



Plantation

LEADING
SUSTAINABLY
LIVING
SUSTAINABLY

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21

ANNUAL REPORT 2021

LEADING SUSTAINABLY LIVING SUSTAINABLY

We work hard to raise our own standards and seek solutions that will help raise the bar across the industry. We drive responsible production beyond our own boundaries in response to climate change and to contribute to a better society. We adopt leading standards and assist our supply chain through the same journey. We uphold our Environmental, Social and Corporate Governance (ESG) commitments and go beyond compliance and operational requirements.

ABOUT THIS REPORT

This Integrated Report covers the economic, environmental and social aspects of Sime Darby Plantation Berhad's (SDP) developments and operations in the countries we operate in. It encapsulates material information encompassing our strategy and business model, operating contexts, material risks, stakeholder interests, performance, financial reports, as well as our approach to governance.

Reporting Framework

This Report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> framework and represents the third year of SDP's integrated reporting journey. This Report is also aligned to Global Reporting Initiative (GRI) standards, the United Nations Sustainable Development Goals (SDGs) as well as the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad. Our climate-related disclosures are guided by the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).



The GRI Content Index for the Annual Report 2021 is available online on Stock and Shareholder Information section at www.simedarbyplantation.com

All financial statements have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standards (MFRS), Malaysian Code on Corporate Governance 2017 and the Companies Act 2016.

Reporting Scope and Boundary

The scope of this Integrated Report covers the financial year period from 1 January 2021 to 31 December 2021 (FY2021), unless otherwise stated, and encompasses all business operations of SDP including our subsidiaries and joint ventures.

Forward-looking Statements

Throughout this Integrated Report, we use certain forward-looking statements that typically contain words such as 'aim', 'may', 'plan', 'will', 'should', 'would', 'expected', 'potential' or other similar expressions. These forward-looking statements discuss future expectations concerning the plans, objectives, goals, strategies, operations and performance of the Group. These statements are neither guarantees nor predictions of future performance as they involve known and unknown risks, uncertainties or other assumptions in their representation of possible scenarios. Actual results and outcomes could differ materially from those expressed or implied. We make no expressed or implied representation or warranty that the results anticipated by these statements will be achieved. Readers are cautioned not to place undue reliance on the forward-looking statements.



THIS REPORT IS AVAILABLE ONLINE:

www.simedarbyplantation.com



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GROUP AT A GLANCE



Our Vision

To be an integrated, global leader in the palm oil industry

OUR BUSINESSES



Upstream

Our Upstream operations encompass 239 estates and 70 palm oil mills located in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands where fresh fruit bunches (FFB) from our estates are delivered to our mills to be processed into crude palm oil and other derivatives.



Read more about our Upstream performance on page 54



Sime Darby Oils

Our Downstream operations, represented by Sime Darby Oils, comprise the production of oils and fats, oleochemicals, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives, as well as the sales and marketing of these products.



Read more about Sime Darby Oils' performance on page 60



Renewables

Sime Darby Plantation Renewable Energy focusses on value-accretive activities in the renewable energy sector. By leveraging on the assets and by-products of our core business, we are strategically involved in solar, biogas and biomass projects that contribute to the Group's sustainability goal of lowering carbon emissions. We participate in various business capacities ranging from supplying feedstock to being a landowner and investor.



Read more about our Renewables performance on page 64



R&D

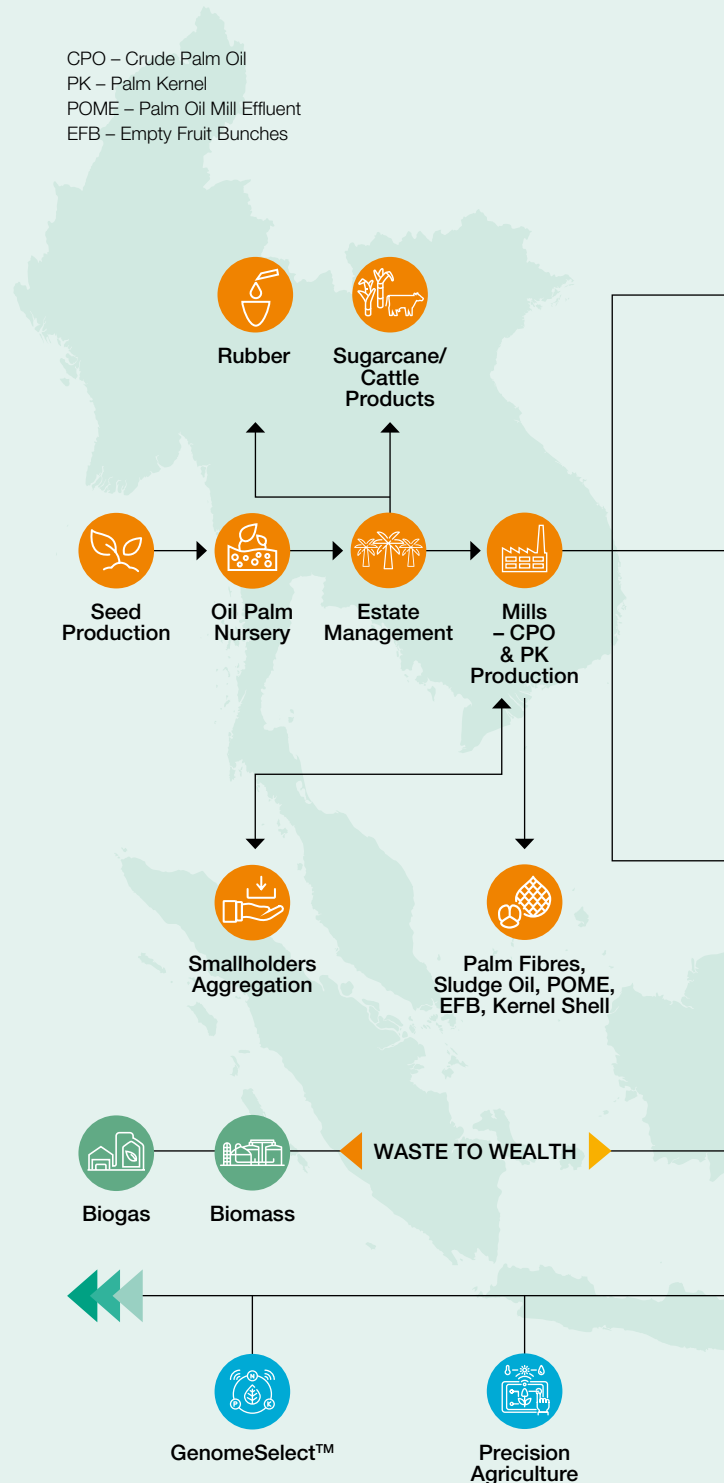
Our R&D capabilities encompass all research area requirements across our integrated value chain. Through strategic and operational R&D, we are committed to developing, applying and transferring relevant knowledge, research findings and technologies to improve our plantation yields and operations, milling processes as well as refined and customised Downstream products for our customers.



Read more about our R&D performance on page 66

OUR INTEGRATED VALUE CHAIN

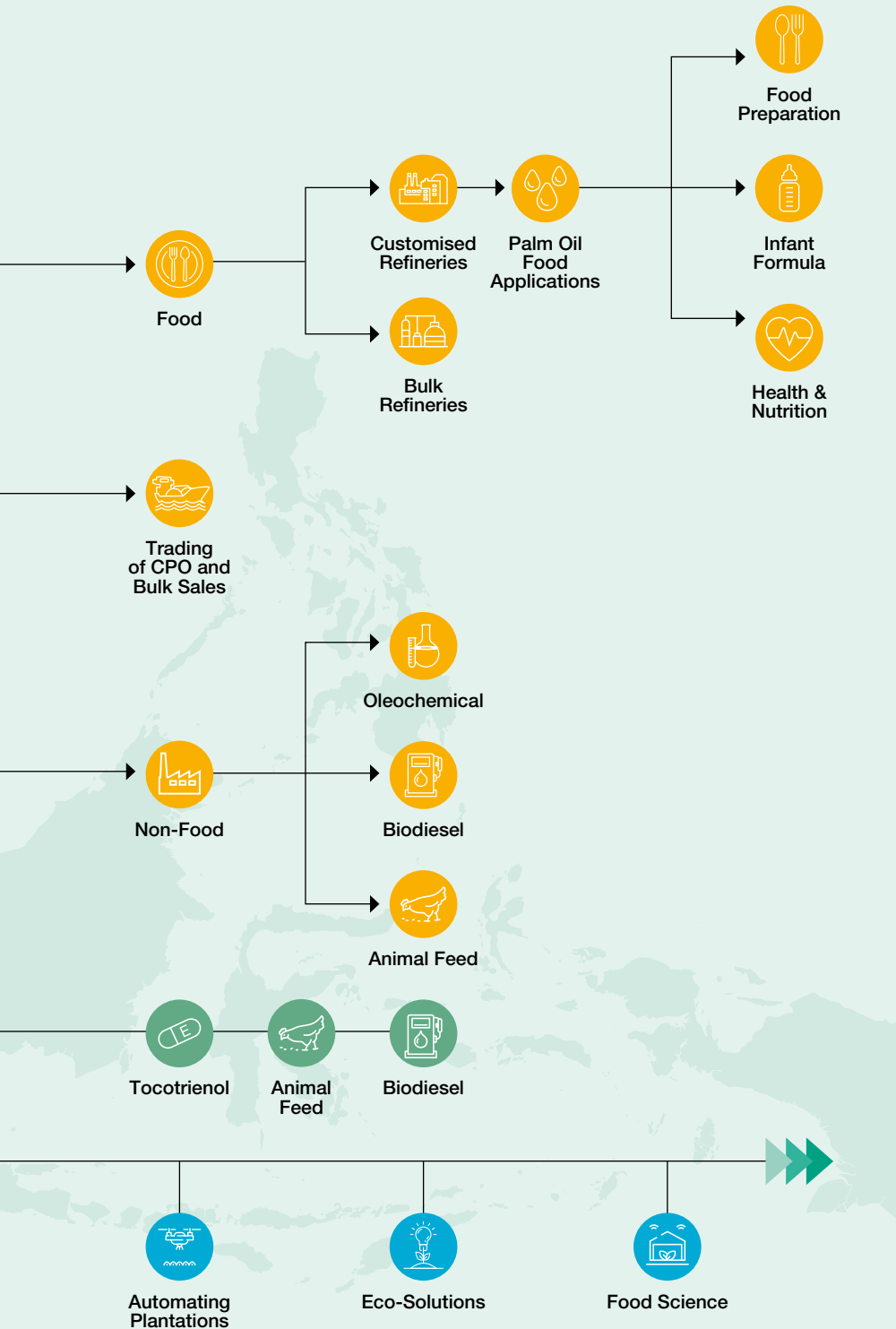
CPO – Crude Palm Oil
PK – Palm Kernel
POME – Palm Oil Mill Effluent
EFB – Empty Fruit Bunches





Our Values

Integrity | Respect & Responsibility | Enterprise | Excellence



KEY HIGHLIGHTS

Total Landbank

341,815 ha
in Malaysia

256,169 ha
in Indonesia

146,646 ha
in Papua New Guinea and
the Solomon Islands

Business Presence

13 countries*

* Our operations are located in Malaysia, Indonesia, Singapore, Thailand, China, South Africa, Philippines, the Netherlands, USA, United Kingdom, Germany, Papua New Guinea and Solomon Islands

Innovation Footprint

5
Research &
Development
Centres

1
Fully
Operational
Genetic Testing
Facility

3
Product
Innovation &
Development
Centres

190
Scientists and
Technicians

Sustainable Energy

38.33 MW
Total Installed Renewable
Energy Capacity

21.6%
reduction in carbon emission
through biogas plants initiative

PEOPLE

Empowering Workers and Communities

What we are facing

Due to our complex supply chains, we inevitably face human rights challenges. We see these as opportunities to continue identifying areas where we can create positive change.



One of our central commitments is to respect, support and uphold the fundamental human rights of those in and around our operations. Through various programmes, we have demonstrated our commitment to build an inclusive culture and environments that are founded on respect for human rights and their basic needs.

What we are doing

SDP has put in place initiatives to comply with standards under the International Labour Organisation and to improve the living and working conditions of our workers. These include:



Conducting

social dialogues

to understand their needs in relation to work, essential support and community living.



Providing trusted

grievance channels

to enable our workers to raise queries, complaints, grievances with improved oversight of grievances and accountability for grievance handling.



Establishing a new

Social Welfare & Services Department

to oversee the well-being and safety of workers, and ensuring that our day-to-day operations comply with international best practices.



Ensuring

responsible recruitment practices

to enforce our zero-recruitment fee policy, appoint ethical recruitment agents and protect workers from any form of coercion, intimidation or deception in the process of seeking employment in SDP.

HUMANITY

Progressing Towards Climate Positive

What we are facing

Global temperatures are expected to increase by 1.5 degree before 2040. To keep this increase below the 1.5 degree threshold, everyone has a role to play.

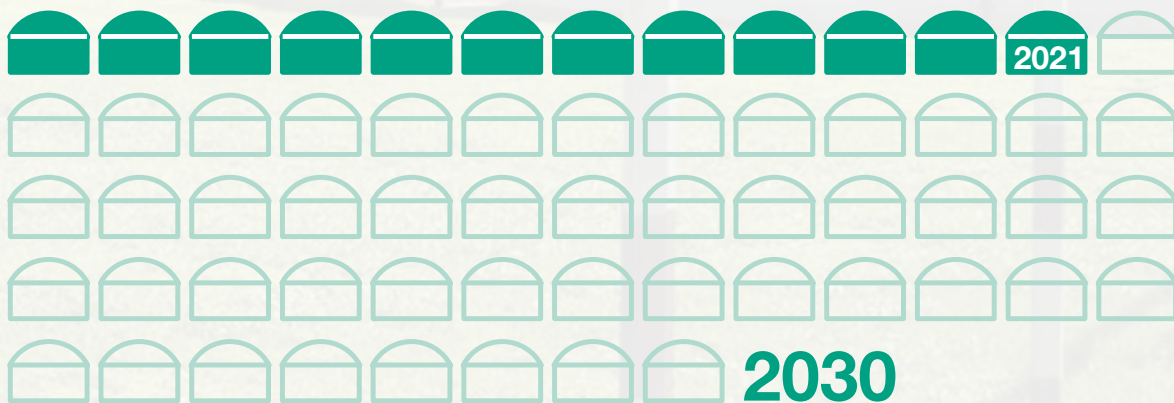
We are no different; and our commitment to protect the environment guides our operations on the ground. While SDP has faced challenges in meeting our targets to reduce emissions, we have also made significant infrastructure investments as well as mitigation efforts to support these aims.



We have set an ambitious target to reduce our carbon emission significantly by 2030. This is achievable because of our accelerated progress in setting up biogas plants to utilise methane as a renewable energy.

What we are doing

With the goal of having a total of 60 biogas plants by 2030, SDP is aiming to reach a carbon emission reduction target of 50%. Currently, SDP has 12 biogas plants across our operations in Malaysia, Indonesia and Papua New Guinea. The establishment of biogas plants complements other initiatives we have implemented – a zero-burning policy, reforestation and large-scale tree planting, hotspot and fire management, regenerative agriculture through integrated pest management and companion planting.



Aiming for
50%
reduction of carbon emissions by 2030

Total of
60
biogas plants by 2030

Currently
12
biogas facilities across our operations

Implementing
zero-burning policy
and nature-based solutions such as large-scale tree planting.

* Biogas plants capture methane, the single largest source of emissions from palm oil operations, which can be used to generate electricity.

COMMUNITY

Standing Together Against the Pandemic

What we are facing

Governments are maintaining various measures to manage the spread of COVID-19 and it seems that the world may need to adapt to live with the virus indefinitely.



Millions of people have been badly affected by the pandemic psychologically, financially and physiologically. Whenever possible, we have extended our help and support through donations, volunteering and collaborations on government initiatives.

What we are doing

We understand the difficulties faced in coping with the COVID-19 pandemic and nation-wide lockdowns. We have offered assistance and support to hospitals, communities and struggling families to help them stay resilient.



Distributed

16,990
food aid and
care packs

to communities surrounding our operations in Malaysia and Indonesia



Supported Malaysian government's COVID-19 vaccination drive by setting up

vaccination
centres

in our oil palm estates as well as communities.

Provided

51 ventilators
and 5000
oximeters

to 12 hospitals.



Provided

25 medical
vehicles

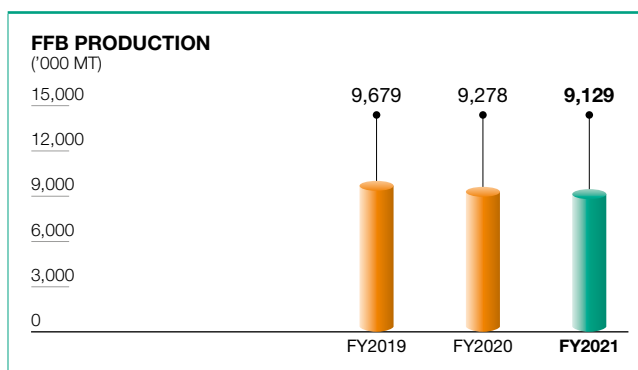
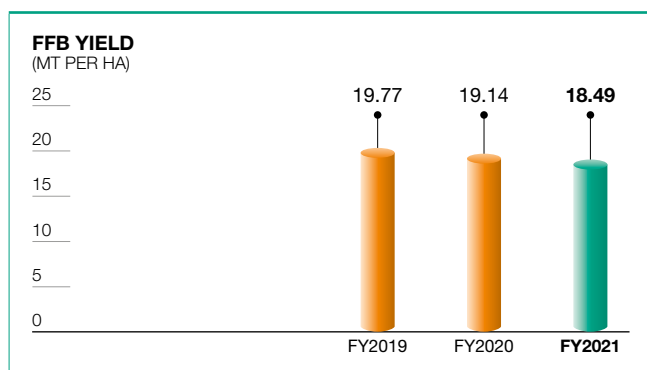
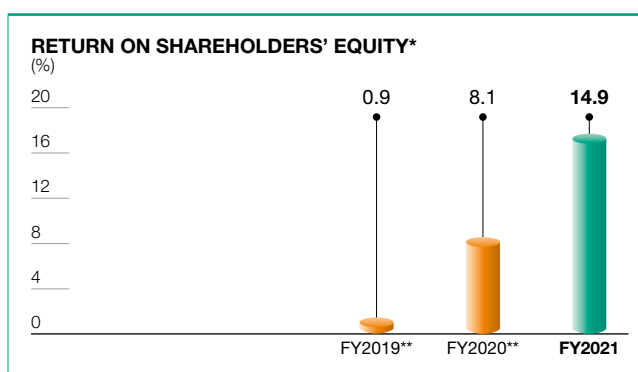
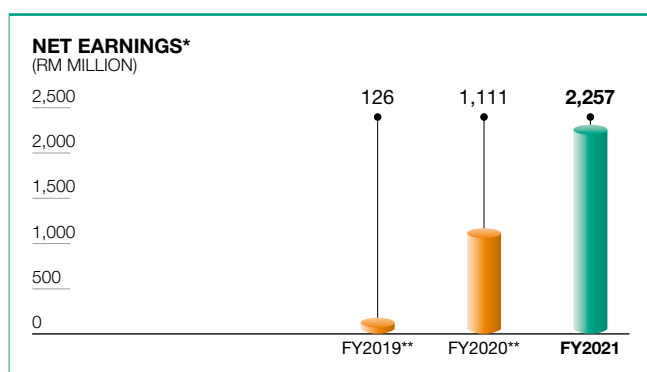
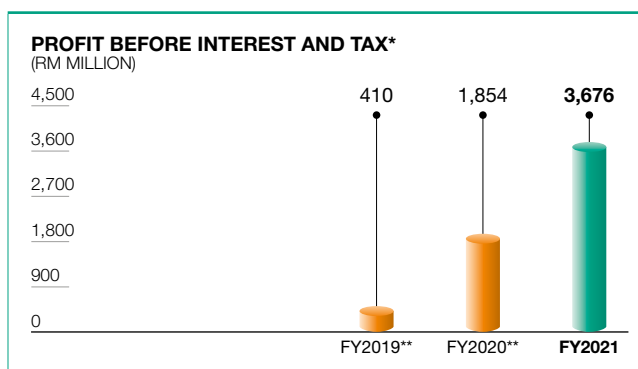
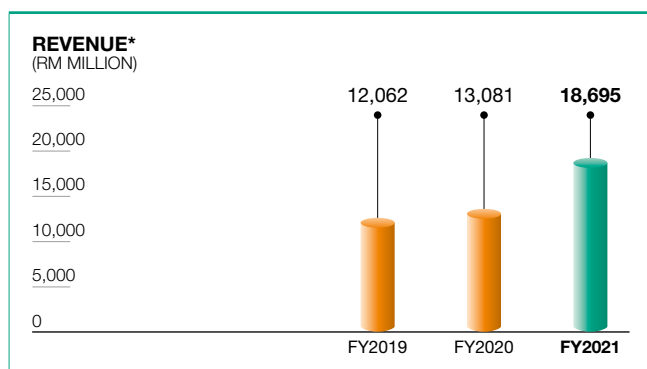
to the Indonesian government for emergencies and remote facilities.

Provided

2,600 Antigen
Rapid Test Kits

to Provincial Health Authorities in Papua New Guinea.

FINANCIAL HIGHLIGHTS



* The Group's financial results from continuing operations.

** Re-presented comparatives

CORPORATE INFORMATION

AS AT 2 APRIL 2022

BOARD OF DIRECTORS

**Tan Sri Dato' Seri Haji Megat Najmuiddin
Datuk Seri Dr Haji Megat Khas**
Non-Independent Non-Executive Chairman

Mohamad Helmy Othman Basha
Group Managing Director

Datuk Zaiton Mohd Hassan
Senior Independent Non-Executive Director

Dato' Halipah Esa
Independent Non-Executive Director

Zainal Abidin Jamal
Non-Independent Non-Executive Director

Dato' Henry Sackville Barlow
Independent Non-Executive Director

Dato' Mohd Nizam Zainordin
Non-Independent Non-Executive Director

Datuk Mohd Anwar Yahya
Independent Non-Executive Director

Tunku Alizakri Raja Muhammad Alias
Non-Independent Non-Executive Director

Tan Ting Min
Independent Non-Executive Director

Lou Leong Kok
Independent Non-Executive Director

GROUP MANAGING DIRECTOR

Mohamad Helmy Othman Basha

SECRETARY

Azrin Nashiha Abdul Aziz
(LS 0007238)

REGISTERED OFFICE

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No. 2, Jalan PJU 1A/7, Ara Damansara
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

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Facsimile : +(603) 7848 5360
Email : communications@simeidarbyplantation.com
Website : www.simeidarbyplantation.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No.: 197101000970 (11324-H)

Office:

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Telephone : +(603) 2783 9299
Facsimile : +(603) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Customer Service Centre:

Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

Telephone : +(603) 2173 1188
Facsimile : +(603) 2173 1288

FORM OF LEGAL ENTITY

Incorporated on 2 April 2004 as a private company limited by shares under the Companies Act, 1965 and converted into a public company limited by shares on 20 July 2017.

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Berhad since 30 November 2017.

Stock Code : 5285
Stock Name : SIMEPLT

PLACE OF INCORPORATION AND DOMICILE

Malaysia

CHAIRMAN'S MESSAGE



Revenue

RM18.7 bil

Net Profit

RM2,257 mil

Sustainability is a key driver in our business. Our unwavering commitment to uphold sustainable practices has made its mark on our corporate culture. We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN
BIN DATUK SERI DR HAJI MEGAT KHAS
Chairman

SOLID BUSINESS FUNDAMENTALS AND RESILIENCE

FY2021 was a year of uncertainties with the pandemic still posing a threat globally. Thankfully we faced the challenges from a position of strength. With our strong fundamentals and operational resilience, driven partly by our transformational efforts across the Group, Sime Darby Plantation Berhad (SDP or the Group) delivered stellar results.

The Crude Palm Oil (CPO) price rally was a key contributor to our strong performance, but our employees played a significant role too. During the year, we redesigned many work processes from the ground up with the widespread adoption of automation and Artificial Intelligence. I am heartened by the nimbleness demonstrated by our employees who, despite the challenges, remained true to our corporate values through their commitment and professionalism.

Spurred by the rally in CPO price due to tight supply, the Group generated total revenue of RM18.7 billion in FY2021, an impressive 43% year-on-year increase from FY2020. This performance was achieved against the backdrop of elevated crude oil prices which have led to rising input costs including fertiliser. Long-

standing labour shortage issues and unpredictable weather conditions also confronted the Group.

Overall, this commendable set of results as well as our strong fundamentals will position us for future growth to create value for our stakeholders in the long-term.

MEASURES TO FUTURE-PROOF OUR BUSINESS

With tightened movement restrictions imposed by the Malaysian government to contain COVID-19 infections, labour shortage was an issue for the Group. However, we hope labour constraints will ease with the lifting of border restrictions by the Malaysian government from 1 April 2022.

Within the Group, we have responded to these challenges positively, recognising and seizing opportunities to future-proof our business. To reduce reliance on manual labour, we initiated measures including mechanisation, automation, and digitalisation at our plantations. Details of these initiatives are in the Business Review section of this report.

By 'reimagining plantations', we have taken bold steps to transform many outdated practices and norms so that the industry will be able to attract more local, highly skilled talent moving forward.

Ensuring sustainable growth for the future is also an important part of our strategic plans to future-proof our business. We note that public concern for Environmental, Social and Governance (ESG) issues is growing, and ESG performance has an impact on financial returns. Thus, I am pleased to share that the Group remains committed to contributing towards a low carbon future, a journey we embarked on in 2012 and continue to pursue with concrete actions as we strive to lead and live sustainably.

LEADING AND LIVING SUSTAINABLY

Sustainability is a key driver in our business. Our unwavering commitment to uphold sustainable practices has made its mark on our corporate culture. We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices. Given the scale of our operations, we are confident that we can make a positive impact on people, humanity, and the communities we operate in and even lead the industry towards collective action.

People

From our workers at our plantations to the communities we live and operate in, people are the bedrock of our success.

Due to the complex supply chains in our industry, we inevitably encounter issues relating to human rights. However, these also provide opportunities for us to bring about positive change, working with like-minded organisations and experts to address issues and uphold our commitments to sustainable and responsible business.



◀ We continue to pursue with concrete actions as we strive to lead and live sustainably.

CHAIRMAN'S MESSAGE

On 30 December 2020, the United States Customs and Border Protection (USCBP) issued a Withhold Release Order (WRO) or import ban against palm oil produced by SDP in its Malaysian operations, due to allegations of forced labour. On 28 January 2022, the USCBP issued a notice of finding that certain SDP palm oil products were produced using convict, forced or indentured labour.

To address the situation, we have appointed consultants to undertake independent, full-scale reviews of labour practices across our Malaysian operations.

I am confident that SDP will emerge from this episode stronger. We have a long history of doing things the right way and we will continue to strive to do so. In our efforts to lead the way, we have embarked on continuous improvements to ensure that we have internal controls and systems in place to support our workers and ensure their well-being.

In line with the Government's plan to raise the minimum wage to RM1,500 a month, the Group has increased the monthly remuneration of our workers with effect from 1 May 2022.

SDP's pledge to respect, support and uphold the fundamental human rights of those in and around our operations is unwavering. More details of our actions in this regard can be found in page 23.

Humanity

Closely aligned with our sustainability goal is our commitment to protect the environment for future generations. We recognise that the perils of climate change are real and call for immediate action. To this end, the Group has set a new target to lower carbon emissions by 50% by 2030, from an initial target of 40% by 2030.

A key driver for success is the establishment of biogas plants which generate electricity from methane captured from our palm oil operations – the single largest source of emissions. These biogas plants are key in helping us achieve our emissions reduction targets.

To date, our 12 plants have reduced carbon emissions from our operations by 18%. We expect to achieve an estimated 28% reduction in carbon emissions by the end of 2022. More details can be found in the Sustainability section on page 76.



▲ We have embarked on continuous improvements to ensure that we have internal controls and systems in place to support our workers and ensure their well-being.

We are confident that we can make a positive impact on people, humanity, and the communities we operate in and even lead the industry towards collective action.

Community

Community is the backbone of our supply chain and culture of care is strongly embedded in how we run our business. The Group plays an active role in supporting the communities surrounding our operations and our supply chain. During the year, we responded to the urgent needs of our communities to safeguard their well-being.

For instance, in the aftermath of severe floods in Malaysia, we contributed RM7 million to support relief efforts, with RM5 million allocated to our philanthropic arm, Yayasan Sime Darby (YSD) to meet the immediate needs of local communities. We also supported workers in our operations, providing for their immediate needs and well-being.

The ongoing COVID-19 pandemic continued to threaten the livelihoods of many and created social repercussions. Hence, to help underserved communities, we worked with YSD to offer employment opportunities across our Upstream operations for locals near our operating units.

Additionally, through the Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme, a government-led initiative, we provide unemployed Malaysian graduates from local and international universities with the opportunity to gain work experience. It is a one-year programme that we have been supporting for 12 years now. We employ approximately 500 graduates, in batches, annually, under this programme.

To protect our employees and surrounding communities from the COVID-19 virus, we set up industrial vaccination centres across the country for our workers and others from surrounding estates. We also volunteered our Headquarters for a public-private partnership in setting up one of the world's first drive-through vaccination centre for persons with disabilities. In Indonesia, we provided 20 medical vehicles and medical equipment to support emergency facilities in remote areas within the region.

The issue of mental well-being also came very much to the fore during the pandemic since it caused much stress among individuals in various aspects and many ways. Recognising this, we took steps to help our employees address the issue.

 For more details on our initiatives relating to mental health, please refer to the Human Capital Growth section on page 72 of this report.

STRONG CORPORATE GOVERNANCE PRACTICES

Adopting robust corporate governance practices is also part of SDP's blueprint to build resilience and sustainability in the Group. The Board has thus aligned its practices with the revised Malaysian Code of Corporate Governance issued on 28 April 2021.

The Board has played an active and invaluable role, working very closely with the management team, to ensure that the Group pursues strategic goals that are aligned to its corporate values and culture.

IN APPRECIATION

While FY2021 was a challenging year for SDP, it has also been rewarding. I would like to take this opportunity to thank our Board members for contributing their expertise to the Group.

During the year, we welcomed Datuk Mohd Anwar Yahya as an Independent Non-Executive Director of the Company. Datuk Anwar has over 44 years of experience in accounting and finance. His appointment strengthens the Board's composition particularly in the areas of financial governance as well as financial and risk management.

On behalf of the Board, I would also like to express our gratitude to all the employees of SDP; the demands of the year may have taken its toll, but their commitment to excellence has never wavered. This is also a testament to the strong business fundamentals we have built through the years which have allowed us to weather these challenges to emerge even stronger.

OUTLOOK

Looking ahead, we expect the global supply of edible oils to be impacted by several factors from adverse weather to the Russian-Ukraine conflict, which has led to supply disruptions. Against this backdrop I am confident that SDP, with our solid track record established over 200 years, is well positioned to achieve our business and long-term sustainability goals and targets.

CELEBRATING 200 YEARS OF EXCELLENCE

With a history that stretches back 200 years, we have faced crises, world wars and weathered storms. Our resilience is a measure of all who came before us – the pioneers who laid the foundation of this great company and those who over the years, built upon it. As we mark our second centennial I acknowledge and congratulate all our leaders and staff, past and present. I am confident that if we all embrace the same bold spirit of integrity, respect and responsibility, excellence, and enterprise, SDP will continue to thrive and lead the industry.



◀ We continually strive to go beyond basic compliance and aim instead to set standards and observe best practices.

OUR IMPACT

As responsible leaders in our industry, we want to make a positive impact in the Community for the benefit of future generations.

Fighting Deforestation

75%

of our palm oil is sustainably sourced. Since the 1980s we have adopted a Zero Burning Policy, a hallmark of our global operations that has made a significant impact to save our forests and biodiversity. Our ambition is to achieve 100% sustainably sourced palm oil by 2025.



Supporting Livelihoods

3,800

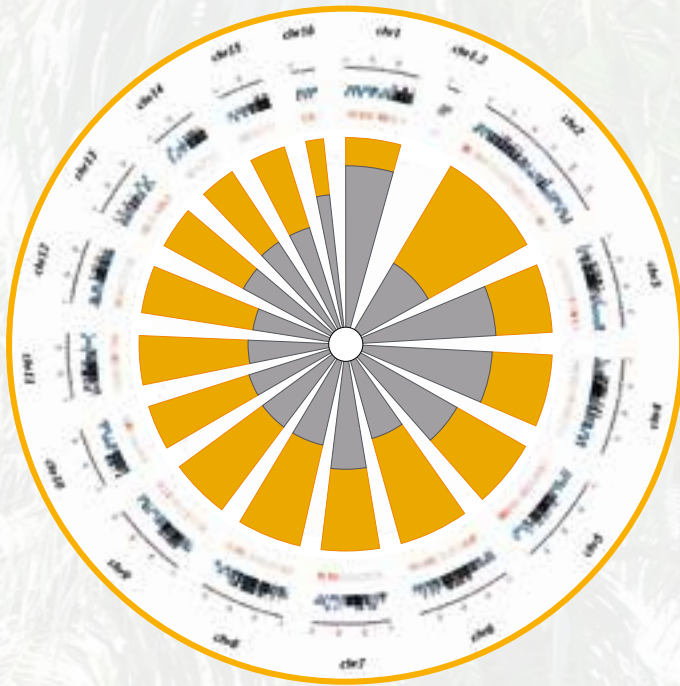
smallholders are directly and indirectly involved in our supply chain. We ensure that these people are supported by higher yields and living wages, in addition to educating them on sustainable practices that will help them survive and thrive in a post-pandemic world.



Accelerating Climate Action

50%

of carbon emissions reduction by 2030 is our medium-term target in the fight against global warming. We have been extensively embarking on carbon reduction initiatives such as biogas and tree planting programmes as we work towards our long-term net zero target.



Sharing Knowledge

80%

of the existing oil palm genome assembly is now complete, a result of years of extensive research. We have made this vital piece of research publicly available, so that we can make a difference together as an industry. This has enabled companies to develop more efficient, scalable solutions when it comes to the cultivation of palm oil.



Protecting Human Rights

81%

of our workforce comprises labourers and workers in our estates, mills and refineries. It is vital that we ensure internationally recognised human rights and workplace standards are upheld across all our operations. This year, we conducted an independent assessment of our systems and processes to ensure there are no issues of human rights exploitation and abuse.



Inspiring Healthier Choices

100%

of the palm oil we produce is non-genetically modified and trans fats free, allowing us to offer quality and safe products to our customers.

GROUP MANAGING DIRECTOR'S Q&A



Total Dividend in FY2021

**20.28 sen
per share**

Oil Extraction Rate

21.59%

As a leading player in the palm oil industry, we are aware that the scale of our influence can encourage collective action. We hope the standards we set can lead the industry towards positive change.

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

Q CAN YOU SHARE SOME OF THE KEY CHALLENGES SIME DARBY PLANTATION BERHAD (SDP) HAS FACED? HOW DID THE GLOBAL PANDEMIC IMPACT THE GROUP?

A It has been a tough couple of years. The ramifications of the global pandemic are still percolating on many levels strategically, operationally and financially. Extreme weather events, supply chain issues and geopolitical tensions have added to the mix to create disruptions never seen in our lifetimes.

Yet, despite these challenges, strategic initiatives undertaken over the past few years to transform our operations and to achieve excellence, have stood us in good stead. We stayed true to the corporate values that have defined us through the years – integrity, respect and responsibility, excellence and enterprise; and we were guided by our vision to be a leading integrated global player in the palm oil industry.

We were confronted with and impacted by rising costs in energy, fertiliser, and logistics. The border restrictions to contain the pandemic exacerbated the already tight foreign labour situation in the country. In response, we intensified efforts to reduce dependence on labour through mechanisation, automation and digitalisation, which also resulted in improved efficiency. While this has taken some of the sting out of the current labour situation, it will also help us future-proof our business.

Another key issue confronting the Group is the Withhold Release Order (WRO) issued by the United States Customs and Border Protection (USCBP), which was converted into a finding of forced or indentured labour on 28 January 2022.

We take these charges against us seriously and we will take all necessary steps to address them. We have appointed experts and

consultants to conduct in depth, onsite assessments and reviews of our labour practices across our Malaysian operations.

As a leading player in the palm oil industry, we are aware that the scale of our influence can encourage collective action. We hope the standards we set can lead the industry towards positive change.


A key initiative we have implemented is fortnightly social dialogues, a two-way communication platform which enables workers to engage with management at operating units (OU). OU management are trained to effectively engage and listen to workers. The process is supported by a toolkit and tracker to ensure effective and efficient reporting and monitoring, and also that issues are resolved in a timely manner.

These dialogues, with our existing and improved grievance channels and other communications platforms, have helped us to understand the

social and cultural nuances of the different nationalities who work with us.

Another important new initiative is the Environmental, Social and Governance (ESG) scorecard used to measure performance of OU management. This carries equal weightage with our operational scorecard and is designed to ensure that clear indicators are implemented, monitored, and applied across our Upstream Malaysia organisational structure. With the focus on accountability and transparency the scorecard has helped to ensure that workers' well-being and welfare are embedded in our internal processes.

We have also introduced governance and structural changes. The aim was to ensure our Upstream Operations continue to comply with internationally recognised standards and best practices.

 More details can be found in the *Update On The Finding By The US Customs And Border Protection*, page 23



▲ As an industry leader, we have taken bold and decisive steps towards a net zero future.

GROUP MANAGING DIRECTOR'S Q&A

Q WHAT ARE YOUR THOUGHTS ON SDP'S FINANCIAL PERFORMANCE IN FY2021?

A Despite the challenges, I am proud that our people, demonstrating great resilience, delivered an outstanding performance in FY2021. The Group achieved an overall revenue of RM18,695 million, a 43% increase compared to RM13,081 million in FY2020. Net profit was 90% higher at RM2,257 million than FY2020's RM1,185 million.

Our Upstream business registered a profit after tax of RM2,081 million. Fresh fruit bunch production declined 2% year-on-year to 9.1 million mt in FY2021. Oil extraction rate increased slightly in FY2021 to 21.59% compared to 21.44% in FY2020. Whereas Sime Darby Oils' (SDO) registered a profit after tax of RM477 million. Sales volume decreased by 13% compared to FY2020 at 3.77 million mt. Capacity utilisation was 63.8%.

Given our stellar performance, our Board approved a total dividend payout of 20.28 sen per share for FY2021, representing 60% of recurring net earnings. This was the Group's highest payout since listing in November 2017.

Q COULD YOU SHARE HIGHLIGHTS FROM YOUR OPERATIONS IN FY2021?

A The upstream sector stepped up efforts to innovate, mechanise and automate, to reduce reliance on manual labour. Thus, last year, we further improved the man-to-land ratio to 1:15.3. Currently, we have one of the most efficient man-to-land ratios in the industry.

We have established partnerships and collaborated with local startups, government agencies and ministries, to develop new solutions for our estate operations, with the aim of giving us an edge for the future. This includes our journey of open innovation by sharing pain points on open platforms to scout for solutions. Today, more accurate drone technology is used to conduct mapping, imaging and data collection of our plantations.



▲ Local drone companies are working with us for pest and disease spraying, which has resulted in more responsive and effective plantation management.

Also, local drone companies are working with us for pest and disease spraying, which has resulted in more responsive and effective plantation management. A key area of focus is oil palm harvesting, where collaborations with both local and foreign universities, as well as international technology providers, are ongoing to find viable solutions.

Meanwhile, we have started planting and scaled up production of the high-yielding GenomeSelect™ seeds in FY2021 to ensure that we are able to meet all our replanting needs by FY2022.

A new initiative recently launched in collaboration with experts from SDO, is a groupwide exercise to raise the safety and sustainability standards in our facilities and processes. We aim to deliver superior quality products and services to our customers, which will continue to drive the strategic initiatives of our downstream sector.



For more information, please refer to our press releases at SDP's website under the Press Releases section at www.simedarbyplantation.com

Our business transformation initiative or "Project Matterhorn", is in its second year. "Transformation Sprints" were implemented in more global business units even as we are harvesting returns from "Transformation Sprints" that have entered the Implementation Phase in Malaysia, Indonesia, Thailand, Europe and South Africa.

Our fully integrated business model, provides us the edge to optimise our strategic plans and maximise our returns, increase cost savings and enhance productivity and efficiency throughout the Group.

We also leveraged on higher sustainability premiums, particularly for our Kernel Crushing plants in Malaysia and Indonesia.

During the year, investments were made to channel waste from our mills to our downstream operations so that we could minimise resource consumption and reduce our carbon and water footprints. These investments have given our operations an added boost towards achieving our sustainability goals.

Q THIS YEAR, YOU HAVE SET A NEW AMBITIOUS TARGET TO REDUCE CARBON EMISSIONS BY 50% IN 2030. WALK US THROUGH YOUR RATIONALE FOR THIS.

A The reality is, we are already living with global warming and climate change today. As a leader in the palm oil industry for sustainable practices, we must take swift and decisive action before it is too late.

We have all seen the latest report from the Intergovernmental Panel on Climate Change (IPCC). We know what needs to be done, and SDP is stepping up. We are working to achieve our targets on several fronts.

First, a major focus of our ambition for greener operations is to drive deforestation out of our supply chain. We will also establish more rigorous controls to ensure greater traceability, better supplier risk assessment, monitoring and engagement, as well as ensuring No Deforestation, No Peat and No Exploitation (NDPE) in our supply chain. And of course, we will strive for smallholder inclusion, which means, we will work closely with our smallholder suppliers to help them along the journey towards implementing responsible agricultural practices.

At the operational level, we have completed installing 12 biogas plants and six rooftop solar systems on SDP's premises. The total reduction in carbon emissions achieved through these initiatives is equivalent to planting 27.4 million carbon capture trees. Another seven biogas plants and four solar-powered systems are expected to be installed at SDP's premises in FY2022.

Moving forward, SDP will continue to explore more technological solutions for our operations and premises to further reduce carbon emissions. We hope that by setting such an ambitious target and showing how it can be achieved, we can rally the industry and raise the bar while working towards our net zero aspirations.

Q WHAT DOES FY2022 HAVE IN STORE FOR SDP?

A FY2022 is shaping up to be a year of growth and opportunities, and I am cautiously optimistic about our performance this year. However, it is important for us to remain vigilant and alert, as the past year has taught us to plan for the worst but hope for the best. There is also a pressing need for us to focus on improving our ESG initiatives.

The global economy is still recovering from the impact of the pandemic. Thankfully, we are supported by enhanced vaccination coverage, improved vaccine efficacy and increased availability of medical treatment.

On the domestic front, according to the Ministry of Finance Malaysia, GDP growth of between 5.5% and 6.5% is anticipated in 2022, up from between 3% and 4% from 2021. Inflationary pressures are expected to persist going into 2022, with economists pegging the inflation rate at between 2.3% and 3%.

We are expecting another year of volatility for palm oil prices, with prices expected to stay elevated. There are a number of factors that are contributing to this. The supply of palm oil is affected by the labour supply situation in Malaysia, high cost of fertilisers and unpredictable weather conditions. Meanwhile, global supplies of edible oils have been affected by the war in Ukraine, which has also had a direct impact on prices.

From 1 April 2022, the Malaysian government has started to ease border restrictions put in place initially to contain the spread of the corona virus. While this is certainly a positive development that will allow sorely needed foreign labour to return to the country, SDP will continue the drive to automate and mechanise. It is imperative that we reduce our reliance on manual labour in our operations. Hence, our fast-tracked initiatives to mechanise, automate and digitalise our plantation operations will continue into FY2022 and beyond. These initiatives to innovate and transform our work processes will also help us attract more skilled Malaysian workers for our plantations.

Another key focus area for us is Sustainability. As an industry leader, we have taken bold and decisive steps towards a net zero future. We have started to align our disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Collectively as a nation, Malaysia is still lagging in its efforts to become a green economy. Based on the KPMG Net Zero Readiness Index, Malaysia is currently ranked 21st among 32 countries. We hope that our efforts can influence and inspire other Malaysian companies to do more to advance their decarbonisation efforts.

SDP will also continue to assess and ensure our operations are in line with international labour practices. We believe that Human Rights are universal and we will uphold the rights of all our people and we will strive to eradicate abuse and violation of human rights from our supply chain.

In 2022, we are also marking SDP's 200th anniversary. We have been a leader in the industry and contributed to its development. We have made and will continue to make positive impact within the communities we operate in. With the talents of our people and our strong culture of innovation, I am confident that SDP will continue to achieve breakthroughs and impact positively the communities we operate within.

ADDRESSING THE LABOUR SHORTAGE

While the economy gradually recovers from the pandemic, the plantation industry has been grappling with labour shortages which have pushed us to be adaptive and innovative in our daily operations.

SDP's mitigation strategy was to adopt automation, mechanisation and digitalisation in our operations. We also implemented initiatives to attract more locals to work at our estates while actively facilitating the return of migrant workers who left for their home country before the pandemic lockdowns.



Adopt mechanisation and digitalisation

We deployed drones to perform pesticide spraying activities, achieving higher precision, greater coverage of land and at lower costs.

1:15.3 ha

One of the most efficient man-to-land ratios in the industry

3,010

Locals hired through Project Lokal

Project Lokal

We developed a campaign to hire more locals, targeting those who lost their jobs during the country-wide lockdown.



UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

Sime Darby Plantation Berhad (SDP) shares the universal condemnation of forced labour and is determined to be part of the solution when it comes to eliminating forced labour in all its forms. Since the issuance of the Withhold Release Order (WRO) by the United States Customs and Border Protection (USCBP), we have undertaken a full-scale, independent assessment spanning our facilities across Malaysia.

BAN BY THE USCBP

On 6 July 2020 SDP was made aware of a petition that was submitted by Liberty Shared, a Hong Kong based non-governmental organisation, to the USCBP on 20 April 2020. There were allegations of forced labour and child labour on SDP's estates, in the petition.

On 30 December 2020, the USCBP issued a WRO against SDP based on information it said "reasonably indicates the presence of all 11 of the International Labour Organisation's forced labor indicators in SDP's production process". This was converted to a Notice of Finding which took effect on 28 January 2022.

Following the filing of the initial complaint, SDP undertook an extensive audit of its Malaysian operations while at the same time appointing PricewaterhouseCoopers Singapore to engage with Liberty Shared to better understand the issues at hand. Subsequently, after the imposition of the WRO, SDP appointed independent experts to assess its operations against the 11 International Labour Organisation (ILO) Forced Labour Indicators (FLIs). Simultaneously, SDP committed to a comprehensive internal exercise to understand and address any and all issues on the ground as part of a continuous improvement plan.

The experts appointed were:

- **Nixon Peabody**, to advise on the communication and submission process with the USCBP and all matters relating to the laws of the United States;
- **Impactt Limited**, as ethical trade consultancy specialising in human rights, labour standards and ethical trade to conduct a comprehensive evaluation of SDP's labour practices across its Malaysia operations;
- **PricewaterhouseCoopers**, to validate payment of wages, related matters, as well as remediation fees;
- **Ernst and Young**, to set up automated tools to ease manual processes surrounding wage data input; and
- **Andy Hall**, a human rights activist specialising in ethical recruitment.

Over the past several months, guided by the inputs and expert views of its consultants, SDP has implemented sweeping measures across its Malaysian operations to ensure continued compliance with ILO standards and also to ensure that these new measures are effective and sustainable.

UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

SDP shares the universal condemnation of forced labour and is determined to be part of the solution when it comes to eliminating forced labour in all its forms. SDP reviewed its governance structure and instituted a Continuous Improvement Plan (CIP) directly focused on the ILO's indicators of Forced Labour, with the purpose of changing mindsets, embracing new norms and acquiring knowledge to stay abreast of developments and trends. With the CIP in place, SDP expects to achieve the expected standards required under the ILO indicators and, wherever possible, exceed them.

To monitor the expert assessments that were being undertaken and to oversee the implementation of the CIP, from July 2021, the Board Sustainability Committee (BSC) has met at least fortnightly.

The BSC is supported by a two-tier management team, the first of which is the Steering Committee (SC) chaired by the Group Managing Director (GMD), which meets weekly. The second is a taskforce and working group chaired by the Chief Financial Officer (CFO), which meets at least twice a week and comprises seven separate workstreams that are led by members of the Plantation Leadership Committee (PLC) or functional heads.

Each workstream comprises personnel from operations as well as the Headquarters, which allows for the








development of practical solutions and enhancements. This collaboration is pivotal in ensuring buy-in from operations, thereby providing the right environment to ensure the sustainability of new or improved initiatives.

By demonstrating the commitment of SDP's senior management and their direct involvement in the initiatives deployed, thus putting heavier emphasis on sustainability within formal performance management targets, SDP has already effected transformative behavioural change.

Over 500,000 work hours from over 1,200 individuals and 10,000 meetings have been invested in the CIP, over the course of the 12 months to enhance its human rights practices.

Each workstream was established to address specific FLIs with specific outcomes. All allegations were investigated, policies and guidelines were updated or developed, and existing systems and processes were interrogated. Key enablers such as the grievance channels were strengthened and new resources were deployed to support new initiatives.

11 ILO Indicators		Abuse of Vulnerability	Identity Document Retention	Movement Restriction	Excessive Overtime	Abusive Living and Working Condition	Deception	Isolation	Debt Bondage	Withholding of Wages	Physical & Sexual Violence	Intimidation
1	Grievance Channel	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
2	Occupational Safety & Health (OSH) and Workers' Housing					✓						
3	Social Dialogue	✓	✓	✓	✓	✓	✓	✓			✓	✓
4	Estate Issues – FLIs	✓		✓			✓	✓			✓	✓
5	Operational Intervention	✓	✓	✓			✓		✓			
6	Wage Structure				✓					✓		
7	Key Performance Indicators (KPIs)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Workstream	Outcomes
 Workstream 1: Grievance Channels	<ul style="list-style-type: none"> Trusted and organised channel for workers to raise queries, complaints, grievances with improved oversight of grievances and accountability for grievance handling Worker's protection is guaranteed Improved management capability to investigate grievances effectively
 Workstream 2: OSH and Workers' Housing	<ul style="list-style-type: none"> Worker centric Health and Safety, focussed on salient/significant field and mill hazards Accommodations well maintained with necessary repairs done in a timely manner based on clear Standard Operating Procedures (SOP) Clear, effective and speedy access to medical care (for Occupational issues) at the Operating Unit (OU) level
 Workstream 3: Social Dialogue	<ul style="list-style-type: none"> Establish Active and Independent OU level management and workers' representation through social dialogue to: <ul style="list-style-type: none"> Enable co-creation between workers and management to improve workplace and living conditions – starting from improvements related to the 11 ILO FLIs Support monitoring of the overall implementation of the CIP
 Workstream 4: Estate Issues – FLIs	<ul style="list-style-type: none"> SDP does not employ undocumented workers Workers operate in a harassment/abuse/intimidation-free workplace Workers can freely leave the estates/mills barring reasonable restrictions Workers can access government hospitals when they are unwell and may be granted medical leave Social visit pass' workers afforded same rights and entitlements as regular workers All migrant children have clear path to legal status or citizenship
 Workstream 5: Operational Intervention	<ul style="list-style-type: none"> Historic recruitment fees (unreported payments charged by agents, sub-agents or other third parties to SDP's foreign workers in countries of origin, in contravention of SDP's zero recruitment fee policy) reimbursed to current and former workers including 100% level of understanding of repayments by current and former workers Recruitment policies, processes and practices have effective due diligence systems in place to ensure ethical recruitment All workers are in possession of their own personal documents and have individual, secure lockers within their own accommodation to keep them
 Workstream 6: Wage Structure	<ul style="list-style-type: none"> Simplified and consistently applied wage structure Workers and management understand payslip and how wages are paid Governance on wages, work hours / days and equitable pay for work done Authorised and fair wage deductions
 Workstream 7: Environmental, Social and Governance (ESG) Scorecard	<ul style="list-style-type: none"> Ensuring the sustained implementation of improvement actions on labour practices Outside of performance management / corporate scorecard Centrally managed & metric driven Collective performance approach for each OU

UPDATE ON THE FINDING BY THE US CUSTOMS AND BORDER PROTECTION

ENSURING SUSTAINABILITY OF THE GOVERNANCE STRUCTURE MOVING FORWARD

SDP's CIP examined the additional resources needed to strengthen overall governance mechanisms for labour practices and also to ensure that changes implemented are sustainable. This was central to the enhancement programme, given the breadth and span of the Group's operations. Thus, three of seven workstreams were dedicated to enhancing these governance mechanisms.

1. New governance structure and resources

Key structural changes have been instituted in Upstream Malaysia to ensure dedicated focus on worker welfare as well as to ensure continued compliance with ILO and sustainability standards. To this end, a new Social Welfare & Services (SWS) department has been established. This dedicated team will be responsible for overseeing the implementation of policies and procedures related to the well-being

and safety of workers, ensuring that day-to-day Upstream Operations comply with internationally recognised best practices.

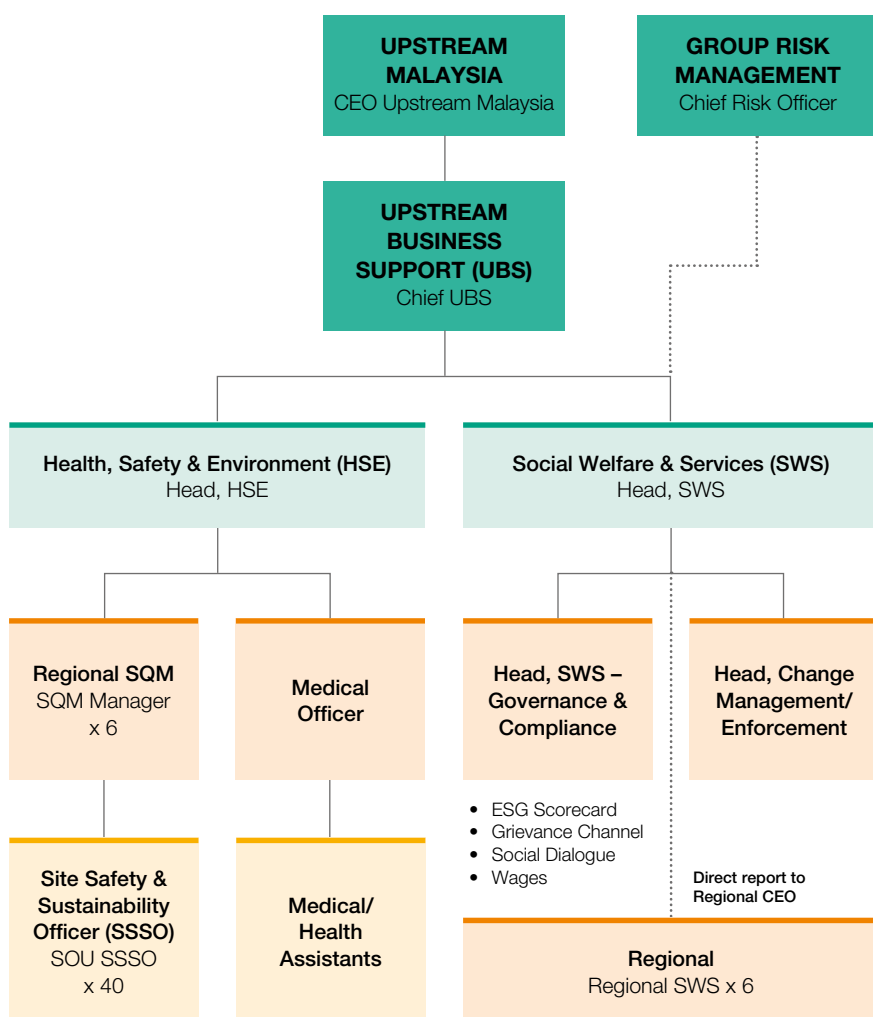
As of January 2022, 40 fulltime dedicated Site Safety and Sustainability Officers (SSSO) have been appointed to assist and support the strategic OUs (SOUs) with managing safety and, sustainability initiatives on the ground, with a particular focus on human rights. These new officers are tasked with managing overall documentation, providing on-site support for operations compliance monitoring, and setting out actionable immediate next steps in managing any safety and sustainability concerns or issues should it arise.

To emphasise a zero-tolerance approach, SDP has also taken stern and swift action against those who have not adhered to the company's policies. This is particularly important as consequence management and accountability will ensure a shift in culture and to clearly establish the tone from the top.

Regular audits and engagement exercises have been undertaken with estate management to ensure awareness of all SDP's new policies, guidelines, processes and systems to ensure both understanding and compliance.

2. Grievance Channels

The key objective was to win trust and enable the workforce to raise issues without fear of retaliation. Having reviewed its grievance channels and how these work in practice, SDP identified some gaps, particular in the way that grievances were being monitored and escalated. This was evidenced by the fact that too few workers were using the channels available to air their grievances. To remedy this, SDP carried out extensive work to identify the limitations of its grievance



mechanisms, and then agreed on a workstream outcome. Refreshed grievance mechanisms were rolled out and a dedicated Grievance Unit was established. Along with weekly meetings by a Grievance Committee, this new management system has strengthened transparency and governance over the handling of grievances.

Central to these enhancements was increasing worker awareness of the grievance platforms available to them. There have been intensive efforts to communicate the new systems via briefings, the development and dissemination of videos via WhatsApp and printed collaterals such as posters and pictorial diagrams displayed prominently at OUs. Another material improvement is the appointment of worker representatives to raise awareness amongst their fellow countrymen on the availability of these channels.

The improved confidence in SDP's grievance channels is evidenced by an increase in the monthly average number of calls. Prior to September 2021, the average was around 15 calls a month; between September 2021 and January 2022, SDP has handled a monthly average of 69 calls.

3. Social Dialogue

The key objective of the Social Dialogue is to provide a two-way communication platform between workers and management, to discuss issues related to worker welfare and concerns. The intent is to allow for the co-creation of resolutions to issues that are raised and to build stronger relationships between site management and workers.

In October 2021, SDP launched the Social Dialogue initiative and it has since been rolled out across more than 150 operating units, and 1,625 worker representatives of different nationalities have been appointed.

Worker representatives are appointed through elections by the workers themselves and empowered to suggest improvements. Every nationality is represented by a worker representative at each OU.

The Social Dialogue process is supported by a Social Dialogue Toolkit, which includes an escalation protocol for issues that cannot be resolved at OU level, along with guidelines for issues resolution. A clear set of KPIs and an online tracker, developed in-house, ensure the effective and efficient reporting and monitoring of issues raised at these dialogues, and also that issues are resolved in a timely manner.

SDP believes this is the first programme of its kind among palm oil plantation companies in Malaysia.

4. KPIs – Environmental, Social and Governance (ESG) scorecard

The ESG Scorecard which is effective for the 2022 Financial Year aims to drive behavioural change. It has been constructed with three behaviour-based indicators and two outcome-based indicators.

Communicated to all estates and mills in January 2022, this scorecard puts greater emphasis on ESG performance, particularly on specific labour-related practices. Crucially, the new system is independently monitored for objectivity. A unique feature of this scorecard is that, apart from the objective evidence of the implementation of initiatives, a key component is quarterly surveys that will be undertaken to get workers' feedback on their working and living experiences with SDP.

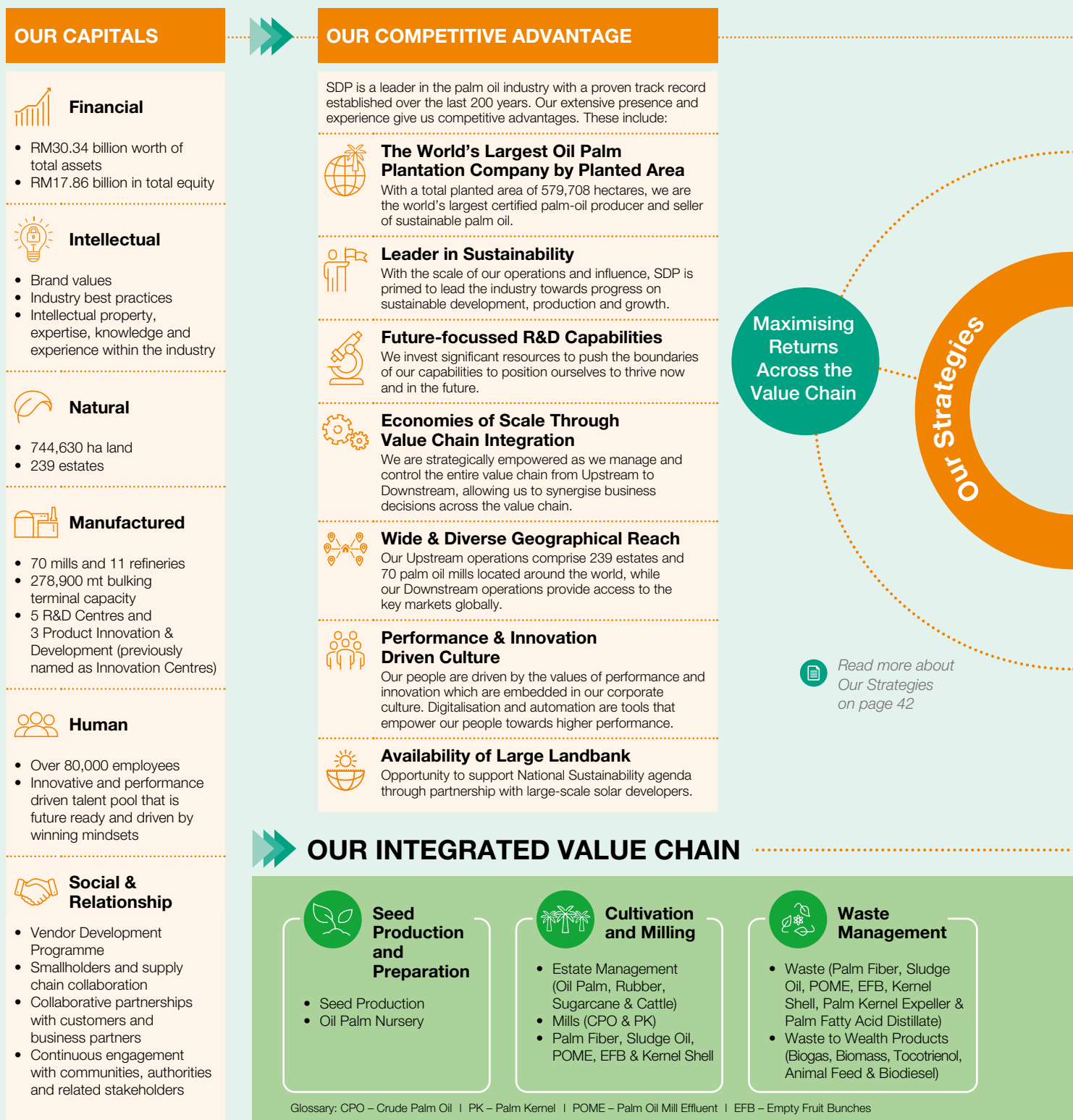
KPI	Measurement Criteria	Type
Closure of Grievances	Closure of 95% grievances raised that are within purview of the operating unit	Behaviour-based
Operational Health & Safety	Quality of intervention and approach towards improving processes and governance	Behaviour-based
Social Dialogue	Conduct of social dialogues based on success factors	Behaviour-based
Workers Satisfaction Survey	Score of quarterly surveys sent to workers to measure effectiveness of initiatives	Outcome-based
Environmental & Governance Compliance	Compliance to legal and statutory requirements and conformance to sustainability certifications	Outcome-based

SDP'S OPERATIONS MAPPED AGAINST 11 ILO INDICATORS OF FORCED LABOUR

Please refer to pages 38 to 40 in the 2021 Sustainability Report at www.simedarbyplantation.com for an overview of the measures adopted against the 11 ILO indicators.

OUR VALUE CREATION MODEL

An integrated approach frames SDP's value creation model, spanning the entire value chain to deliver sustainable value to all our stakeholders.



MATERIAL MATTERS WHICH ALIGN WITH OUR VALUE CREATION MODEL



Read more about Managing Our Material Matters on page 36

OUR VISION

To be the leading integrated palm oil player.



OUR SUSTAINABILITY COMMITMENTS



Going Beyond Set Standards

As an industry leader, SDP consistently strives to do better than meeting set standards so we can lead the pace for impactful breakthrough on standards. SDP is fully compliant with all major palm-oil related sustainability standards globally, i.e. Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) certifications. At the same time, SDP is also an active participant in some of these certification platforms to advance sustainability standards.



Push Towards Climate Action

SDP's strong commitment towards sustainability is evident throughout our operations and supply chains with extensive programmes put in place to reduce climate impacts. We also collaborate actively and extensively with strategic partners on important issues such as reforestation, conservation and biodiversity.



Respecting Human Rights

At SDP, we consistently adhere to practices that promote the rights of the individual. Hence, all our employees at all levels, including our workers at our plantations on the ground, are given access to mechanisms which allow them to air any grievances so they can be heard and their issues addressed. Other platforms include dialogue sessions with our employees to proactively allow them opportunities to speak and be heard and also, to be understood.



Ensuring a Sustainable Supply Chain

SDP's commitment to sustainability extends to our supply chain. This strong commitment is underlined by the significant amount of resources we have invested to ensure full transparency of our supply chain. One example is Crosscheck, an online platform we developed and launched that tracks the origin of fresh fruit bunches and crude palm oil across our supply chains.

We also leverage partnerships and technologies to extend and sharpen our supply chain monitoring capabilities, e.g. the Radar Alerts for Detecting Deforestation (RADD) monitoring system which SDP jointly developed with partners to detect tropical deforestation more efficiently.

We also conduct supplier risk assessments to ensure No Deforestation, No Peat and No Exploitation (NDPE).

HOW WE SHARE THE VALUE WE CREATE

Investors

- Total shareholder return
- Responsible investment
- Shariah-compliant

Customers

- Preferred supplier of certified sustainable palm-based products and quality food ingredients
- Customisation of products to fit specific needs
- Focus on value added/differentiated products
- Focus on food safety
- Focus on Health and Nutrition, Wellness, plant-based products as well as Animal Nutrition

Employees

- Strengthening talent pipeline
- Continuous capability-building via structured development programmes
- Enhanced quality of life by providing of a safe, healthy and conducive work-life environment
- Improvement in the well-being and livelihood of our employees

Local Communities

- Mutual growth and development of local communities by providing employment, technical training, smallholder schemes and community development projects focussed on education, healthcare, food security, water and sanitation
- Development of a sustainable palm oil supply chain that contributes to national and local economic development, while balancing traditional needs and environmental protection

Government & Society

- Positive relationships with authorities and local communities to gain support for business development
- Support for the industry's renewable energy and innovative initiatives



Processing and Value-Adding

- Customised Refineries
- Bulk Refineries
- Kernel Crushing Plants
- Palm Oil Food and Nutritional Applications
- Non-Food Applications



Commercial and Distribution

- Trading of CPO & Bulk Sales
- Food Preparation
- Infant Formula
- Health & Nutrition
- Oleochemical
- Biodiesel
- Animal Feed

CORE VALUES THAT ACT AS GUIDING PRINCIPLES FOR VALUE CREATION

Integrity

Respect and Responsibility

Enterprise

Excellence

OUR MARKET LANDSCAPE

Sime Darby Plantation Berhad (SDP) has a presence in 13 countries, operating in a complex business environment with different and growing demands. It is imperative that SDP continues to stay engaged on the ground with our stakeholders to keep abreast of evolving current issues and global trends so that we can be responsive and continue to meet the needs of our customers and stakeholders.

Trend	Impact to SDP	Our Response	Link to Strategy																																																																																																																														
<p>Rising demand for vegetable oils</p>	<p>The long-term outlook for the vegetable oils business continues to be positive and relatively strong.</p> <p>Global food oil demand has been remarkably resilient despite the global pandemic and associated lockdowns.</p> <p>In addition to sustained demand worldwide due to population growth, an increase in per capita intake, especially in China and India, will contribute to keeping demand strong.</p> <p>Globally, palm oil is the most widely consumed vegetable oil making up 36% of total vegetable oil consumption. This demand is expected to increase in the near future as the Russian-Ukraine conflict has led to a global shortage of sunflower and rapeseed oils, leading to the market turning to alternatives like palm oil.</p> <div data-bbox="336 860 858 1301"> <p>GLOBAL VEGETABLE OIL DEMAND & SUPPLY VS POPULATION</p> <table border="1"> <caption>Global Vegetable Oil Demand & Supply vs Population (2020-2030)</caption> <thead> <tr> <th>Year</th> <th>Total Demand (LHS) (Million MT)</th> <th>Total Supply (LHS) (Million MT)</th> <th>Demand per Capita (RHS) (KG)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>7.8</td> <td>~15</td> <td>25.6</td> </tr> <tr> <td>2021</td> <td>7.9</td> <td>~15</td> <td>25.8</td> </tr> <tr> <td>2022</td> <td>8.0</td> <td>~15</td> <td>26.3</td> </tr> <tr> <td>2025</td> <td>8.2</td> <td>~15</td> <td>27.6</td> </tr> <tr> <td>2030</td> <td>8.5</td> <td>~15</td> <td>30.3</td> </tr> </tbody> </table> </div> <p>Source: LMC Oilseeds & Oils Report 2021</p> <div data-bbox="336 1391 858 1765"> <p>TOTAL FOOD DEMAND FOR VEGETABLE OILS IN LEADING CONSUMERS</p> <table border="1"> <caption>Total Food Demand for Vegetable Oils in Leading Consumers (2000-2030)</caption> <thead> <tr> <th>Year</th> <th>China (Million MT)</th> <th>India (Million MT)</th> <th>Indonesia (Million MT)</th> <th>USA (Million MT)</th> <th>European Union (Million MT)</th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>~10</td> <td>~5</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2002</td> <td>~12</td> <td>~6</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2004</td> <td>~15</td> <td>~7</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2006</td> <td>~18</td> <td>~8</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2008</td> <td>~22</td> <td>~10</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2010</td> <td>~25</td> <td>~12</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2012</td> <td>~28</td> <td>~14</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2014</td> <td>~32</td> <td>~16</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2016</td> <td>~35</td> <td>~18</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2018</td> <td>~38</td> <td>~20</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2020</td> <td>~42</td> <td>~22</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2022</td> <td>~45</td> <td>~23</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2024</td> <td>~48</td> <td>~24</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2026</td> <td>~50</td> <td>~25</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2028</td> <td>~52</td> <td>~26</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>2030</td> <td>~55</td> <td>~27</td> <td>~2</td> <td>~10</td> <td>~10</td> </tr> </tbody> </table> <p>Source: LMC Oilseeds & Oils Report 2021</p> </div>	Year	Total Demand (LHS) (Million MT)	Total Supply (LHS) (Million MT)	Demand per Capita (RHS) (KG)	2020	7.8	~15	25.6	2021	7.9	~15	25.8	2022	8.0	~15	26.3	2025	8.2	~15	27.6	2030	8.5	~15	30.3	Year	China (Million MT)	India (Million MT)	Indonesia (Million MT)	USA (Million MT)	European Union (Million MT)	2000	~10	~5	~2	~10	~10	2002	~12	~6	~2	~10	~10	2004	~15	~7	~2	~10	~10	2006	~18	~8	~2	~10	~10	2008	~22	~10	~2	~10	~10	2010	~25	~12	~2	~10	~10	2012	~28	~14	~2	~10	~10	2014	~32	~16	~2	~10	~10	2016	~35	~18	~2	~10	~10	2018	~38	~20	~2	~10	~10	2020	~42	~22	~2	~10	~10	2022	~45	~23	~2	~10	~10	2024	~48	~24	~2	~10	~10	2026	~50	~25	~2	~10	~10	2028	~52	~26	~2	~10	~10	2030	~55	~27	~2	~10	~10	<ul style="list-style-type: none"> • Drive innovation to enhance productivity and efficiency to generate higher production and improve yields through GenomeSelect™. • 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. • Strengthen our efforts to innovate our operations through mechanisation, automation and digitalisation. 	
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Legend:



Driving operational excellence in our Upstream sector



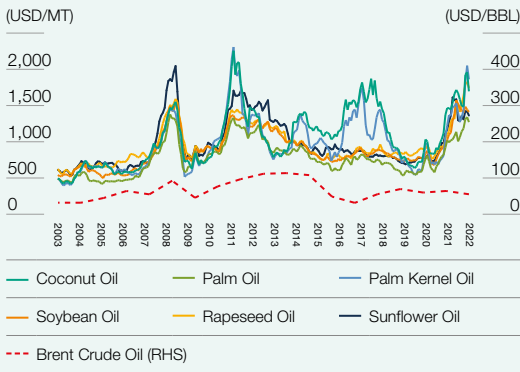


Serving our customers' evolving needs in our Downstream sector



Maximising returns across the palm oil value chain by leveraging on our integrated business model

Trend	Impact to SDP	Our Response	Link to Strategy
<p>Supply disruption of palm oil</p>	<p>Palm oil production has been impacted by acute labour shortages due to restrictions on border movements to contain the global pandemic. This is further exacerbated by unpredictable and extreme weather conditions.</p> <p>In the long term, the outlook for palm oil production will be more positive as fundamentals such as the growth of new plantings and replanting exercises, improvements in planting materials and the deployment of new technologies and innovation will help to promote production rates.</p> <hr/> <p>PALM OIL SUPPLY FORECAST (MILLION MT)</p> <p>Source: LMC Oilseeds & Oils Report 2021</p> <hr/> <p>YOY GROWTH IN OIL PALM HARVESTED AREA (%)</p> <p>Source: United States Department of Agriculture 2021</p>	<ul style="list-style-type: none"> Actively recruit locals to plug the gap in foreign labour supply. Invest in precision agriculture as well as digitalisation, mechanisation and automation to reduce reliance on manual labour. Increase the use of higher yielding planting material, i.e. GenomeSelect™. 	
<p>Accelerating demand for climate action and commitment</p>	<p>There are increasing pressures for companies to step up and take urgent actions to limit global warming from increasing beyond 1.5 degrees Celsius and minimise climate-related repercussions on people and the planet. There is also a global commitment to accelerate efforts to transition towards a net zero economy. This has resulted in pressures on corporates and ESG investors to take urgent actions too.</p> <p>In line with this, the Securities Commission Malaysia has updated the Malaysian Code on Corporate Governance (MCCG) in FY2021 to encourage companies to address sustainability risks and opportunities in an integrated and strategic manner to support their long-term strategy and success.</p>	<ul style="list-style-type: none"> Commit to a net zero strategy. Align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Adhere to MCCG FY2021 by adopting and implementing practices and policies to address sustainability risks and opportunities. 	

OUR MARKET LANDSCAPE

Trend	Impact to SDP	Our Response	Link to Strategy
<p>Volatility of vegetable oil prices</p>	<p>Palm oil prices continue to be volatile due to constraints and ongoing disruptions in global supply which has caused annual average palm oil prices to hit their highest levels since 2011. Prices are expected to stay volatile in the short-term, but will also be susceptible to changes in global demand, tariff structures in major consuming countries, geopolitical factors, biodiesel mandates and CPO inventory levels in Indonesia and Malaysia.</p> <p>According to the World Bank, palm oil prices are expected to hover around USD1,000-1,100/mt for the next 5 to 10 years.</p> <p>VEGETABLE OIL PRICES</p>  <p>Source: World Bank</p>	<ul style="list-style-type: none"> Enhance and optimise supply chain network to ensure seamless connectivity and prompt response to customer needs. Focus on growing the Downstream business to minimise the impact of price volatility. De-commoditise palm oil production by increasing the ratio between commodity and differentiated product offerings to cushion any price volatility due to market shocks and disruptions. Identify and tap on alternative revenue streams from renewable sources, i.e. solar, biogas, biomass and other alternative land use. 	
<p>Growing emphasis on digitalisation</p>	<p>Various restrictions on the movement of people to contain the global pandemic have led to a labour crunch in the industry.</p> <p>This has caused disruptions in many aspects of SDP's operations, increased our business risks, spurred the industry to focus on innovation and fast track the adoption of new technologies.</p> <p>Adoption of technologies, such as digitalisation, automation and mechanisation are accelerated due to the urgency and importance of reducing reliance on manual resources and help boost productivity and efficiencies.</p> <p>To remain competitive, SDP has to improve our business agility to create more sustainable business values through the delivery of new and innovative business capabilities.</p> <p>There have been rising concerns about Environmental, Social and Governance (ESG) efforts and growing expectations for digital solutions to support and improve ESG practices.</p>	<ul style="list-style-type: none"> We are focussed on delivering our digital roadmap to transform SDP's operations. At the same time, we are committed to improving and aligning our processes and practices to global Environmental, Social and Governance (ESG) standards. Build intelligence in our systems and machineries to enhance operational efficiencies and governance. Explore new business models and synergies across all business functions. Explore and adopt relevant technologies that enable SDP to be a more data-driven organisation, leveraging on insights obtained through Data Analytics, Artificial Intelligence (AI) / Machine Learning (ML) and various Internet of Things (IoT) solutions. Build and develop digital and related skills and agility in our people to equip them with the relevant tools and capabilities to thrive in the continuously changing business landscape. 	

Legend:



Driving operational excellence in our Upstream sector



Serving our customers' evolving needs in our Downstream sector









Maximising returns across the palm oil value chain by leveraging on our integrated business model

Trend	Impact to SDP	Our Response	Link to Strategy																											
<p>Increased competition from other edible oils</p>	<p>Palm oil will face competition from vegetable oils such as rapeseed oil, soybean oil and sunflower oil.</p> <p>Yields have stagnated in Malaysia, Indonesia and Papua New Guinea due to the lack of major advances in mechanisation across the industry as well as the higher costs of fertiliser and labour. The high productivity of oil palm per hectare is outweighed by the labour required by the crop, particularly in harvesting.</p> <p>In 2021, palm oil and soybean oil contributed to over 55% of the vegetable oil market and will increase to 65% by 2030.</p> <p>Soybean oil is forecasted to contribute 34% of the vegetable oil by 2030, beating palm oil at 32% due to the slowed rate of palm oil area expansion in Malaysia and Indonesia because of sustainability pressures. This could lead to a palm oil supply reduction of 13 million mt in world markets by 2030.</p> <p>Slow palm oil supply growth in Southeast Asia and soybean expansion in Brazil could offer the key marginal solution to the oil supply gap for the next few years.</p> <p>WORLD EDIBLE OILS PRODUCTION FORECAST (MILLION MT)</p> <table border="1"> <caption>World Edible Oils Production Forecast (Million MT)</caption> <thead> <tr> <th>Oil Type</th> <th>2021</th> <th>2030</th> </tr> </thead> <tbody> <tr> <td>Coconut oil</td> <td>~2</td> <td>~2</td> </tr> <tr> <td>Cottonseed oil</td> <td>~5</td> <td>~5</td> </tr> <tr> <td>Groundnut oil</td> <td>~10</td> <td>~10</td> </tr> <tr> <td>Palm kernel oil</td> <td>~15</td> <td>~15</td> </tr> <tr> <td>Sunflower seed oil</td> <td>~20</td> <td>~25</td> </tr> <tr> <td>Rapeseed oil</td> <td>~25</td> <td>~35</td> </tr> <tr> <td>Soybean oil</td> <td>~55</td> <td>~85</td> </tr> <tr> <td>Palm oil</td> <td>~65</td> <td>~80</td> </tr> </tbody> </table> <p>Source: LMC Oilseeds & Oils Report 2021</p>	Oil Type	2021	2030	Coconut oil	~2	~2	Cottonseed oil	~5	~5	Groundnut oil	~10	~10	Palm kernel oil	~15	~15	Sunflower seed oil	~20	~25	Rapeseed oil	~25	~35	Soybean oil	~55	~85	Palm oil	~65	~80	<ul style="list-style-type: none"> Intensify productivity and efficiency through precision agriculture, especially digitalisation, innovation, mechanisation and automation to improve yields and reduce costs. Continue to focus on innovation for product differentiation, service offerings and value to customers. Explore diversification into the production of other crops and build the necessary supply chain. 	
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<p>Heightened pressure from regulatory environments</p>	<p>Since 2018, the European Union has called for a phase-out of the use of palm-based biofuels in Europe by 2030. The ongoing biodiesel mandates in Malaysia and Indonesia will lead to higher domestic demand for palm oil and will have a positive impact on CPO prices.</p> <p>On 30 December 2020, the United States Customs and Border Protection (USCBP) agency issued a Withhold Release Order (WRO) halting palm oil exports originating from SDP's Malaysian plantations from entering US ports. Following this, in January 2022, the USCBP determined that certain SDP palm oil products were produced using convicts, forced or indentured labour, by issuing the notice of Finding, effective 28 January 2022.</p>	<p>Proactively manage sustainability issues by engaging with relevant regulators and governments to address any allegations, resolve disputes and create solutions.</p> <p>For greater transparency and accountability, SDP appointed an ethical trade consultancy, to conduct an independent assessment of labour practices at our Upstream operations in Malaysia, against 11 International Labour Organisation (ILO) forced labour indicators.</p> <p>For further details on USCBP/WRO, please refer to page 23.</p>																												

Read more about Our Strategies on page 42

STAKEHOLDER ENGAGEMENT

We actively engage our key stakeholders to help us understand their concerns and expectations. This helps us to align our business strategies and practices better to meet their needs as well as those of the markets and communities we operate in.

Key Stakeholders	Mode of Engagement	Frequency of Engagement
 <p>Customers Our customers recognise us and support us by purchasing our products and services.</p>	<ul style="list-style-type: none"> Events, webinars, forums meetings (virtual and face-to-face) Surveys and feedbacks Regular business touchpoints, i.e. phone calls, email correspondences etc. Collaborative platforms and working groups 	
 <p>Employees Our people are our most important assets and they are the main contributors to the success of our businesses.</p>	<ul style="list-style-type: none"> Capability and skills development programmes Organisational Health Index (OHI) Volunteer programmes Muster briefings Union meetings Gender committee meetings Social dialogues Grievance channels 	
 <p>NGOs/Civil Society Organisations NGOs enable us to contribute more meaningfully by combining social impact with business performance.</p>	<ul style="list-style-type: none"> Various engagement platforms, i.e. information sharing forums, roundtable discussions etc. Engagement surveys Collaborative projects 	
 <p>Industry Groups They allow us to share knowledge and expertise within the group, and stay abreast of current developments in the industry.</p>	<ul style="list-style-type: none"> Working groups Task forces Technical committees Collaborative research Conferences/Seminars, field and lab visits, information sharing through social media 	
 <p>Government Agencies The government sets the rules and regulations that we must comply with, and have an impact on our business and the industry at large.</p>	<ul style="list-style-type: none"> Various engagement platforms, i.e. events, webinars, roundtable discussions, feedback sessions, taskforce committees etc. On-site inspections Working visits 	
 <p>Local Communities These are the places we operate in, and our business activities have an impact on the people in the communities.</p>	<ul style="list-style-type: none"> Community meetings and engagement events Grievance panels 	
 <p>Academic Institutions Academic institutions make it possible for us to reach out to a broader audience, and also grants access to cross-disciplinary collaborations and strategic partnerships.</p>	<ul style="list-style-type: none"> Collaborative projects Advisory roles Funding applications 	

Legend:



Annually



Quarterly



Monthly



Weekly



Daily

Glossary:

ISPO – Indonesian Sustainable Palm Oil

MSPO – Malaysian Sustainable Palm Oil

RSPO – Roundtable on Sustainable Palm Oil

Key Stakeholders' Concerns

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

- Succession pipeline and talent bench strength
- Performance management and rewards
- Employee well-being and support, including implementation of safety measure(s) to mitigate the risk of COVID-19
- Learning and development
- Workers' welfare
- Wage & overtime work
- Collective agreement
- Organisational culture and work environment

- Free, Prior and Informed Consent (FPIC)
- Environmental impact
- Human rights and labour rights
- Expansion plans
- Deforestation
- Traceability
- Food security

- Certification-related issues
- Regulatory pressures
- Market forces (trade and business)
- Sustainability issues
- New product development status and after-sales service

- Regulatory compliance
- Emerging regulatory changes
- Public policies
- Government legislations

- Land rights
- Fire and haze prevention
- Exploitation
- Local eco-systems/employment
- Smallholders

- Advancement of sustainable palm oil
- Community engagements

How We Address Stakeholders' Concerns and Expectations

- ISPO, RSPO, MSPO Certified Products
- No Deforestation, No Peat, No Exploitation (NDPE) Policy
- Crosscheck
- Product development specialists and portal, supported by R&D scientists, who interact with customers directly to optimise solutions and provide technical support
- Foundation Food Safety System Certification (FSSC) 22000 Certification

- Development support for Mission Critical Positions (MCP) successors and high potential talents
- Alignment and strengthening of KPIs and robust performance conversations to achieve a high-performance culture
- Create more skilled job opportunities for Malaysians in the palm oil sector through automation and mechanisation
- Identification of learning needs and implementation of structured development to build capabilities
- Implementation of social dialogues and improve grievance mechanisms (Suara Kami, Whistleblowing & Worker Helpline)
- Improvements in Occupational Safety and Health (OSH) systems and implementation of COVID-19 procedures to priorities workforce safety

- Traceability and transparency data through Crosscheck and other means
- Responsible Agriculture Charter
- Human Rights Charter
- Partnership and other collaboration opportunities
- NDPE

- Partnership opportunities
- Task forces, working groups and other platforms
- Sharing SDP's latest genomic discoveries for palm product development; engagement with stakeholders to share information and provide solutions
- Engagement and participation in working groups and National Interpretation consultations as an RSPO member

- Beyond Compliance Approach
- Robust governance
- Engagement on matters such as industrial policy as well as commenting on policy proposals
- Strategic collaboration

- NDPE Policy
- Responsible Agriculture Charter
- Human Rights Charter
- Commitment to community development
- FPIC
- Philanthropic support
- Smallholder schemes
- Community fire prevention

- Partnership opportunities
- Research collaborations
- Collective actions and commitments

MANAGING OUR MATERIAL MATTERS

Material matters impact our business as well as our stakeholders directly and indirectly. To mitigate any negative impact, we have put in place various initiatives and measures to help us to be agile and resilient while we strive towards organisational excellence and long-term sustainability.

Material Matters	Why Is This Material to Us?	What is Our Response?
Operational Performance	Disruptive macro externalities and factors beyond our control can impact operational performance, production and throughput, which ultimately affect business profitability and sustainability.	<ul style="list-style-type: none"> Transformational initiatives to drive operational excellence, generate new value-adding revenue, alleviate leakage and wastage and manage costs prudently. Ongoing adoption of precision agriculture, especially digitalisation, innovation, mechanisation and automation to mitigate adverse impacts from uncontrollable factors and global uncertainties.
People Management	<p>People are our greatest asset as they are the main contributors to the success of our business.</p> <p>Building a strong organisational culture driven by innovation and best practices will cultivate excellence in our people.</p> <p>We also strive to protect and safeguard the rights of our people as part of our commitment to performance excellence.</p>	<ul style="list-style-type: none"> Drive continuous performance management for better clarity of goals and results. Implementation of voluntary health coverage, incentive scheme and work from home arrangement and continuous review of rewards enhancement. Implementation of talent development to prepare talents and successors for Mission Critical Positions (MCP). Continuous review of people processes and practices to identify gaps and improvements including the enhancement to our commitment towards human rights. Implementation of holistic and synergised people processes through the launch of "NADI", a people management system.
Macroeconomic Conditions	<p>Fluctuations in commodity prices due to protectionist policies, political instability and conflicts as well as competition, can affect demand and supply trends, and erode revenue potential.</p> <p>Changes in legal and regulatory environments could exert additional pressure and increase the cost of compliance and operations.</p>	<ul style="list-style-type: none"> Strengthen business agility and innovation drive to respond to changing market conditions. Strengthen our business portfolio through diversification. Proactive management including scanning the business environment for disruptive changes or emerging risk, to capitalise on business cycles in delivering sustainable profit growth.
Social and Environmental Impact	Real or perceived concerns relating to environmental or social harm, traceability, food safety, food security and emissions could undermine organisational reputation, credibility and trust in the marketplace.	<ul style="list-style-type: none"> Proactive identification and management of environmental and social risks across the value chain, i.e. traceability and certified sustainable palm oil to generate a net positive impact. Ongoing support for socio-economic development and carbon footprint management in line with our growth strategy and sustainability agenda. Targeted engagements with stakeholders to strengthen relationships.
Occupational Safety and Health Performance	Unsafe or poor working conditions, fatalities, injuries or accidents at work can adversely impact employees' morale, safety and productivity.	<ul style="list-style-type: none"> Educate employees and supply chain partners to reinforce safety and health awareness. Inculcate a strong health and safety culture through regular training and development for all employees, emphasising health and safety as drivers for excellence.
Capital Management	<p>Prudent capital management is critical to mitigate risks associated with capital depreciation, financial distress, value destruction or corporate credit rating downgrades.</p> <p>Effective capital allocation will contribute towards maximising returns to the Group.</p>	<ul style="list-style-type: none"> Prudent and resilient capital management for strong balance sheet. Optimise capital allocation amongst competing requirements whilst managing financial targets. Effective management of working capitals.

 Read more about Our Value Creation Model on page 28

Legend:



Financial



Intellectual



Natural



Manufactured



Human



Social & Relationship

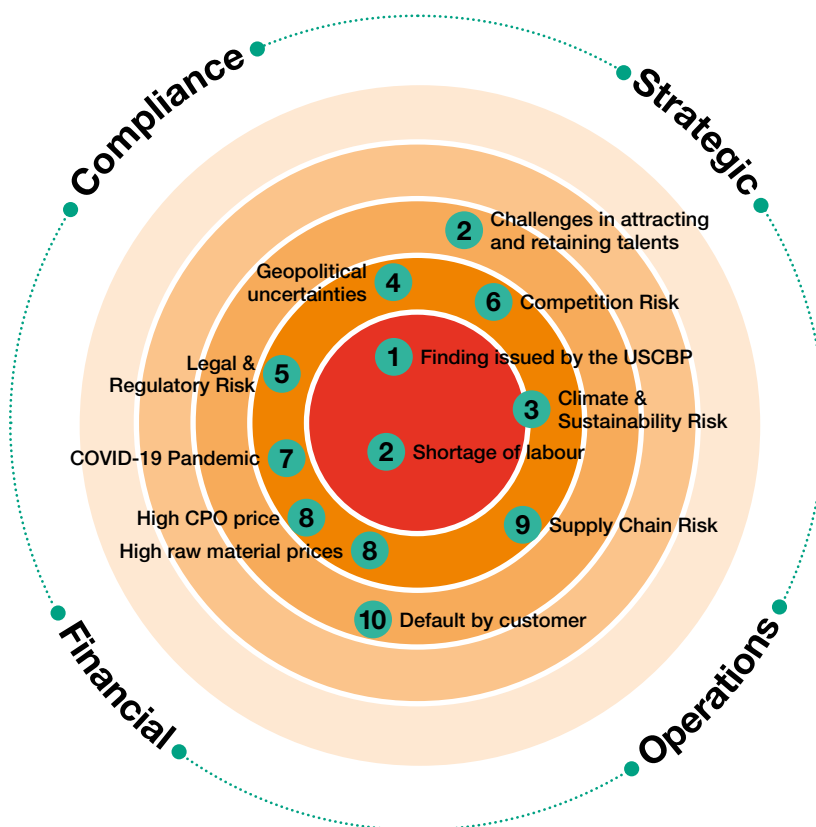
	Stakeholders Affected	Capitals Impacted
	<ul style="list-style-type: none"> Investors Suppliers/Business Partners Customers Employees 	
<ul style="list-style-type: none"> Improve organisational culture and enhance working environment to drive performance. Implementation of "NEW", an employee programme to support employees' well-being. Enhance employability for young graduates via PROTEGE programme. Implementation of worker localisation project to help attract locals to work in plantations and reduce dependency on foreign workers. People development which includes various capabilities, technical and leadership development programmes, to equip employees with critical skills and attributes. 	<ul style="list-style-type: none"> Investors Suppliers/Business Partners Customers Employees NGOs/Civil Society Organisations Government Agencies 	
<ul style="list-style-type: none"> Implement measures to future-proof the business such as ensuring sustainable growth and reducing manual and foreign labour dependency via net zero commitment, mechanisation, automation and digitalisation. 	<ul style="list-style-type: none"> Investors Suppliers/Business Partners Customers Employees 	
<ul style="list-style-type: none"> Enhancement of Governance structures as mitigation and control measures. Trainings and communication to internal and external stakeholders. Exploration of net zero roadmap as response to climate change. Revisions of policies and procedures to be more worker-centric in respect of human rights and labour rights. 	<ul style="list-style-type: none"> Investors Suppliers/Business Partners Customers Employees NGOs/Civil Society Organisations Government Agencies Local Communities 	
<ul style="list-style-type: none"> Proactive Hazard Identification, Risk Assessment and Risk Control. 	<ul style="list-style-type: none"> Investors Employees NGOs/Civil Society Organisations Government Agencies 	
	<ul style="list-style-type: none"> Investors Suppliers/Business Partners Shareholders Employees 	

PRINCIPAL RISKS

Our businesses operate within complex and dynamic environments that could pose various risks and challenges to our operations or even long-term viability. To enable us to manage these risks more proactively, we have identified these specific risks and developed concurrent strategies to mitigate the possible impact of these risks as far as possible.


ENTERPRISE RISK PERSPECTIVES RADAR

The enterprise risk perspectives radar maps the specific key enterprise risks according to their level of impact, strategic importance to SDP and/or their likelihood of occurrence. The closer the threat is to the centre of the radar, the more immediate or compelling is the threat, and the more urgent the call to action is.



Enterprise-wide key risks and mitigation strategies:

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
1 Finding issued by the USCBP	The United States Customs & Border Protection (USCBP) issued a finding on the use of forced labour in Upstream Malaysia operations.	<ul style="list-style-type: none"> Reputational impact. Potential loss of customers. Potential loss of RSPO/MSPO certification. 	<ul style="list-style-type: none"> Various enhancements to the governance structures & platforms as well as initiatives to continuously improve adherence to the 11 ILO indicators have been adopted. This is described in detail on page 23.
2 People Risk	Shortage of labour Severe shortage of harvesters in our Malaysian operations due to COVID-19 pandemic and tighter border-control restrictions imposed by the government.	<ul style="list-style-type: none"> Lower productivity leading to opportunity loss. 	<ul style="list-style-type: none"> Accelerate automation and mechanisation initiatives including use of drone technology. Intensify recruitment of local workforce via “Project Lokal” to replace outgoing foreign workforce. Proactive engagements with relevant government departments to accelerate the return and recruitment of foreign workers.

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
2 People Risk	<p>Challenges in attracting and retaining talent</p> <p>As companies recover from the impact of COVID-19, this poses a threat to our talent pool as flight risk inherently increases with job markets improving. There is also increased competition in attracting the right talent.</p>	<ul style="list-style-type: none"> Diminished talent pool with specific skillsets, experience and knowledge to execute Group's strategies. 	<ul style="list-style-type: none"> Comprehensive succession plan for critical job functions. Succession planning is a key KPI for key management personnel in the Group. Continuous training and development programmes to be conducted to enhance employees' skills and knowledge. Robust performance management framework implemented to enhance how performance is measured and managed to identify and develop key talent in the Group. Launched the Group's new all-in-one people management system that offers a single platform for efficient talent management process.
3 Climate & Sustainability Risk	<p>Sustainability risk has significantly escalated in FY2021 as human rights and deforestation in the palm oil industry are being increasingly scrutinised. This exposes the Group to the risk of stricter requirements from customers and regulators.</p> <p>Adverse weather conditions in countries where the Group operates may have an impact on safety and productivity of employees, yield productivity and supply chain.</p>	<ul style="list-style-type: none"> Increasing stringent requirements from customers and regulators on sustainability practices. Increased cost of doing business. Adverse weather impacting yield productivity. 	<ul style="list-style-type: none"> Active engagements with all stakeholders to communicate on the sustainability initiatives that the Group is undertaking. Continuous improvement actions to further strengthen sustainability practices on the ground. Strict cadence of monitoring and tracking to ensure compliance. Climate risk management and periodic updates to strategies in response to climate change. <p> For more details, please refer to the 2021 Sustainability Report at www.simedarbyplantation.com.</p>
4 Geopolitical uncertainties	<p>Geopolitical confrontation and diplomatic dynamics present uncertainties that could potentially affect demand from the Group's key markets, disrupt global supply chains and cause volatility in commodity prices.</p>	<ul style="list-style-type: none"> Potential decline in demand from key markets. Increase in operating costs. 	<ul style="list-style-type: none"> Continuously monitor key geopolitical developments that may expose the Group to systemic risks and realign strategies where applicable. On the ground and close engagements with customers and suppliers to monitor and understand the impact of geopolitical developments. Robust inventory management, leveraging on market intelligence to secure supplies (specifically fertilisers) at the best prices to ensure supply chain resilience. Close monitoring of global raw material prices to ensure accurate budget costing for projects.


PRINCIPAL RISKS

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
5 Legal & Regulatory Risk	<p>Changes in the regulatory landscape in the markets where the Group operates may expose the Group to higher compliance costs and increased scrutiny.</p> <p>Rising nationalistic sentiments in the country(s) where the Group operates exposes the organisation to the risk of unfavorable policies that could impact the Group's strategy, operations and financials.</p> <p>An emerging regulatory risk includes the impending regulations from the European Union in response to climate change such as the regulations on deforestation-free products.</p>	<ul style="list-style-type: none"> Increased cost of doing business. Possibly more stringent regulatory requirements to be fulfilled where the Group operates. 	<ul style="list-style-type: none"> Proactive engagements and communication with all stakeholders to ensure the potential impact of proposed regulatory changes are understood and, where possible, mitigated. Active communication with local regulators to reach amicable solutions. Comprehensive and structured compliance programme is in place to ensure compliance. Vigilant and continuous monitoring of any changes in regulations.
6 Competition Risk	<p>Competition risk escalates in the markets where the Group operates under challenging economic conditions as well as the confluence of factors on customer demand including fluctuation of raw material prices, change in global supply and demand, inflationary pressure and changes in regulations.</p>	<ul style="list-style-type: none"> Intense price competition affecting profitability. 	<ul style="list-style-type: none"> Close monitoring of customers and competitors' strategies to better prepare for any shift in market trends. Close engagements with customers to ensure competitiveness. Continuously assess and realign strategies to remain competitive. Continuous marketing activities to strengthen the Group's brand in key markets. Ensuring quality of products and services/product differentiation.
7 COVID-19 Pandemic	<p>Perpetual cycles of COVID-19 outbreaks and lockdowns exposes the Group to operational and supply chain disruptions as well as health risks for our employees and other relevant stakeholders.</p>	<ul style="list-style-type: none"> Health and safety of our employees and other relevant stakeholders. Disruption to business operations. 	<ul style="list-style-type: none"> Safety and precautionary measures, including alignment to Government directives, are strictly implemented to mitigate the risk of COVID-19 infections among employees, contractors and other relevant stakeholders. Regular monitoring and tracking of COVID-19 cases and assessment of its implications to SDP's operations. Efforts undertaken to vaccinate our employees through various vaccination drives. Business continuity plans for critical business functions are in place.
8 Commodity Risk	<p>High CPO price High prices of CPO in FY2021 due to tight edible oil supplies have increased the cost of consumer products in the downstream segment, making it a challenge to remain competitive in the market. Furthermore, the narrowing price spread between palm and rival oils may prompt price-sensitive buyers to switch.</p>	<ul style="list-style-type: none"> Customers switching to other vegetable oils, impacting demand. 	<ul style="list-style-type: none"> Improve product and service offerings through diversification and differentiation of existing products. The Group has taken steps to mitigate exposure to these risks by using derivative instruments to hedge against the risk of adverse price fluctuations. Being an integrated player, the Group has, to an extent, a natural hedge to price volatility.

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies
8 Commodity Risk	<p>High raw material prices Raw material prices have skyrocketed throughout FY2021 as lockdowns ease and businesses resume, impacting the cost of raw materials such as fertilisers and metal.</p> <p>The power crunch in China exacerbated by high freight charges due to ship shortages has led to further significant fertiliser and agrochemical price increases due to shortage of supplies.</p>	<ul style="list-style-type: none"> Increase in operating cost. Disruption to business operations. 	<ul style="list-style-type: none"> Robust inventory management, leveraging market intelligence to secure supplies, specifically fertilisers, at the best prices to ensure supply chain resilience. Close monitoring of global raw material prices to ensure accurate budget costing for projects.
9 Supply Chain Risk	<p>Shortage of vessels and containers as well as high freight costs arising from COVID-19 restrictions and global surge in the demand for goods have led to significant global supply chain disruptions and higher operating costs.</p>	<ul style="list-style-type: none"> Disruption to business operations. Increase in operating costs. 	<ul style="list-style-type: none"> Frequent communication with liners to ensure the availability of vessels and close monitoring of freight rates. Implemented a shipment management solution to digitise the shipment process and reduce manual intervention gaps to optimise efficiency of the process.
10 Financial Risk	<p>Default by customer Volatility in FY2021 have inherently increased the risk of default by buyers both in terms of payment defaults and non-performance of contracts.</p>	<ul style="list-style-type: none"> Financial losses. 	<ul style="list-style-type: none"> Active monitoring of credit exposures and outstanding contracts at various levels of management including the Group Credit Committee. Advance payment terms or more secured payment methods are enforced on certain higher-risk contracts.

RISK APPETITE

Risk appetite is the amount of risk an organisation is willing to accept in pursuit of its strategic objectives. The formulation of our risk appetite statements is guided by the Risk Appetite Framework.

 For more information on the Risk Appetite Framework, please refer to page 108

Areas	Risk Appetite Statements
Growth	SDP will pursue growth strategies that are clearly stipulated in the Board approved Strategy Blueprint. Due consideration as to the risks and mitigating actions pertaining to these strategies would be assessed at every iteration of the Strategy Blueprint.
Debt/Funding from operations	SDP is committed to pursue strategies as stated in the Board approved Strategy Blueprint with investment and capital expenditure implications that facilitate it maintaining an adequate level of liquidity (as prescribed by the Board) and an appropriate credit rating from an external credit rating agency(s).
Reputation and brand image	SDP will avoid any situation and action resulting in negative impacts on our reputation and brand and, if and when an undesirable situation arises, manage it aggressively to preserve our reputation and brand image.
Robust risk and control environment	SDP aims to maintain adequate controls for all key risks identified (including but not limited to strategic, operations, compliance and financial risks) in which the Group will endeavour to remain vigilant in risk identification and management to protect its business and reputation.
Environment	SDP maintains its businesses in such a way as to minimise, to as low as reasonably practicable, risks to the environment as a matter of principle. The Group will comply with environmental laws and regulations and endeavour to maintain high standards.
Safety & Health	SDP will minimise, to as low as reasonably practicable, risks to safety and health as a matter of principle. The Group will comply with safety and health laws and regulations and endeavour to maintain high standards.

OUR STRATEGIES

Our strategies leverage on our core strengths, competitive edge and sustainability commitments to enable us to deliver excellence and sustainable performance. SDP's next 5-year strategic blueprint will help chart a new growth path and aim to future-proof the Group's operations.

Strategic Objectives	Our Progress in 2021
 <p>Driving Operational Excellence in Our Upstream Sector</p>	<p>Accelerated replanting</p> <ul style="list-style-type: none"> 3,780 ha of our estates are replanted with high yielding materials (GenomeSelect™ seed). <p>Yield Improvements & Labour Initiatives</p> <ul style="list-style-type: none"> Ensuring workers completed their COVID-19 vaccination. Initiated campaign to recruit local workers to reduce dependency on foreign workers. <p>Digitalisation</p> <ul style="list-style-type: none"> Formation of Robotics team dedicated to pushing the boundaries of robotics technology development and adoption in SDP. Rolled out nursery and immature spraying using Unmanned Aerial Vehicle (UAV) across Malaysia. New digital curriculum added to training catalogue and cadet planter program. Fertiliser planning & supply automation deployed to all estates in Malaysia. Country-level CPO prediction model for Malaysia has been operationalised. Initiated in-field Internet of Things (IoT) trial to analyse environmental conditions impacting tree health and yield.
 <p>Serving Our Customers' Evolving Needs in Our Downstream Sector</p>	<p>SDO Transformation</p> <ul style="list-style-type: none"> Successfully embarked on a structured Transformation programme, or Project Matterhorn. Build upon the implementation discipline and momentum of identified bankable initiatives. Reinforced the skills and capabilities that enable the new ways of working. <p>Operations</p> <ul style="list-style-type: none"> Continuous efforts in improving operational excellence. <p>Commercial</p> <ul style="list-style-type: none"> Focus on differentiated, sustainable and traceable higher value products. Active development of products that optimise the performance of our current offering. <p>Digitalisation</p> <ul style="list-style-type: none"> Enable digital infrastructure at refineries to improve manufacturing efficiency and build towards the vision of remote centralised operations. Create value by marketing and stronger branding via enhanced digitalisation.
 <p>Maximising Returns Across the Palm Oil Value Chain by Leveraging on Our Integrated Business Model</p>	<p>Operations</p> <ul style="list-style-type: none"> Supply chain optimisation to meet food safety requirements and compliance. Expansion of the infrastructure and establishment of overall data governance and operating model. <p>Digitalisation</p> <ul style="list-style-type: none"> Achieved better trading decisions and outcomes through the support of enhanced trading and risk management systems. Further digitalisation and improvements for centralised logistics operations.

 Read more about Managing Our Material Matters on page 36

Priorities for 2022	Our KPIs	Link to Material Matters
<ul style="list-style-type: none"> Continue to improve the perception of local workers working in estates. Improving the welfare of employees. Continue to drive the development of robotics technology and advanced mechanisation to address labour shortage and improve working conditions. Integrate existing and future digital services for Estate Management at SDP by building a unified, modular, and scalable platform called Palm Digital. Continue with enabling and turning internal and external data in the business to provide actionable insights with increased focus on mills. 	<p>Financial Metrics</p> <ul style="list-style-type: none"> Revenue Average selling prices PBIT Cost <p>Non-Financial Metrics (Productivity & Efficiency)</p> <ul style="list-style-type: none"> FFB Production/Yield OER & KER Mill Utilisation Replanting Land-to-man ratio 	<ul style="list-style-type: none"> Operational performance People management Macroeconomic conditions Social and environmental impact Occupational Safety and Health performance
<ul style="list-style-type: none"> Deliver products that will facilitate making inroads into areas such as Health and Nutrition, Wellness, plant-based products as well as Animal Nutrition. Create value-added products and expand our portfolio into new ingredients. Focus on food security, food safety and sustainability. Improve process controls and process innovation as well as implement Environmental, Social and Governance (ESG) initiatives. Achieve greater transparency in our carbon emission levels through closer monitoring and measurements. Continue the implementation of SDO's Culture of Care charters in our organisation. 	<p>Financial Metrics</p> <ul style="list-style-type: none"> PBIT/PBT Gross Profit (GP) Margin Cost <p>Non-Financial Metrics (Productivity & Efficiency)</p> <ul style="list-style-type: none"> Volume Customised vs commodity ratio Sales of physical certified palm oil Customer Satisfaction Index Refinery utilisation/refinery's availability Operational Overall Equipment Effectiveness (OOEE) 	<ul style="list-style-type: none"> Operational performance People management Macroeconomic conditions Social and environmental impact Occupational Safety and Health performance
<ul style="list-style-type: none"> Continue building on the strength of our proven track record and capabilities to deliver customised, quality solutions to our global clients. As a fully integrated producer, we work across our supply chain to ensure that sustainability, quality, and purity are built into our products from the field. Continually aim to set best practices and standards. Enhance implementation of traceability and risk monitoring system. Expansion of the infrastructure and establishment of overall data governance and operating model. Further digitalisation and improvements for other centralised operations such as trading management and risk monitoring. 	<p>Non-Financial Metrics</p> <ul style="list-style-type: none"> Sustainable Policy Transparency Toolkit (SPOTT) evaluation Brand Perception – External Customer Survey Organisational Health Index (OHI) Sime Plantation Oils Trading (SPOT) system Risk Assessment and Value Enhancement (RAVE) system 	<ul style="list-style-type: none"> Operational performance People management Macroeconomic conditions Social and environmental impact Occupational Safety and Health Performance

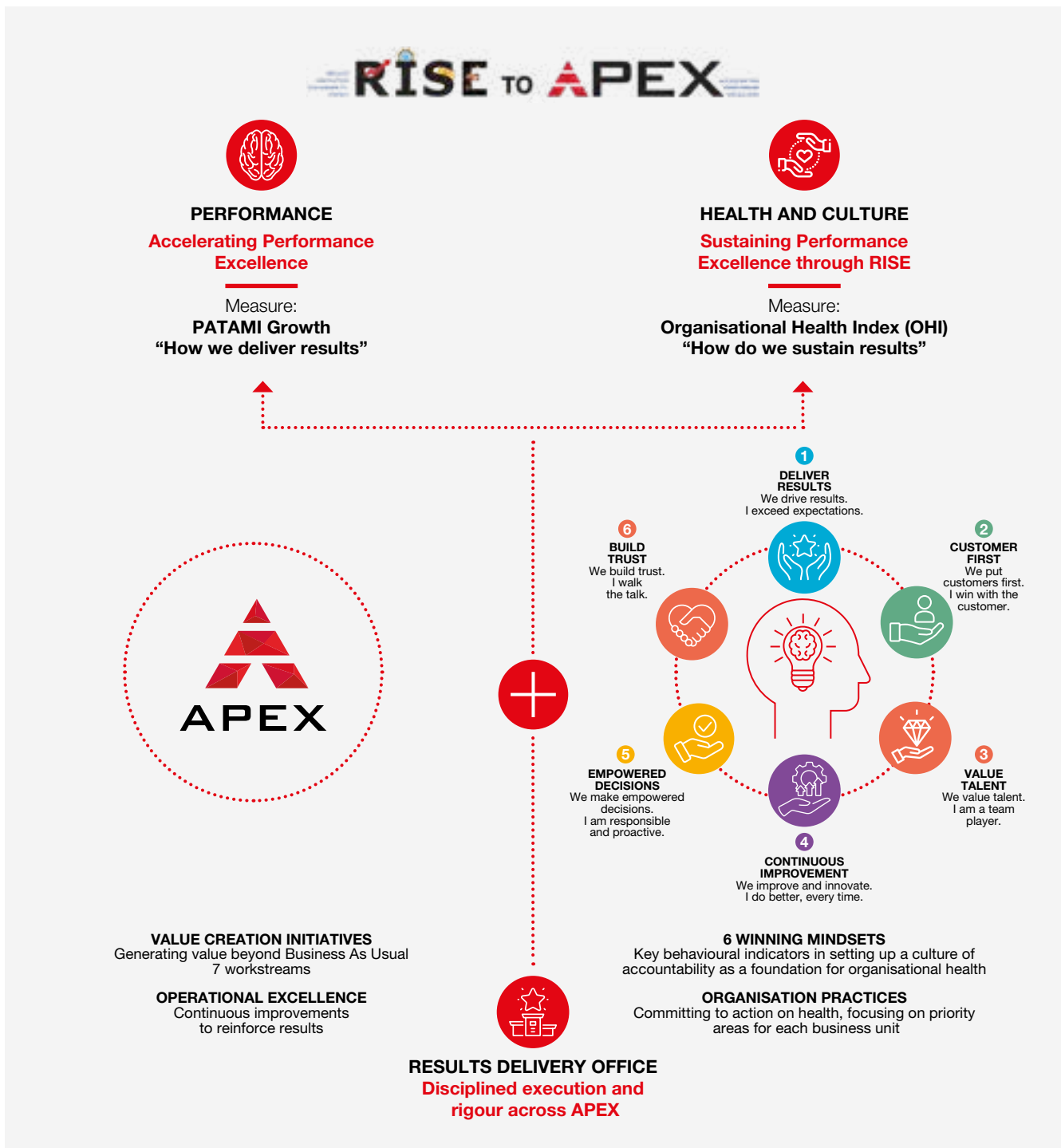
RISE TO APEX

Rise to APEX is a strategic transformational programme the Group has implemented since March 2018 to unlock asset value in order to accelerate and achieve sustainable operational excellence through culture and mindset change.

APEX sets recurring results-driven initiatives to propel the Group towards operational excellence across seven workstreams.

Six Winning Mindsets: Deliver Results, Customer First, Value Talent, Build Trust, Continuous Improvement, and Empowered Decision, specified within RISE, helps to unify and align the Group towards the APEX results-driven programme.

RISE to APEX is thus a vital engine of corporate transformation that will establish SDP as a leading palm oil player in the world.



KEY ACTIVITIES DURING THE YEAR

The global threat of the COVID-19 pandemic and the acute labour shortage over the past two years have presented significant challenges in our pursuit of the Value Creation delivery targets. To mitigate the impact of these challenges, a fresh round of innovation ideation sessions were carried out to unearth new value creation initiatives.

Various virtual engagement sessions including webinars, workshops and lab sessions were conducted across our operations during the year. These platforms allowed all levels in the operations to review, deliberate and brainstorm new ideas and initiatives to generate greater efficiencies and cost savings across our operations.

These additional sessions helped shape 186 new initiatives. FY2021 also saw 49 more initiatives progressed into completion and cash-in-bank stages (L4 & L5), which contributed a 7% value increase to the stages.

Head Office

Celebrating Our Achievements

To recognise and celebrate our achievements in our Transformation Journey, our Group Managing Director, Mohamad Helmy Othman Basha, launched the RISE to APEX webinar in June 2021 which was attended by over 500 participants mainly from Upstream Operations from Malaysia, Indonesia, Papua New Guinea and the Solomon Islands.

At the webinar, Upstream Regions from the four countries submitted 3-minute videos featuring achievements of their Value Creation (VC) initiatives for a contest, also for knowledge and experience sharing. The panel of judges comprised SDP Senior Management. Participants at the webinar were also given the opportunity to vote for their favourite videos via a live-voting session.

The videos are very positive testaments to the commitment by our Upstream Regions to RISE to APEX by delivering results and continuous improvements. They also serve to reaffirm our commitment towards our Project APEX VC targets by FY2022.

Engaging regional teams in Malaysia

Virtual engagement sessions were held on VC initiatives for Sabah and Sarawak Regions in September 2021.

A showcase of "Reimagining Plantation Towards Mechanisation" was shared at the sessions. Discussions on the set targets and achievements for business as usual (BAU) and VC were held with the regional teams. Brainstorming sessions were also included to generate ideas to help the regional teams overcome challenges encountered and to help them stay on track towards achieving their targets. FY2021 saw the registration of 14 new initiatives from Upstream Malaysia.

Generating new initiatives for higher performance in Indonesia

Virtual workshops were held between June and August 2021 for all five regions in Minamas Plantation. These were attended by about 150 participants across the regions.

An important outcome of these workshops was the generation of 102 new initiatives to help these regions achieve cost reduction and to contribute to the bottom-line performance of Minamas Plantation.

Value Creation engagements and knowledge sharing in Papua New Guinea and the Solomon Islands

In March 2021, virtual engagements on Value Creation were held for each site and three support departments (Ramu, Milne Bay, Higaturu, Poliamba, Guadacanal Palms & West New Britain, Mill Engineering, Procurement and R&D).

These sessions allowed participants to deliberate and understand newly proposed initiatives, and also to help with impact-sizing. Successful initiatives from Malaysia and Indonesia were also deliberated for replication in Papua New Guinea and the Solomon Islands. Out of these sessions, 37 new initiatives were proposed.

Between August and November 2021, knowledge sharing on NBPOL business improvement plans and strategies were held in Ramu, Higaturu, Milne Bay and Poliamba. These sessions were helpful for the operational teams to identify issues and challenges they encountered and to apply Performance Analysis to develop action plans to improve their Yield, OER and KER performance.

Developing initiative charters through lab sessions in Corporate Head Office

Sime Darby Plantation Agri Bio (SDPAB) held 16 hours of virtual lab sessions over four days in June 2021 to brainstorm ideas to transform and increase SDPAB's profitability by eight times by FY2026. These lab sessions involved 54 participants from Malaysia and Indonesia across 18 operating units and departments.

As a result, 33 initiatives were brainstormed and deliberated which included geographical coverage, resource requirement, products and services diversification, and process modification as well as new businesses.

Project Kinabalu to sharpen business performance and revenues

Project Kinabalu was launched by the Chief Operations Services Officer at SDPAB townhall in December 2021. This kicked off the execution phase of the identified initiatives, a transformation programme for SDPAB to elevate its business performance and revenues.

RISE TO APEX

PROJECT MATTERHORN

Project Matterhorn is a business-wide transformation programme implemented by SDO, the downstream business segment of SDP, to achieve a three-fold growth in PBIT from RM345 million in FY2019 to RM1 billion PBIT in FY2025.

It provides a holistic, strategic framework to help SDO achieve operational transformation to uplift its performance and earnings. This is done by addressing key business levers and enablers including:

1. Performance Improvement Areas
 - a. Manufacturing excellence
 - b. World class sales and gross profit delivery
 - c. Optimising trading opportunities
 - d. Turning around poor performers
2. Key Enablers
 - a. Information and digital business steering
 - b. Managing talent
 - c. Branding and communication
 - d. Culture of care

Milestone achievements of Project Matterhorn in FY2021

Project Matterhorn is gradually yielding positive outcomes within our operations and bringing us closer to our strategic goals. Some highlights of key milestones achieved during the year include:

- i. Matterhorn Value Creation initiatives in L5 stage (Cash-in-bank) delivered 132% of PBIT Target in FY2021
- ii. Completed the implementation of 63 Value Creation initiatives (i.e. L4 stage), exceeding the FY2021 L4 progress target by 32%
- iii. Rolled out and completed Matterhorn Transformation Sprints Planning Phase at six more SDO business units:
 1. Asia Pacific (APAC) Differentiated Business to Consumer (B2C): SDO Professional and SDO Nutrition
 2. APAC Bulk: SDO Pulau Laut Refinery
 3. APAC Non-Food: SDO Biodiesel and SDO Animal Nutrition
 4. Europe & Africa (E&A): SDO Liverpool

- iv. Progressed Transformation Sprints from the Planning Phase to Implementation Wave 1 Phase for six SDO Business Units:
 1. APAC Bulk: SDO Port Klang and SDO Pulau Laut Refinery
 2. APAC Thailand: SDO Morakot and SDO Nonhaburi
 3. E&A: SDO South Africa and SDO Liverpool
- v. Registered 147 new Value Creation initiatives across all programmes in FY2021, expanding the overall SDO VC pipeline PBIT by 11%

Legend:

- Level 1 (L1) – Ideation & proof of concept
- Level 2 (L2) – Evaluation & impact sizing (back of the envelope)
- Level 3 (L3) – Bankable plan development
- Level 4 (L4) – Execution & completion of last milestone
- Level 5 (L5) – Cash-in-bank

RISE to APEX and Project Matterhorn achievements

No.	Initiative	Background	Outcome/Achievements
Upstream			
1	Malaysia Precision procurement for fertiliser using Unmanned Autonomous Vehicle (UAV) Census	<ul style="list-style-type: none"> The initiative is part of a wider digitisation strategy in SDP. Drones can be used to map estates and real time accurate tree count (SPH) for each of our estate. 	<ul style="list-style-type: none"> Precise SPH count resulted in cost savings due to optimised volume of inorganic fertiliser purchased.
2	Indonesia Switching from diesel as source of electricity generation to obtaining direct electricity supply from Perusahaan Listrik Negara (PLN)	<ul style="list-style-type: none"> In FY2021, a total of eight initiatives on PLN were registered in WAVE (initiatives tracking and monitoring system) for some areas at the regions which are already in their full implementation stage. Another seven PLN initiatives are currently in progress at Kalimantan Selatan Pamukan region. Further cost reduction is expected in FY2022. 	<ul style="list-style-type: none"> These initiatives have brought cumulative benefits by reducing administrative costs through the reduction of diesel purchase to power the generator sets at Estates and Mills.
3	Indonesia Optimisation of labour resources with the mechanisation and automation of field upkeep, harvesting & transport processes.	<ul style="list-style-type: none"> The initiative to rationalise labour requirement has been carried out at all five regions in Indonesia since 2018. 	<ul style="list-style-type: none"> As of December 2021, Minamas achieved the desired man-to-land ratio without compromising on productivity. The rationalisation and mechanisation exercise has helped to reduce overall labour cost in FY2021 and has also enabled Minamas Plantation to achieve the current operative workers man-to-land ratio of 1:10.5 ha.

No.	Initiative	Background	Outcome/Achievements	
Upstream				
4	PNG/SI Higaturu – Increase OER of Sangara Oil Mill	<ul style="list-style-type: none"> Objective was to increase OER achievement of Sangara Oil Mill to 23% by improving crop freshness, ripeness standards and reducing oil losses. 	<ul style="list-style-type: none"> Sangara Oil Mill has consistently recorded OER above 23% since FY2020 by addressing key performance levers. 	
			Year	Actual OER %
			FY2019 (before)	22.69%
			FY2020	23.68%
FY2021	23.56%			
Downstream				
5	CPO washing and pre-stripper at SDO Liverpool, United Kingdom	<ul style="list-style-type: none"> Enabled SDO Liverpool to retain its customer base and market share in Europe for CPO-based refined products which were affected by the new 3-MCPD legislation for food safety. Further differentiate and grow SDO Liverpool's high value-added palm-based products portfolio. Improve SDO Liverpool's existing plant throughput and capacity by ceasing double processing in the deodoriser for Glycidyl Esters (GE) reduction to the maximum 1 ppm level. 	<ul style="list-style-type: none"> The project was completed (fully operational) in November 2021 despite facing significant COVID-related challenges to construction cost and timelines. Savings from ceasing the need to purchase refined palm oil (RBDPO) at a premium to meet the latest food safety requirements (3-MCPD and GE). Improved plant capacity allowed us to secure potential customers or volumes that had to be turned away in the past. 	
Renewables				
6	Large Scale Solar Farm Project in Byram Div., Tali Ayer Estate	<ul style="list-style-type: none"> A new revenue source for SDP by leasing approximately 28 ha in Byram Division of Tali Ayer Estate, Bagan Serai, Perak to PLB Green Solar Sdn Bhd for 20 MW large-scale solar photovoltaic plant. The lease period is for a period of 21 years. 	<ul style="list-style-type: none"> The project has contributed additional income from the rental (since December 2017) and revenue sharing (since November 2018). 	
7	Chersonese – Biogas Project Build, Own, Operate, Transfer Feed-in Tariff (BOOT FIT)	<ul style="list-style-type: none"> A biogas initiative which, other than methane emission capture and flare, involves the generation of electricity from captured methane. SDP partnered Cenergi (BOOT Partner) for a Feed-in Tariff Biogas Project at Chersonese Oil Mill. The project Commercial Operation Date (COD) was on 20 August 2020. 	<ul style="list-style-type: none"> In FY2021, the project has contributed rental income and POME sales. Revenue sharing to be realised in FY2022. 	
Research & Development				
8	Sime Darby Plantation Seeds & Agricultural Services (SDPSAS) Full Legitimacy Testing (SFLT)	<ul style="list-style-type: none"> To ensure SDPSAS seeds are of highest quality and purity for SDP estates. To brand with high quality and genetically tested seeds for external customers and increase profitability. 	<ul style="list-style-type: none"> In FY2021, the project has contributed additional income from seed sales. 	

GROUP FINANCIAL REVIEW

REVIEW OF OPERATIONS

In the financial year ended 31 December 2021 (FY2021) the already tight labour situation was exacerbated by continued border restrictions put in place by governments, and protracted negotiations between Malaysia and the source countries.

The shortfall of workers in Upstream Malaysia operations against the full complement stood at approximately 8,300 as at 31 December 2021, stretching harvesting intervals, thus dampening fresh fruit bunch (FFB) production for the year.

Recent changes in government policy are set to ease this constraint in the supply of foreign labour. From 15 February 2022, the Malaysian government lifted the freeze on foreign labour recruitment which has been in place since June 2020.

The Upstream operations in Malaysia were also impacted by inclement weather conditions leading to floods particularly at the end of the year, affecting upkeep, manuring, harvesting and fruit evacuation activities.

The Group's net profit soared in FY2021 on the back of the higher realised prices in spite of the decline in FFB production for the year. The combined effects of constrained supplies of palm oil and tight

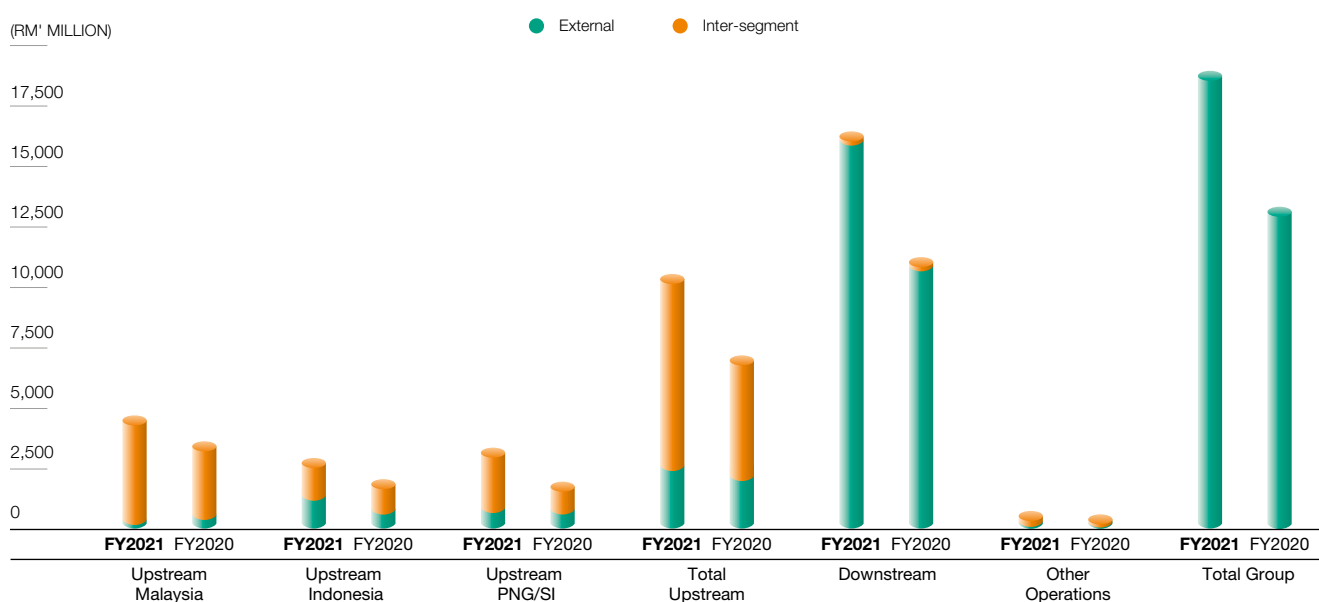
crop fundamentals of other edible oils have kept palm prices at exceptional record levels.

The Group remained focussed on managing its cost, optimising capital allocation and monetising non-core assets.

GROUP PROFIT OR LOSS

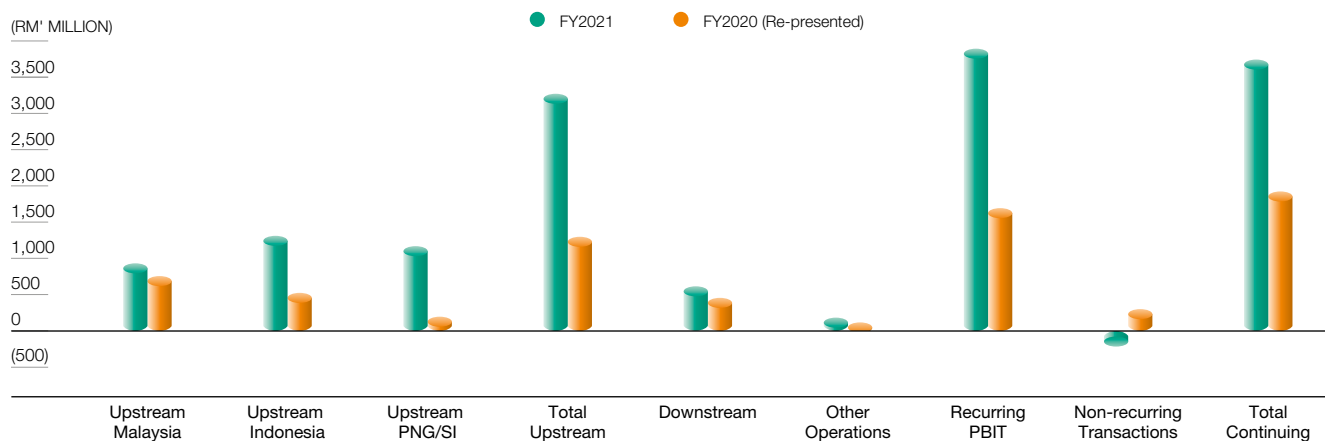
(RM'million)	FY2021	FY2020 (Re-presented)	%
<u>Continuing operations</u>			
Revenue	18,695	13,081	43
Recurring profit before interest and tax	3,825	1,624	136
Non-recurring transactions	(149)	230	
Profit before interest and tax	3,676	1,854	98
Finance income	12	17	
Finance costs	(86)	(116)	(26)
Profit before tax	3,602	1,755	105
Tax expense	(1,109)	(466)	
Profit after tax	2,493	1,289	93
Perpetual Sukuk	(124)	(125)	
Non-controlling interests	(112)	(53)	
Profit from continuing operations attributable to equity holders of the Company	2,257	1,111	103
<u>Discontinued operations</u>			
Profit from discontinued operations attributable to equity holders of the Company	-	74	(100)
Profit attributable to equity holders of the Company	2,257	1,185	(90)

REVENUE



Revenue from the Group's continuing operations for FY2021 was higher by 43% compared to the previous year, attributable to the significantly higher average CPO and palm kernel (PK) realised selling prices of RM3,711 per mt and RM2,551 per mt respectively (FY2020: CPO RM2,532 per mt; PK RM1,463 per mt), which mitigated the impact of the 2% decline in the fresh fruit bunch (FFB) production to 9.13 million mt (FY2020: 9.28 million mt).

PROFIT BEFORE INTEREST & TAX (PBIT)



For FY2021, the Group posted a strong profit before interest and tax (PBIT) from continuing operations of RM3,676 million, as compared to RM1,854 million recorded in the previous year, due to higher recurring PBIT contributed by both the Upstream and the Downstream segments, which compensated for the loss from non-recurring items in the current year as compared to a net gain last year.

Upstream

For the year ended 31 December 2021, the Upstream segment reported a recurring PBIT of RM3.2 billion, as compared to RM1.2 billion in the previous year. The strong performance was largely due to:

- higher average CPO and PK prices realised, which increased by 47% and 74% respectively during the year;
- higher OER which increased to 21.59%; and
- a gain from the retirement benefit plan of RM106 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

FFB production declined 2% year-on-year to 9.1 million mt.

The key production statistics are as follows:

Segment	CPO price realised (RM per mt)			FFB production (mt'000)		
	FY 2021	FY 2020	+/(–)	FY 2021	FY 2020	+/(–)
Upstream Malaysia	3,504	2,465	42	4,630	4,944	(6)
Upstream Indonesia	3,388	2,587	31	2,609	2,522	3
Upstream PNG/SI	4,510	2,606	73	1,890	1,812	4
Total	3,711	2,532	47	9,129	9,278	(2)

Segment	PK price realised (RM per mt)			CPO extraction rate (%)		
	FY 2021	FY 2020	+/(–)	FY 2021	FY 2020	+/(–)
Upstream Malaysia	2,828	1,583	79	20.96	20.91	0.05
Upstream Indonesia	2,069	1,226	69	21.66	21.61	0.05
Upstream PNG/SI	–	–	–	22.87	22.50	0.37
Total	2,551	1,463	74	21.59	21.44	0.15

Downstream

Recurring PBIT from Downstream increased by 42% from RM386 million to RM547 million, attributed to higher sales margins and volumes generated by the Asia Pacific bulk operations which benefitted from favourable price movements and higher exports to destination markets.

Although the European and African refineries reported improved margins amidst higher selling prices, the results were weighed down by lower sales volumes reported during the year.

Other Operations

The Group's other operations include the sale of seeds and fertilisers, the provision of agronomic services and investment holding. A higher recurring PBIT of RM75 million was registered in FY2021 compared to RM10 million in the previous year, due mainly to higher share of profits from associates and joint ventures.

Non-recurring transactions

The non-recurring loss of RM149 million mainly comprised impairment charges on immature rubber plantation in Malaysia, and an idle land and a palm oil mill in Papua New Guinea. This was mitigated by gains from the disposal of land in Malaysia.

GROUP FINANCIAL REVIEW

Finance cost

The Group's finance cost of RM86 million was 26% lower than the previous year, a result of a decline in the Group's average borrowing rates by approximately 0.4% per annum and lower borrowing balances in view of a net repayment of borrowings amounting to RM588 million in the current year.

Taxation

For the year ended 31 December 2021, the Group reported a total tax expense of RM1,109 million on the back of a profit before tax from continuing operations of RM3,602 million.

The effective tax rate is higher than the average tax rate of the Group mainly due to withholding tax payable by the Group of RM185 million on dividends remitted from foreign subsidiaries and recognition of deferred tax liabilities of RM72 million on the taxable temporary difference on investments in the subsidiaries being classified as non-current assets held for sale.

The higher effective tax rate was partially mitigated by the gain on government acquisition of land of RM271 million which was not subject to tax and change in statutory income tax rate in Indonesia from 20% to 22% effectively from year of assessment FY2022 resulting in a net increase of deferred tax assets of RM24 million.

The tax expense of the previous year included a reversal of deferred tax assets amounting to RM74 million as a result of a reduction in the corporate tax rates in Indonesia during the year.

Net Earnings

For the year ended 31 December 2021, the Group posted net earnings of RM2.26 billion, almost double the previous year's earnings of RM1.18 billion, which translated into basic earnings per share and return on equity ratio as summarised below:

	Basic earnings		Return on Shareholders' Equity	
	FY2021	FY2020 (Re-presented)	FY2021	FY2020 (Re-presented)
	Sen per share	Sen per share	%	%
From continuing operations	32.6	16.1	14.9	8.1
From discontinued operations	–	1.1	–	0.6
Total	32.6	17.2	14.9	8.7

GROUP BORROWING POSITION

RM'million	FY 2021	FY 2020
Total Borrowings	6,251	6,682
Bank balances, deposits and cash	589	309
Net Debt	5,662	6,373
Equity	17,859	16,270
Debt/Equity	35.0%	41.1%
Net Debt/Equity	31.7%	39.2%

The Group's net borrowings as at 31 December 2021 decreased by RM711 million to RM5.66 billion mainly due to a net loan repayment totaling RM588 million and an increase in cash balances of RM280 million, driven by higher cash generated from operations during the year which outweighed impact from adverse foreign exchange currency movements against the ringgit.

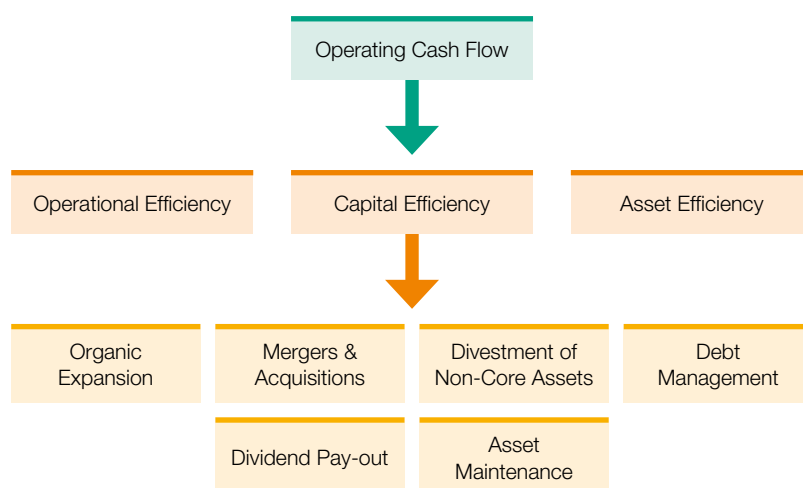
GROUP CASH FLOW

RM'million	FY2021	FY2020 (Re-presented)
Revenue	18,695	13,081
EBITDA – total	5,005	3,078
EBITDA – recurring	5,154	2,848
EBITDA – non recurring	(149)	230
Operating cash flow	3,483	2,425
Capital expenditure	(1,457)	(1,334)
Proceeds from disposals	326	512
Dividend income & others	14	14
Finance cost, net of finance income	(112)	(146)
Free cash flow	2,254	1,471

The Group's free cash flow increased to RM2.25 billion mainly due to higher cash generated from operations during the year and lower finance costs paid, which compensated for the higher spending on capital expenditure and lower proceeds from divestments.

Capital Allocation Framework

The Capital allocation framework underpins the Group's effort to optimise resource allocation amongst competing requirements – particularly operating and capital investments and dividends, with an emphasis on deleveraging to maintain a strong balance sheet. The Group has set a target reduction in gearing to 30% by 2023.



The table below summarises the Group's capital allocation for FY2021.

	RM'million
Funds from operations	3,710
Uses of funds:	
Capital expenditure	1,457
Dividends & perpetual sukuk distribution	1,130
Reduction in net debt	986
Additional investment injection	139
	3,710

Funds from operations is defined as free cash flow plus capital expenditure.

During the year ended 31 December 2021, a total of RM1.46 billion was spent on capital expenditure of which close to RM800 million spent on planting costs, mostly oil palm. As at 31 December 2021, the Group has 78,002 hectares of immature oil palm area.

The Group paid a total of RM1.13 billion in dividends to shareholders of the holding company and minority shareholders of its subsidiaries, and distribution to holders of its perpetual sukuk.

In line with its objective to deleverage, the Group reduced its net debt (including leases) by RM986 million during the year, further paring down its borrowings.

DIVESTMENTS AND DELEVERAGING EXERCISES

Liquidity concerns and restrictions on travel arising from COVID-19 had dampened the Group's divestment activities in the early part of the financial year. Nevertheless, there were indications of renewed interests from potential bidders since then, influenced by the rising CPO market price which continued to break historical highs during the year.

During the financial year under review, the Group completed disposals of the following:

- approximately 192 hectares of land in Malaysia which was put up for sale by tender; and
- approximately 408 hectares of land acquired by the Malaysian government.

In addition, the Group completed the divestment of the Asia Pacific operations of its joint venture Emery Group in November 2021.

The Group is in the midst of divesting amongst others, the following assets which have been classified as assets held for sale:

- the entire shareholdings in the following wholly-owned subsidiaries which are involved in cultivation of oil palm and processing of palm oil and palm kernel in Indonesia:
 - PT Sedjahtera Indo Agro
 - PT Bahari Gembira Ria
 - PT Ladangrumpun Subur Abadi
 - PT Sajang Heulang
- certain plots of land in Malaysia totaling approximately 656 hectares.

The Group continues to place priority on its deleveraging efforts to achieve its target gearing level of 30% by 2023.

GROUP FINANCIAL REVIEW

DIVIDENDS

The Board of Directors of the Company had approved a total dividend payout of 20.28 sen per share for FY2021, the highest payout since its listing in November 2017. The total dividend represented a payout of 60% of the Group's recurring net earnings, exceeding the Group's policy of distributing not less than 50% of the consolidated recurring net earnings as dividends to its shareholders.

The dividends with respect to FY2021 are summarised as follows:

	FY2021		FY2020	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	7.90	546	2.57	177
Final dividend	12.38	856	5.42	373
	20.28	1,402	7.99	550
Special interim dividend	-	-	1.45	100
Special final dividend	-	-	2.13	147
	-	-	3.58	247
	20.28	1,402	11.57	797

The interim dividend was paid in cash on 12 November 2021. The final dividend will be paid in cash on 17 May 2022.

VALUE DISTRIBUTION

Value created by the Group can be in terms of financial returns, non-financial returns or intangible forms. The Statement of Value Added shows how the value has been created and shared by the Group.

VALUE ADDED

(RM'million)	FY2021	FY2020 (Re-presented)
Turnover	18,695	13,081
Direct & Indirect Costs	(11,424)	(8,173)
Value Added from Operations	7,271	4,908
Other Operating Income	403	592
Other Losses	(135)	(14)
Share of Results of Joint Ventures	20	(12)
Share of Results of Associates	15	5
Finance Income	12	17
Total Value Added	7,586	5,496

(RM'million)	FY2021	FY2020 (Re-presented)
Employees	2,512	2,372
Government & Society	1,168	491
	3,680	2,864
Providers of Capital		
Dividends to owners of company	938	346
Finance Costs	132	175
Non-controlling Interests	112	53
Perpetual sukuk	124	125
	1,306	698
Reinvestment and future growth	2,600	1,934
Total Value Distributed	7,586	5,496

5-YEAR FINANCIAL HIGHLIGHTS

(RM'000)	GROUP				
	FY 30 June 2018	FP 31 Dec 2018 ⁽¹⁾	FY 31 Dec 2019	FY 31 Dec 2020	FY 31 Dec 2021
FINANCIAL RESULTS					
<u>Continuing Operations</u>					
Revenue	14,335,826	6,518,321	12,062,266	13,081,128	18,695,458
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	3,857,155	1,214,740	1,615,960	3,077,921	5,005,271
Profit before interest and tax*	2,720,921	616,132	409,947	1,853,374	3,676,507
Profit before tax*	2,561,894	514,620	255,377	1,754,250	3,602,660
Profit after tax*	2,070,347	369,368	278,946	1,288,724	2,493,276
Perpetual sukuk	(124,300)	(62,661)	(124,300)	(124,641)	(124,300)
Non-controlling interests	(33,624)	(5,626)	(28,952)	(53,352)	(111,694)
Profit from continuing operations attributable to equity holders of the Company*	1,912,423	301,081	125,694	1,110,731	2,257,282
<u>Discontinued Operations</u>					
(Loss)/profit from discontinued operations attributable to equity holders of the Company*	(184,944)	(57,573)	(325,854)	73,838	-
Profit/(loss) attributable to equity holders of the Company	1,727,479	243,508	(200,160)	1,184,569	2,275,282
FINANCIAL POSITION					
Share capital	1,100,000	1,100,000	1,506,119	1,506,119	1,633,790
Reserves	12,574,687	12,018,449	11,754,854	12,147,381	13,556,923
Shareholders' equity	13,674,687	13,118,449	13,260,973	13,653,500	15,190,713
Perpetual sukuk	2,230,717	2,231,398	2,231,398	2,231,398	2,231,398
Non-controlling interests	408,398	396,078	368,351	384,850	436,641
Total equity	16,313,802	15,745,925	15,860,722	16,269,748	17,858,752
Borrowings	6,489,398	7,296,914	7,744,927	6,682,203	6,250,676
Liabilities associated with assets held for sale	45,993	21,133	35,735	17,699	151,399
Other liabilities	4,642,482	5,562,330	4,866,338	5,351,001	6,077,496
Total equity and liabilities	27,491,675	28,626,302	28,507,722	28,320,651	30,338,323
Non-current assets*	22,517,962	23,583,606	23,541,567	23,476,819	23,266,995
Current assets excluding cash	4,391,511	4,426,979	4,012,270	4,369,523	5,803,398
Assets held for sale*	218,964	124,675	522,538	165,280	678,533
Cash	363,238	491,042	431,347	309,029	589,397
Total assets	27,491,675	28,626,302	28,507,722	28,320,651	30,338,323
FINANCIAL RATIOS					
Operating margin (%)*	19.2	9.4	3.4	14.2	19.5
Return on shareholders' equity (%)	12.6	3.7 ⁽²⁾	(1.5)	8.7	14.9
Debt/Equity (%)	39.8	46.3	48.8	41.1	35.0
Debt/EBITDA (times)*	1.7	6.0	4.8	2.2	1.2
SHARE INFORMATION					
Basic earnings per share (sen)	25.4	3.6	(2.9)	17.2	32.6
Net assets per share attributable to owners of the Company (RM)	2.0	1.9	1.9	2.0	2.2
Net dividend per share (sen) ⁽³⁾	17.5	1.7	1.0	11.6	20.3

Notes:

1 A six-month financial period.

2 The ratio is annualised.

3 Based on number of ordinary shares in issue of 6,800,839,377 as at 30 June 2018 and 31 December 2018, and 6,884,575,283 as at 31 December 2019 and 31 December 2020, and 6,915,714,601 as at 31 December 2021.

* The financial line items for periods prior to the financial year ended 31 December 2021 have been re-presented for reclassification of an equity investment from Non-current Asset Held for Sale to Joint Venture during the financial year. Please refer to Note 21 and 32 of the Audited Consolidated Financial Statements for the financial year ended 31 December 2021.