Plantation and customers

Develop disease-tolerant oil palm seeds

Outcomes

- Replanted over 10,000 hectares (ha) of GenomeSelect™ materials in SD Plantation since 2016, with palms planted in 2018 yielding 10% – 34% more oil per ha compared to conventional palms
- Launched 300,000 GenomeSelect™ seeds for external customers
- Working to expand sales of calix600® and calixQ6™ seeds to international markets, on an ongoing basis
- Developed a DNA prediction tool able to detect crown disease and *Ganoderma* tolerance oil palm seeds



Our genetic testing facility is one of the largest in Southeast Asia for the commercial production of GenomeSelect™ materials since 2016.

Into the Future



Replant 100% oil palm areas across the Group with **GenomeSelect™** seeds



Improve production efficiency and quality in **seed** production



Further enhance current **GenomeSelect™** seeds to **increase disease tolerance and yield stability**



PLANTATION RESEARCH & ADVISORY (PRA)

Key Initiatives

Achievements

Intensify the use of digital technologies in plantations

- 170,000 ha of planted areas were monitored using satellite imagery and drones
- A new method of *Ganoderma* census using Unmanned Aerial Vehicle (UAV) Image Analytics was successfully tested and will be deployed in the Group's estates in 2024
- *Ganoderma*-infested areas were mapped out in Carey Island using new artificial intelligence (AI) technology
- A new UAV Point-to-Point spraying technology was co-developed and deployed in 16,000 ha of immature palms to control the *Oryctes rhinoceros* beetle in the Group's estates
- A new method of drone baiting (R-Drop) to apply Rodenticide, co-developed with a drone company, was successfully tested and proven effective

Implement fertigation, i.e. the application of fertilisers via the irrigation network

- An off-grid fertigation system powered by a hybrid solar panel array has shown the potential in decreasing reliance on manual labour and eliminating GHG emissions associated with estate machinery

Development of sustainable biofertilisers and bioinsecticides

- Successfully developed and tested *Beauveria bassiana*, a new biocontrol agent that provides a safer alternative for bagworm control
- Another biocontrol agent, *Metarhizium anisopliae*, was co-developed with Universiti Malaysia Terengganu and successfully tested against the Red Palm Weevil
- A total of 72 MT of Arbuscular Mycorrhiza Fungi (ARMYCORR®) was produced and used for the prophylactic treatment of *Ganoderma* disease in SD Plantation's oil palm seedlings
- A total of 27 MT of *Metarhizium* bioinsecticide (ORBOX™) was produced and used in SD Plantation's estates for biocontrol of *Oryctes rhinoceros* beetle in immature oil palms

Into the Future

More attention will be directed at **reducing GHG emissions** towards achieving **net-zero emissions** while taking into account economic and business impacts

The use of satellite-based image analytics for *Ganoderma* census will be explored to further **enhance automation and digitalisation in pest management**

Further research will be done on the use of **a new AI-based technology** to detect weeds and automate spraying

A new **AI-based census method for bagworms, rats and barn owls** will be explored

PROCESSING & ENGINEERING (P&E)

Key Initiatives

Achievements

Improve oil extraction rate (OER) using digital and other technologies

- Established a prediction model for oil loss in press fibre based on input criteria to the press station, and conducted commercial-scale testing in Labu Mill
- Use of high-speed separator for final oil recovery, significantly reducing oil loss – from 0.85% previously to 0.65%

Reduce processing time at mills to enhance productivity

- Installed and commissioned a new clarifier system, Rapid Oil Recovery System (RAPID), which is reducing the separation time by 50% at Diamond Jubilee Mill

Digitalise mill operations under IR 4.0

- Tested the press station component of the digital twin, which is designed to automatically optimise pressing and digester parameters based on the raw material feed and output, at the Tennamaram Experimental Station (TES™). This will be followed by full-scale testing in 2024

Implement Separate Oil Recovery System (SORS) for biofuel-grade oil

- The installation, commissioning and performance testing of SORS was successfully completed at 10 mills by December 2023. Three of the mills feature a basic SORS setup utilising gravity separation, while the remaining seven mills have been equipped with a complete setup that employs high-speed centrifugation separation. These systems have been well received by the Group's operations and are slated for rollout at several more mills in 2024

Business Review

OILS & FATS (O&F)

Key Initiatives

Achievements

Develop infrastructure for predictive maintenance programme in refineries

- A real-time quality monitoring system has been established under SDO’s digitalisation roadmap
- Installed and deployed predictive maintenance system at Port Klang Refinery (PKR)

Enhance wastewater management

- Completed the installation of an electro-oxidation (EO) plant in Langat Refinery
- Target to meet the Department of Environment, Malaysia’s Standard A limits on discharge wastewater for batch processing

Development and deployment of food safety protocols to sustain and secure premium oil markets

- Carried out rigorous assessments, training and audits to ensure guidelines are applied and sustained in mill operations
- Enabled the production of low contaminant oils to be a market leader in food safety

Tap into demand for more sustainable alternatives to animal protein

- Developed fats for plant-based milk and meat applications

Into the Future

Work towards achieving zero liquid discharge (ZLD) through pilot or batch testing

Deployment of EO plants in PKR following the successful proof of concept in Langat Refinery

Embark on **Phase 2 of SDO digitalisation roadmap** with the installation of an automated feedback loop control in PKR for pretreatment; and black box development for the physical refining process

Focus on developing **low contaminant oils, new-generation frying oil with natural antioxidants; and next-gen animal-free fats**

ADVANCED MECHANISATION TECHNOLOGY (AMT)

Key Initiatives

Achievements

Development of a machine to apply rodenticides, reducing manpower needs to control rodent population in oil palm estates

- The machine was rolled out in August 2023, becoming the first commercially viable rodenticide application machine for SD Plantation
- Featuring an adjustable shooting speed and 2.5 to 8-metre range, it covered up to 30 ha/day on average in flat and undulating terrains during trials
- 33 units of the machine, which is suitable for the application of most commercially available rodenticides, are currently deployed in SD Plantation’s estates

Autonomous Mechanical Buffalo Grabber

- Integrated an autonomous navigation system into the Automated Grabber System and retrofitted this into the Mechanical Buffalo Grabbers
- Testing and evaluation of the autonomous machine’s performance on various lanes/conditions is underway
- An in-depth analysis to identify areas for improvement on the mechanics, navigation and control features is also being conducted

Autonomous Robot Loose Fruit Collector (ALFRo)

- The next step in the development of the machine will focus on the transfer to a fully electrical-operated chassis
- Completed a novel autonomous loose fruit collector prototype featuring a compact prime mover fitted with a robotic arm that collects loose fruit typically found around the palm circle
- The use of AI technology enables identification (selection) of loose fruits on the ground and triggers autonomous collection actions with an accuracy rate of 90%
- The loose fruit collection action is designed to mimic human handpicking to reduce trash/debris accumulation at each collection round

Into the Future

Further **enhance the rodenticide application machine** with tele-ops features while ensuring robustness of components to address different terrain requirements

Investigate the potential use of hydrostatic and electrified components for the Autonomous Mechanical Buffalo Grabber (AMBG)

Increase productivity of the ALFRo machine

The next step in the development of the machine will focus on the transfer to a fully electrical-operated chassis

PRODUCT INNOVATION & DEVELOPMENT (PID)

Key Initiatives

Achievements

Innovate/develop new formulas to meet evolving customer wants and needs

- To meet increased demand for healthier products such as trans-free oils and fats, PID successfully commercialised a low-trans fat cocoa butter replacer (CBR)

Commercialise new products

- Successfully commercialised eight new products such as confectionery fats, shortening, margarine and butter oil substitutes

Technical support for product growth in new markets and/or new applications

- PID worked closely with the commercial team in identifying new markets/customers and expanded sales of existing products such as whipping cream in China

Into the Future

Collaborate with the commercial team **to develop a product growth** strategy to increase SDO's market share

Engage more regularly with customers via technical visits, trade shows, etc.

Develop and commercialise more new products to contribute towards SDO's profitability

Identify Innovation projects based on market trends in collaboration with Centre of Excellence (CoE)



We have successfully commercialised eight new products such as confectionery fats, shortening, margarine and butter oil substitutes.

OUTLOOK

Moving forward, R&D has strategically consolidated our projects into three Grand Challenges (GCs): Productivity, Climate Change and Growth. These GCs are linked to SD Plantation's innovation pillars, focussing on attaining operational excellence, sustainability and fostering innovation. Our R&D team aims to make a substantial contribution to SD Plantation's growth strategy and net-zero commitment by realising a 30% reduction in fertiliser consumption by 2040 and doubling the Group's commercial yield by 2050.

A Summary of Our Sustainability Report

SUSTAINABILITY INSIGHTS

Sime Darby Plantation (SD Plantation), one of the world's largest producers of certified sustainable palm oil (CSPO), is committed to making a positive impact. A global milestone for us was achieved in 2023, when we became the first palm oil company with net-zero targets validated by the Science Based Targets initiative (SBTi). Since 2014, we have strived to meet our No Deforestation, No Peat, and No Exploitation (NDPE) commitments. Having ensured our own production is NDPE compliant, our focus is now on addressing deforestation in our supply chain.

This sustainability statement outlines our progress from 1st January 2023 to 31st December 2023. Our operations encompass the production of CSPO in our upstream operations in Malaysia, Indonesia, Papua New Guinea (PNG), and the Solomon Islands (SI). Our downstream operations are present in 11 different countries and are involved in the trading, manufacturing, and the sales and marketing of refined oils and fats products, oleochemicals, biodiesel, nutraceuticals and other palm oil derivatives. SD Plantation's immediate priorities are to focus on climate action and social performance, build resilient supply chains, and to build trust through engagement and transparency.

OUR SUSTAINABILITY DISCLOSURE

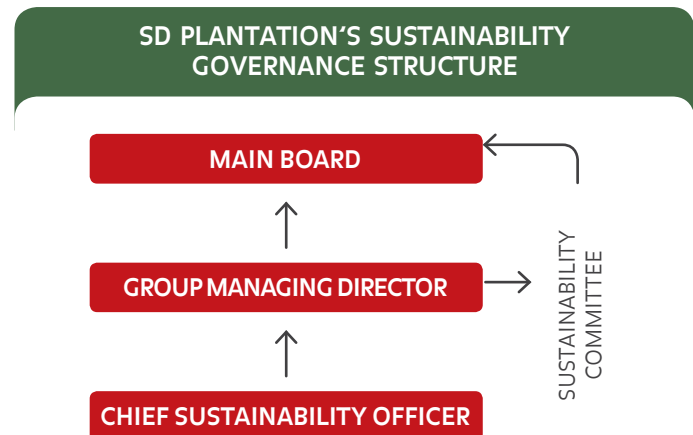
Our disclosures are guided by:

- Sustainability Reporting Guide (3rd Edition) by Bursa Malaysia Securities Berhad (Bursa Malaysia)
- Global Reporting Initiative (GRI) Standards
- Recommendations by Task Force on Climate-Related Financial Disclosures (TCFD)

For more information on our sustainability disclosure, please refer to our standalone Sustainability Report (SR), pages 4 to 5.

SUSTAINABILITY GOVERNANCE

At SD Plantation, the Board has oversight of all sustainability related matters in order to effectively monitor progress towards achieving our objectives and meeting stakeholder expectations. To ensure the robustness of our sustainability programme, sustainability related Key Performance Indicators (KPIs) are integrated in an Environmental, Social and Governance (ESG) scorecard in Upstream Malaysia, which includes indicators around climate action, human rights and benchmarking of sustainability performance within the industry.



MAIN BOARD

- Sets overall direction, vision, and values, and ensures business activities align with sustainability objectives and stakeholder expectations
- Review progress of renewables projects, nature-based solutions, and deforestation elimination efforts
- Assess climate change-related issues such as climate risks and opportunities, and climate disclosures



SUSTAINABILITY COMMITTEE

- Full responsibility for reviewing the sustainability strategy and performance at the Board level around sustainability issues critical to the Group, which include health and safety, human rights, climate change, biodiversity, conservation, and supply chain sustainability
- Oversee the monitoring, reporting and verification of the Sustainability Key Performance Indicators and their implementation through the Group policies
- Oversee the disclosure and reporting of material economic, environmental and social risks and opportunities in the Integrated Report and Sustainability Report

GROUP MANAGING DIRECTOR

- Accountable for sustainability matters for the Group, including climate change
- Chair the Plantation Leadership Committee (PLC) and discussing ESG metrics and climate change commitments
- Include ESG-related metrics in the corporate scorecard
- Lead discussions on sustainability, including climate action, decarbonisation efforts, and climate-related developments at monthly PLC meetings

CHIEF SUSTAINABILITY OFFICER

- Review sustainability strategies, targets, and plans, and overseeing their implementation
- Report on updates, progress, and critical concerns to the Sustainability Committee every quarter
- Directly report to the Group Managing Director on sustainability matters
- Managing the sustainability team at the head office and overseeing operational teams across all business units
- Responsible for sustainability disclosures and reporting

SUSTAINABILITY POLICY

The cornerstone of our sustainability initiatives is our Group Sustainability and Quality Policy Statement (Policy Statement), which was developed in alignment with our Responsible Agriculture Charter and Human Rights Charter. We prioritise transparency, legal adherence, and the integration of sustainability risks into operational decision making. Detailed within our Policy Statement are our commitments to ethical conduct and proactive management of environmental as well as social impact.



Governance

We adhere to our Group Policies and Authorities and the Code of Business Conduct to ensure compliance with all legal requirements in the countries where we operate. Our commitment to integrity fosters a culture of transparency and ensures traceability in our supply chain.



Social

We uphold the rights of our employees and local communities, by providing safe and healthy workplaces and safeguarding their welfare.



Environment

We strictly prohibit deforestation, aiming to protect and enhance biodiversity and build resilience against the impacts of climate change.



Quality

We strive to deliver high-quality products and services to our customers by adhering to internationally benchmarked standards and practices.

A Summary of Our Sustainability Report

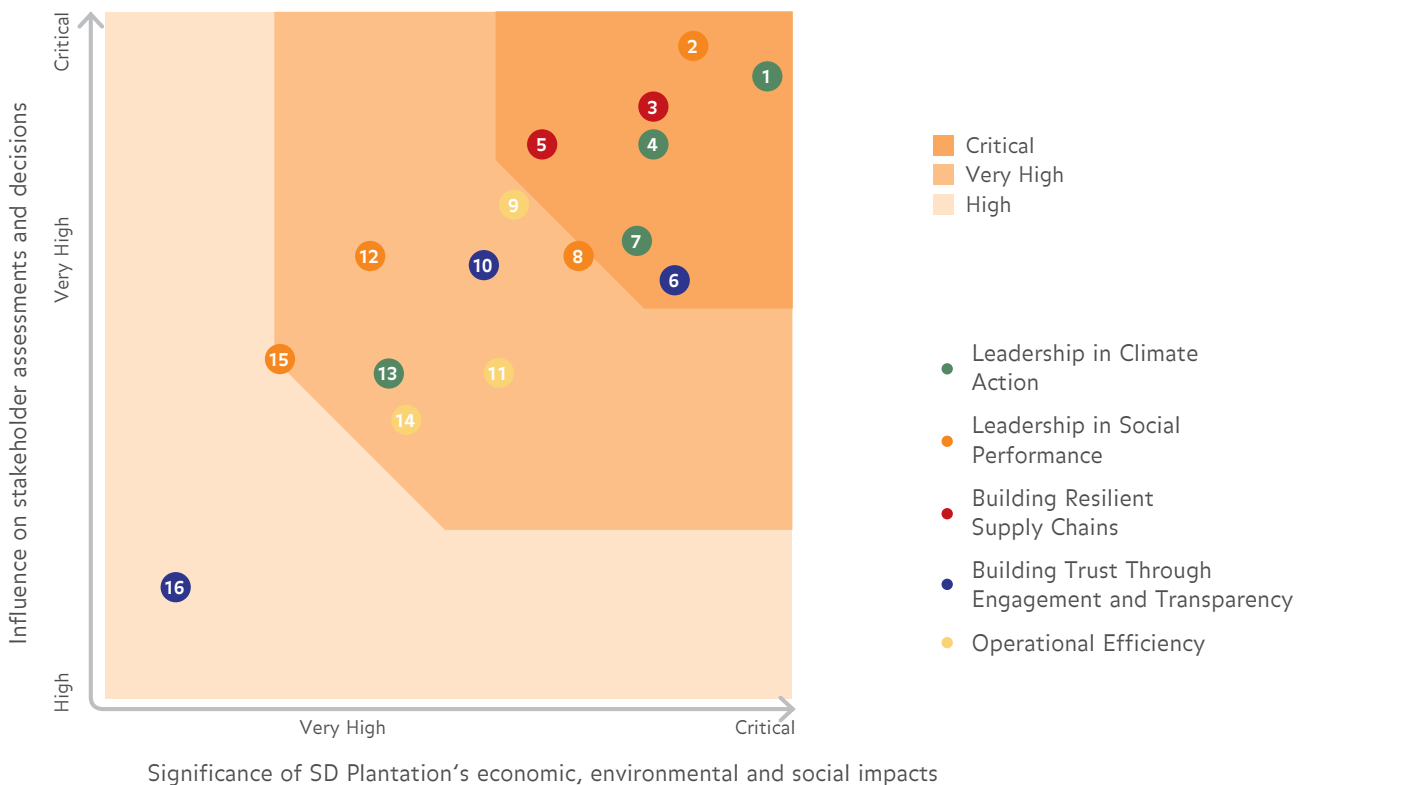
STAKEHOLDERS AND US

We proactively engage in discussions with key stakeholders, tailoring our approach to each stakeholder. Additionally, we collaborate with industry peers to spearhead multi-stakeholder initiatives that are aimed at catalysing transformative and systemic change. Our stakeholder groups include investors, customers, suppliers, employees, business partners, government agencies, industry groups, non-governmental organisations, academic institutions, and local communities.

MATERIALITY ASSESSMENT

In FY2023, we conducted a materiality reassessment to assess our material matters against current sustainability trends. We adhered to Bursa Malaysia’s Main Market Listing Requirements and the Sustainability Reporting Guide (3rd Edition) and took into consideration the evolving palm oil and consumer goods industry in the selection of our material sustainability matters.

The materiality matrix reflects the importance of our ESG priorities to stakeholders and their impact on our business. It plays a crucial role in understanding and responding to stakeholder feedback, shaping both our current sustainability agenda and future ESG goals and actions.



- 1 Climate Change and Energy Management
- 2 Human Rights and Fair Labour Practices
- 3 No Deforestation, No Peat and No Exploitation
- 4 Fire and Haze
- 5 Supply Chain Management
- 6 Product Quality and Safety
- 7 Biodiversity and Conservation
- 8 Health and Safety
- 9 Responsible Consumption & Production
- 10 Corporate Governance & Anti-Corruption
- 11 Yield Intensification
- 12 Community Rights and Development
- 13 Waste and Effluent Management
- 14 Water Management
- 15 Diversity and Inclusion
- 16 Customer Privacy & Data Protection



Sustainability Highlights

Our achievements in FY2023 reflect the current state of SD Plantation's sustainability performance and our continuous efforts towards long-term sustainable growth.

LEADERSHIP IN CLIMATE ACTION



SCIENCE
BASED
TARGETS

Net-zero targets approved by SBTi



88% of energy consumed from renewable sources



Achieved 11% reduction in total energy consumption compared to 2020



Planted **2.28 million trees** as of FY2023

LEADERSHIP IN SOCIAL PERFORMANCE



8.7% reduction in work-related injuries



RM47 million allocated budget for training



Overall satisfaction rate of **96.2%** from Workers Satisfaction Survey



RM56,748,562 in community investments

BUILDING RESILIENT SUPPLY CHAINS

SD Plantation mills are **99%** traceable to **own plantation** and **third party**



Achieved **93.2%** supply chain traceability to mills



Achieved **70.9%** supply chain traceability to plantations



75% of supply chain delivering on **NDPE requirements**

BUILDING TRUST THROUGH ENGAGEMENT AND TRANSPARENCY



Assessed **100%** of operations for **corruption-related risks**



Resolved **134** reported **whistleblowing cases**



3,237 employees received **anti-corruption training**



Zero reported cases of customer privacy breach and data losses

OPERATIONAL EFFICIENCY



Achieved **17.92 metric ton yield per hectare**



Initiated the **Water Footprint** and **Water Business Risk** assessments

Circularity @ SDO introduced to **"Reuse, Reduce and Recycle"** waste and water from refineries and crushing plants



Sustainability Highlights

SD Plantation is continuously striving to advance in accordance with our established objectives and targets in the 5 areas outlined below.

MATERIAL MATTERS	COMMITMENTS	PERFORMANCE
Leadership in Climate Action		
Climate Change and Energy	<ul style="list-style-type: none"> SD Plantation commits to reduce absolute: <ul style="list-style-type: none"> Scope 1 and Scope 2 GHG emissions 42% by 2030 from a 2020 base year (Energy & Industrial Processes) Scope 1, Scope 2 and Scope 3 GHG emissions 90% by 2050 from a 2020 base year (Energy & Industrial Processes) Scope 1 and Scope 3 Forest, Land and Agriculture (FLAG) GHG emissions 30.3% by 2030 from a 2020 base year* Scope 1 and Scope 3 FLAG GHG emissions 72% by 2050 from a 2020 base year* *The target boundary includes removals SD Plantation commits that 79% of emissions of our customers and suppliers covering purchased goods and services, capital goods, fuel and energy-related, upstream and downstream transportation and distribution and processing of sold products will have science-based targets by 2027 	<ul style="list-style-type: none"> In progress – These targets have been validated by the SBTi in November 2023 to be in line with the latest climate science to contribute to limiting global temperature rise to 1.5°C
	<ul style="list-style-type: none"> SD Plantation commits to no deforestation across our primary deforestation-linked commodities 	<ul style="list-style-type: none"> In progress – Achieved 75% compliance in our supply chain for our earlier ambition to be deforestation-free
Biodiversity and Conservation	<ul style="list-style-type: none"> Implement biodiversity and conservation plans for unplanted areas in Indonesia and Papua New Guinea by 2025 Rehabilitation of 400 ha of peat areas in Sarawak 	<ul style="list-style-type: none"> Inventory for Conservation & Biodiversity area for Minamas Plantation completed. A total of 4,671 ha identified to be protected and 4,476 ha to be restored In progress – 50 ha area rehabilitated at Lavang Estate, Sarawak
Fire and Haze	<ul style="list-style-type: none"> Zero use of fire for land preparation 	<ul style="list-style-type: none"> Completed and monitored through active fire hotspot monitoring
Leadership in Social Performance		
Health and Safety	<ul style="list-style-type: none"> 15% annual reduction in frequency of safety and health incidents against previous year 	<ul style="list-style-type: none"> In progress – Achieved 8.7% annual reduction in frequency of safety and health incidents
Human Rights and Fair Labour Practices	<ul style="list-style-type: none"> Resolution of Withhold Release Order (WRO) 	<ul style="list-style-type: none"> Completed
	<ul style="list-style-type: none"> Implement enhanced fair labour practices programme in Indonesia, PNG and SI 100% of workers globally covered by grievance mechanism 	<ul style="list-style-type: none"> In progress Completed – 100% covered by Suara Kami helpline and/or Whistleblowing channel



MATERIAL MATTERS	COMMITMENTS	PERFORMANCE
Leadership in Social Performance		
Community Rights and Development	<ul style="list-style-type: none"> Engage and empower communities for inclusive development 	<ul style="list-style-type: none"> In progress
Diversity and Inclusion	<ul style="list-style-type: none"> More than 30% of women on the board and/or in top management 	<ul style="list-style-type: none"> Women on board: 33% Women on top management: 43%
Build Resilient Supply Chains		
Supply Chain Management	<ul style="list-style-type: none"> 100% traceability to mills and plantation across our supply chain 100% verified No Deforestation, No Peat and No Exploitation (NDPE) supply chain, inclusive of smallholders by 2025 Ensure more than 50,000 smallholders within the Group's supply chain adopt responsible agriculture practices by 2025 in line with SD Plantation's Responsible Sourcing Guidelines 	<ul style="list-style-type: none"> 93.2% Traceability to Mills 70.9% Traceability to Plantation 75% of supply chain delivering on NDPE requirements <p>In progress:</p> <ul style="list-style-type: none"> 33,746 smallholders in support programmes 18,212 smallholders are Roundtable on Sustainable Palm Oil (RSPO) certified
Building Trust Through Engagement and Transparency		
Product Quality and Safety	<ul style="list-style-type: none"> Achieved Hazard Analysis Critical Control Points (HACCP) certification in mills and operating plants Low Mineral Oil Saturated Hydrocarbons (MOSH) and Mineral Oil Aromatic Hydrocarbons (MOAH) commitment of <10ppm & <1ppm 	<ul style="list-style-type: none"> 49 mills, 7 kernel crushing plants and 5 bulking plants In progress (Malaysia, Indonesia) Completed (PNG/SI)
Customer Privacy and Data Protection	<ul style="list-style-type: none"> Maintain zero non-compliances with data privacy and cybersecurity laws 	<ul style="list-style-type: none"> Achieved zero non-compliances with data privacy and cybersecurity laws
Corporate Governance and Anti-Corruption	<ul style="list-style-type: none"> Assessed 100% of operations for fraud and corruption-related risks 	<ul style="list-style-type: none"> Achieved 100%
Operational Efficiency		
Yield Intensification	<ul style="list-style-type: none"> Produce sufficient GenomeSelect™ seeds to meet 2026 replanting requirements for Malaysia operations 	<ul style="list-style-type: none"> In progress
Responsible Consumption and Production	<ul style="list-style-type: none"> Adoption of integrated pest management in plantations Eradicating the use of World Health Organisation Class 1A or 1B pesticides 	<ul style="list-style-type: none"> Completed Completed
Waste and Effluent Management	<ul style="list-style-type: none"> Achieve effluent discharge intensity targets <ul style="list-style-type: none"> Malaysia: 0.65 m³/metric ton FFB Indonesia: 0.5 m³/metric ton FFB PNG/SI: 0.7 m³/metric ton FFB 	<ul style="list-style-type: none"> In progress, achievement in 2023 <ul style="list-style-type: none"> Malaysia: 0.74 m³/metric ton FFB Indonesia: 0.55 m³/metric ton FFB PNG/SI: 0.51 m³/metric ton FFB
Water Management	<ul style="list-style-type: none"> Achieve water consumption intensity of 1.0 m³ per tonne FFB processed in Malaysia 	<ul style="list-style-type: none"> In progress – Acheived 1.52 m³ per tonne FFB processed

CONCLUSION

In line with the Group's five-year strategy blueprint, our sustainability efforts are focussed on leadership in climate action and social performance, building resilient supply chains, and building trust through engagement and transparency. We believe in being open and honest, and we are committed to making a positive impact on the environment, people and the industry. For a more comprehensive overview of each section of the sustainability statement, please refer to our 2023 Sustainability Report.



Performance Data Table

Indicator	Measurement Unit	2021	2022	2023
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Senior Management	Percentage	100.00	100.00	100.00
Management	Percentage	100.00	100.00	100.00
Executive	Percentage	100.00	100.00	100.00
Non-Executive	Percentage	79.00	76.00	79.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	100.00	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	37	38	27
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	66,412,417.00	73,513,685.00	56,748,562.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	23,751	62,906	24,526
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Executive 23 years and below	Percentage	9.10	15.30	12.10
Executive 24-38 years	Percentage	53.60	50.40	55.00
Executive 39-55 years	Percentage	36.20	33.40	31.40
Executive 56 years and above	Percentage	1.20	0.90	1.50
Non-Executive 23 years and below	Percentage	7.30	12.90	12.20
Non-Executive 24-38 years	Percentage	46.50	47.30	50.50
Non-Executive 39-55 years	Percentage	44.80	39.40	35.10
Non-Executive 56 years and above	Percentage	1.40	0.50	2.30
Worker 23 years and below	Percentage	12.70	16.60	16.80
Worker 24-38 years	Percentage	51.20	50.80	51.50
Worker 39-55 years	Percentage	35.40	32.50	31.30
Worker 56 years and above	Percentage	0.70	0.20	0.40
Gender Group by Employee Category				
Executive Male	Percentage	76.00	73.00	72.00
Executive Female	Percentage	24.00	27.00	28.00
Non-Executive Male	Percentage	77.00	78.00	75.00
Non-Executive Female	Percentage	23.00	22.00	25.00
Worker Male	Percentage	80.00	81.00	84.00
Worker Female	Percentage	20.00	19.00	16.00
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	73.00	70.00	67.00
Female	Percentage	27.00	30.00	33.00
30-50 years	Percentage	0.00	0.00	11.00
Above 50	Percentage	100.00	100.00	89.00
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	8,617,963.00	7,920,376.00	8,049,478.00
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	1	5	5
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	7.20	9.30	8.70
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	72,245	71,320

Internal assurance External assurance No assurance

(*)Restated

**Bursa (Labour practices and standards)**

Bursa C6(a) Total hours of training by employee category				
Management	Hours	13,533	28,964	22,478
Executive	Hours	37,513	57,321	75,717
Non-Executive	Hours	74,970	62,511	96,696
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	55.00	55.00	60.00
Bursa C6(c) Total number of employee turnover by employee category				
Executive	Number	253	335	297
Non-Executive	Number	1,128	1,478	965
Worker	Number	19,431	19,641	20,861
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0

Bursa (Supply chain management)

Bursa C7(a) Proportion of spending on local suppliers	Percentage	98.00	97.00	99.00
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Bursa (Data privacy and security)

Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
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Bursa (Water)

Bursa C9(a) Total volume of water used	Megalitres	24,068.000000	24,964.528000	23,649.124000
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Bursa (Waste management)

Bursa C10(a) Total waste generated	Metric tonnes	172,074.00	177,684.00	182,810.00
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	11,649.00	15,417.00	15,416.00
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	160,425.00	162,267.00	167,394.00

Bursa (Emissions management)

Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	10,251,292.00	9,742,966.00	9,379,764.00
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	160,122.00	164,201.00	167,688.00
Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Metric tonnes	8,195,389.00	8,961,121.00	9,128,227.00
Total carbon removals in tonnes of CO ₂ e	tCO ₂ -e	6,711,215.00	6,892,517.00	6,843,700.00

Internal assurance

External assurance

No assurance

(*)Restated

Notes:

- Indicator C1(a) represents Head Office employees only.
- Indicator C3(a) on employee category by age excludes PNG and SI, UK and Netherlands.
- Indicator C3(a) on employee category by gender excludes Upstream NBPOL (PNG and SI), UK and Netherlands due to privacy laws.
- Indicator C4(a) unit is in MWh.
- Data collection for indicator C5(c) started in FY2022.
- Indicator C6(b) represents Malaysia and Indonesia only. Trainees, contract, and temporary employees are excluded from the total headcount reporting.
- Indicator C7(a) represents Malaysia and Indonesia only.
- Indicators C11(a), (b) and (c) have been subjected to an external limited assurance by an independent third party, PricewaterhouseCoopers PLT. Please refer to the independent limited assurance report on pages 64 to 67 of the 2023 Sustainability Report. Among the key scope 3 categories included are Purchased Goods and Services, Capital Goods, Fuel and Energy related activities, Upstream Transportation and Distribution and Processing of Sold Products. Two Scope 3 categories are excluded as they are irrelevant to SD Plantation's operations – Downstream-leased assets and Franchises.
- Indicator "Total carbon removals" unit is in metric tonnes.