

SIME DARBY PLANTATION BERHAD (SDPL)

Date/ Time : 1 October 2021 (Friday) at 2.30-4.30pm
 Address : Zoom Meeting

	Attendance: IIC Representatives	Attendance: SDPL Representatives
1.	Pn Nik Amlizan Mohamed Council Member/Chief Executive, Kumpulan Wang Persaraan (Diperbadankan)(KWAP)	Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr. Haji Megat Khas Chairman
2.	Pn Lya Rahman Adviser/Council Member, IIC	Encik Mohamad Helmy Othman Basha Group Managing Director
3.	Muhammad Fitri Othman Council Member/Chief Investment Officer Lembaga Tabung Angkatan Tentera (LTAT)	Datuk Zaiton Mohd Hassan Senior Independent Non-Executive Director
4.	Suhana Dewi Selamat Council Member/Executive Director Khazanah Nasional Berhad	Dato' Halipah Esa Independent Non-Executive Director
5.	En Devanesan Evanson Council Member/CEO, Minority Shareholders Watch Group (MSWG)	Dato' Mohd Nizam Zainordin Non-Independent Non-Executive Director
6.	En Husaini Hussin Council Member/CEO, Private Pension Administrator Malaysia (PPA)	Ms Renaka Ramachandran Chief Financial Officer
7.	Pn Hanizan Hood Council Member/Chief Investment Officer, Permodalan Nasional Berhad (PNB)	Encik Mohd Haris Mohd Arshad Managing Director, Sime Darby Oils
8.	En Nor Azam Yahya Head of Research, EPF	Encik Zulkifli Zainal Abidin Chief Human Resource Officer
9.	En Azhar Abdul Latif Head, Asian Industrials, ESG, Equity Research Department, EPF	Puan Azrin Nashiha Abdul Aziz Group Secretary
10.	Dr Esma Nizam Abdul Samad Vice President, Governance, Risk & Compliance, Khazanah Nasional Berhad	Encik Nik Abdul Hamid Shukri Nik Abdullah Special Officer, GMD's Office
11.	En Rizal Mohamed Ali Vice President, Responsible Investment, Corporate Strategy and Performance Dept, Kumpulan Wang Persaraan (Diperbadankan)(KWAP)	
13.	Suhaimi Abdullah Head of Equity & Fixed Income Social Security Organisation (SOCSSO)	
14.	Mohamed Ekmal Hisham b. Ahmad Shamsuddin Senior Fund Manager Lembaga Tabung Haji (LTH)	
15.	Pn Noraida Maria Mohd Hatta IIC Secretariat, MSWG	

Introduction

The Chairman of Sime Darby Plantation, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr. Haji Megat Khas (TSMNMK) welcomed everyone present at the engagement session. The Group MD, Mohamad Helmy Othman Basha introduced his fellow Board members and also informed of the presence of key senior management at the engagement.

The IIC Representative, Puan Nik Amlizan, introduced the IIC delegates and proceeded to provide a brief background of IIC's establishment, which is represented by the institutional investors as well as the private asset management firms. Puan Nik highlighted the importance of ESG, which has gathered momentum and interests from investors, especially from the Environment and Social aspects. Pn Nik also expressed her view that Sime Darby Plantation can play a stewardship role, in setting the direction in terms of ESG practices for other companies to follow.

Presentation by Sime Darby Plantation

Mr. Mohamad Helmy Othman Basha, the Group Managing Director of Sime Darby Plantation (SDP) welcomed everyone and presented the company's financials and operation. The salient points from the presentation were as follows:

- 1) SDP recorded an improvement in net profit in FY20 at RM13.08b, a 8% increase from FY19. For the 1H21 period, the company recorded a RM8.08b in net profit. Recurring PBIT for the 1H21 stood at RM1.61b, and is close to the PBIT for the whole FY20 of RM1.63b, mainly due to much higher CPO prices.
- 2) Net gearing ratio has improved from 46% in 2019 to 36% in June-2021, and the company is targeting to achieve 30% net gearing by 2022.
- 3) FFB production was down by 4% in FY20, mainly impacted by prolonged labour shortage in Malaysia and unfavorable weather conditions resulting from heavy rainfall and flooding.
- 4) The company has been heavily replanting its estates in Indonesia for the past 7 years to improve its age profile, as it was first planted back in 1995.
- 5) In the next 3 years, the company is focusing on 4 key strategic initiatives, namely Innovation, transformation of Sime Darby Oil, renewable energy & Food, and active portfolio management. The target is to improve efficiency by increasing mechanization, reduce carbon footprint, and maximize returns from existing assets.
- 6) The company has set forth its plan to achieve its aspiration towards net zero carbon emissions, by venturing into the Solar, Biogas, and Palm Biomass.
 - a. **Solar:** Participating in LSS4 - installing solar panels at the plantation estates and claim the carbon credit to offset its carbon emissions.
 - b. **Biogas:** Install 19 Biogas plants to capture methane emission from Palm Oil Mill Effluent
 - c. **Palm Biomass:** Monetize SDP's excess biomass without negatively affecting operations while creating further value from SDP's by-products.
- 7) The company has also set its Climate Change goals in effort to minimize its environmental impact.

Issues Discussed

Issues	Remarks/Comment
<p>Labour Shortage Issue</p> <ul style="list-style-type: none"> ▪ Pn Lya raised the issue on labour shortage and asked what are the current measures taken by the company to address the issue faced by the industry? ▪ Pn Lya further seek clarification about the company's target of achieving 100% local workers by 2024, and what is the company's plan to achieve that? ▪ Pn Lya then continue the discussion by asking about the previously established program to train ex-prisoners to work in the estates. What happened to the program? 	<p>En Helmy:</p> <ol style="list-style-type: none"> 1. The Group MD highlighted that the company is targeting to reduce the dependency on foreign labour, and not to have 100% local labours. <ul style="list-style-type: none"> - Before the pandemic, SDP has already been the leader in terms of efficiency and mechanisation, with a man to land ratio of 1 worker per 10 hectares. Currently, the ratio is 1 worker per 16 hectares and the company is targeting to achieve 1 worker per 20 hectares of estates (100% improvement). - To address the labour shortage, the company is focusing on mechanisation and automation at its estates, such as using drones to spray pesticides at the estates. 2. The company is targeting to have 20%:80% foreign to local workers ratio by 2023. <ul style="list-style-type: none"> - To attract local workers, the company is planning to increase mechanisation, and increase the salary to over RM2,000/month. 3. Previously SDP had worked with the Prison Department as part of its CSR initiative to train ex-prisoners with minor offenses, to work in the estates, to help with their transition process to integrate back into the society. However, following the US CBP issuance of WRO, which accused SDP of using prison labour, the company had to terminate the program.
<p>WRO and Human Rights Activist</p> <ul style="list-style-type: none"> ▪ Pn Lya seeked clarification from management on the WRO status and when is it expected to be uplifted. ▪ Pn Lya also asked about the expected completion date of the independent assessment report by Impactt, which was previously expected to be completed by May-21. 	<p>En Zulkifli – Chief of HR</p> <ul style="list-style-type: none"> - The US CBP used the 11 ILO indicators to established whether migrant workers are placed under vulnerable positions. - Withholding of passports: SDP has provided safe lockers in the offices at respective estates. However, under the WRO assessment, the requirement is for the lockers to be placed in the house that they are living in.

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<ul style="list-style-type: none"> ▪ Pn Lya further asked why did the 2 human rights experts resigned 6 weeks after being appointed to the Panel, citing lack of transparency as the reason? Why did it happened and how is it impacting the company? - Furthermore, Pn Lya asked whether Andy Hall was paid for the job? Or was it unsolicited? - Associated Press reported in its November-20 article regarding sexual harassment and abuse towards female workers in SDP's Indonesia plantation. Subsequently, SDP closed the case, citing the man accused had resigned voluntarily. How many cases have been reported so far, and what are the actions taken by the Board to ensure it won't happen again? 	<ul style="list-style-type: none"> - Working Hours: Under the working/collective agreement and local labor laws, the company is allowed to place employees on overtime basis. As for SDP workers, they demanded to work extra hours, to earn as much as possible. Consequently, due to the longer overtime hours worked, it seems like the workers were working almost every day in a week, beyond normal working hours. In addition, the ILO also look at whether employees are given sufficient time for recreational activities. - The company has taken steps to ensure that the ILO standards are being met under its new collective agreement with the workers. <p>Renaka, CFO</p> <ul style="list-style-type: none"> - The company is reviewing its labour policies and practices from all aspects (housing, working hours) across its operations, to ensure compliance with ILO standards. - WRO upliftment: WRO on SDP is not a finding, unlike Top Glove which is a finding. The WRO will be uplifted after the CBP reviews the independent assessment report by Impactt, and assesses it. - Report Completion: The report was expected to be completed by 1H21, however due to cross-state travel restrictions, Impactt was unable to complete its assessment at the estates. So far they have done virtual interviews of the estate workers. As soon as travel restrictions are lifted, SDP expects Impactt to complete its assessment by year end 2021. In addition. SDP expects the report to be completed by 1st quarter of 2022, and CBP to review the report and take relevant actions. - Andy Hall: Yes, he was paid by SDP. Andy Hall has been working with SDP since 2018, and his resignation from Human Rights Commission has nothing to do with WRO. He is still a consultant to SDP.

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	<p>Datuk Zaiton Hassan, Senior Independent Director</p> <ul style="list-style-type: none"> - The resignation of Andy Hall and Justin was amicable, and mainly related to the timing of the independent report completion. - The sustainability committee regularly meet with Impactt on an in-camera session without the presence of management. - The company has improved its whistleblowing policies, to ensure that workers are not afraid to voice out their concerns. - Sexual Harassment case: So far there are not many cases reported to the Board. Datuk Zaiton believes that the existing reporting channels established is sufficient to detect any future cases.
<p>Mental Health Issues</p> <ul style="list-style-type: none"> ▪ Pn. Lya raised a concern about the mental health issues of workers and asked about the measures taken by the company relating to mental health. She also asked about the occurrence of suicide cases or mental health related issued at SDP? ▪ Pn Lya further asked if there are any independent directors visited the estates to conduct spot checks without the presence of management? ▪ Pn Lya seek clarification on the effectiveness of the whistleblowing policies in the company? How do the independent directors look and address the whistleblowing cases? 	<p>Datuk Zaiton Hassan</p> <ul style="list-style-type: none"> ▪ So far there's no suicide or mental health related cases reported at SDP. ▪ SDP regularly hosts community events for workers to mingle around with friends and family. ▪ Dato Henry likes to visit estates from time to time. However, Datuk Zaiton admitted that the directors are not visiting the estates as often as they should and believes that it's an area that needs improvement. ▪ There are social dialog channels established by the management, for the workers to report any issues, and will be discuss by the Board. ▪ The whistleblowing cases are reported directly to independent directors through the audit committee. There are not many cases being reported at SDP. However, Impactt has recommended some measures that the company can implement to encourage workers to report to management.

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<p>Withdrawal of Discovery Application against Duncan Jepson</p> <ul style="list-style-type: none"> Pn Lya sought clarification on the news relating to the withdrawal of discovery application by SDP against activist Duncan Jepson. Isn't it the job of the regulators to investigate any complaint lodge towards public listed companies? What is the Board's comment on this? 	<p>Datuk Zaiton Hassan</p> <ul style="list-style-type: none"> In order to respond to SC, SDP needed to find out about the evidence that Duncan has. However, SDP has tried to engage with Duncan to find out about the evidence of his allegation and address the problem, but he refused to cooperate. The Board was really concern about the issue as it is related to the treatment of workers. It was only after Impactt came in that the company was able to move forward on the case.
<p>Workers Accommodation Act</p> <ul style="list-style-type: none"> Lilian (Eastspring) sought clarification on the compliance status of SDP with regards to the Malaysian Workers Accommodation Act 446, and what is the timeline for full compliance? 	<ul style="list-style-type: none"> En Zulkifli explained that the company is currently working to improve its workers accommodation to meet the new requirements set forth by the Government of Malaysia in the revised Accommodation Act. En. Helmy added that the upgrading of workers accommodation is expected to be completed in 2022.
<p>Treatment of foreign workers</p> <ul style="list-style-type: none"> En Rizal raised a concern on whether there is a risk of increase expectation in the future, in terms of acceptable standard of treatment of foreign workers. 	<ul style="list-style-type: none"> En Helmy clarified that the current standards are already like a gold standard. however, there is still a possibility for it to improve further in the future.
<p>Remediation payments</p> <ul style="list-style-type: none"> Juliana (Aberdeen) seek clarification on the possibility of reimbursement to employees on previous remediation payments to recruitment agents, and what are the impact to SDP's bottom line? 	<ul style="list-style-type: none"> En Helmy clarified that there will be a sum of payment to workers, however the exact amount have yet to be determined. Ms Renaka further clarified that SDP recruits workers directly in the respective countries and not through agents. The remediation costs that will be paid by SDP are costs that the company didn't know existed in the first place and are not related to unpaid agency fees. The amount is expected to be minimal and won't significantly impact SDP's bottom line.
<p>Environmental Issue – Haze in Indonesia</p> <ul style="list-style-type: none"> Pn Lya seek clarification from management on how it addresses the haze issue in Indonesia, in terms of communication and education with the small planters. 	<ul style="list-style-type: none"> En Helmy clarified that the company has intensified its effort to educate the locals and step up its fire monitoring system across its estates in Indonesia. In addition, the company also focuses on preventive efforts, by working with government

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	officials, schools, and locals to educate them on the impact of estate burning.
<p>Internal Governance</p> <p>Active Politician serving the Board</p> <ul style="list-style-type: none"> ▪ Pn Lya expressed her concern on the negative public perception of active politicians serving as Board member in Public Listed Companies 	<ul style="list-style-type: none"> ▪ Tan Sri Megat clarified that he's an ex-politician and not currently active. He also ensures that he's trying to do his best without fear or favor from anyone.

In closing, Pn Nik applaud the efforts being done by the company, in addressing the ongoing ESG issues.

Pn Nik also thanked the BOD and management of SDP for addressing concerns from institutional investors.

Overall, the engagement session was very interactive and effective.

There being no other matters, the engagement concluded at 4.30 p.m.