Sime Darby Plantation

A FORCE FOR CHANGE

FORGING AHEAD TO A BRIGHTER FUTURE

ANNUAL REPORT 2022

ABOUT THIS REPORT

Reporting Scope and Boundary

The scope of this Integrated Report covers the financial year period from 1 January 2022 to 31 December 2022 (FY2022), unless otherwise stated, and encompasses all business operations of Sime Darby Plantation Berhad ('SDP' or 'the Group') 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.

Our climate-related disclosures are guided by the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

For the GRI Content Index of the Annual Report 2022, refer to the 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.

CONTENTS

THIS REPORT IS AVAILABLE ONLINE:
www.simedarbyplantation.com

A FORCE FOR CHANGE

FORGING AHEAD TO A BRIGHTER FUTURE

As a global leader in the palm oil industry, we constantly push the boundaries of what is possible to drive progress across all fronts and transform the industry for the better.

With a bold vision and unwavering focus, we are a force for change, forging ahead to a brighter future.

THE GROUP AT A GLANCE

Our Vision

To be the leading integrated global palm oil player

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's key performance on pages 46 to 47.

Sime Darby Oils

Our downstream operations, represented by Sime Darby Oils, is involved in 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 our downstream's key performance on page 52.

Renewables

Sime Darby Plantation Renewable Energy Sdn Bhd 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 achieving net-zero emissions across our entire value chain by 2050. We participate in various business capacities ranging from supplying feedstock to being a landowner and investor.

Read more about our Renewables' achievements on page 56.

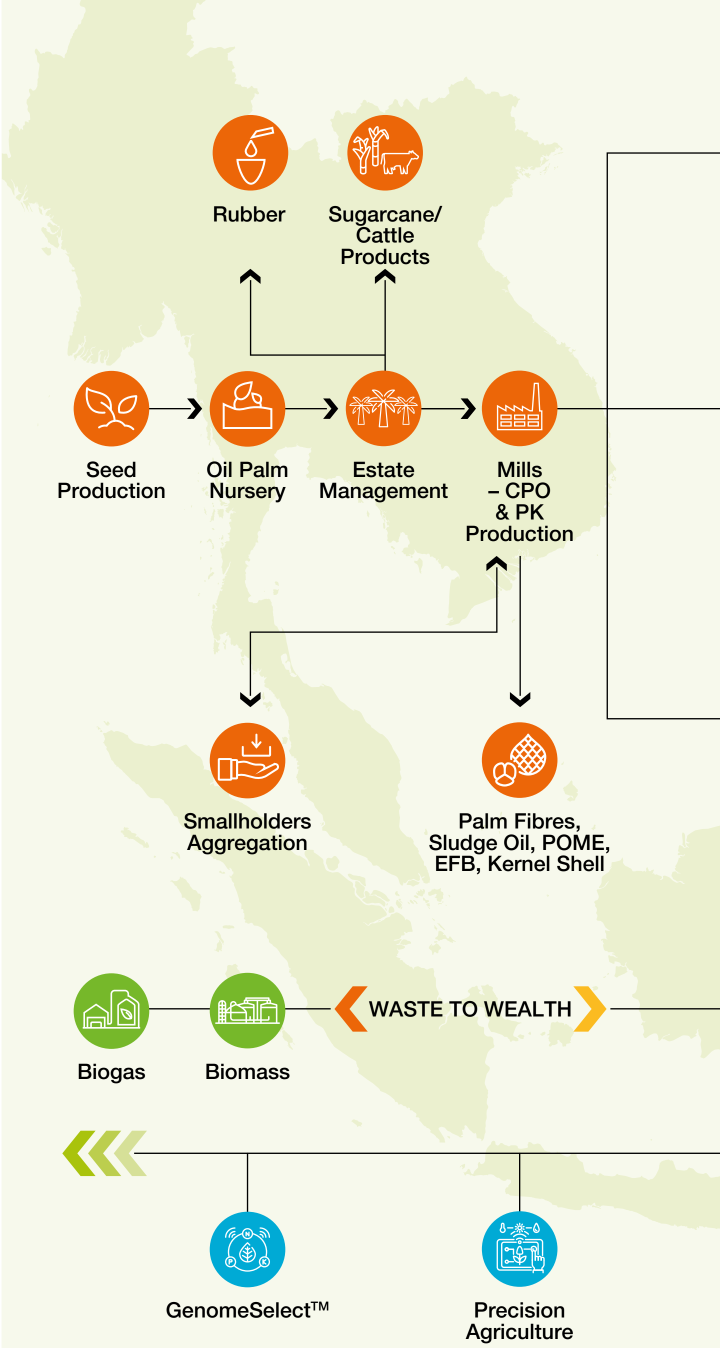
Research & Development (R&D)

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

Read more about our R&D's initiatives on pages 60 to 63.

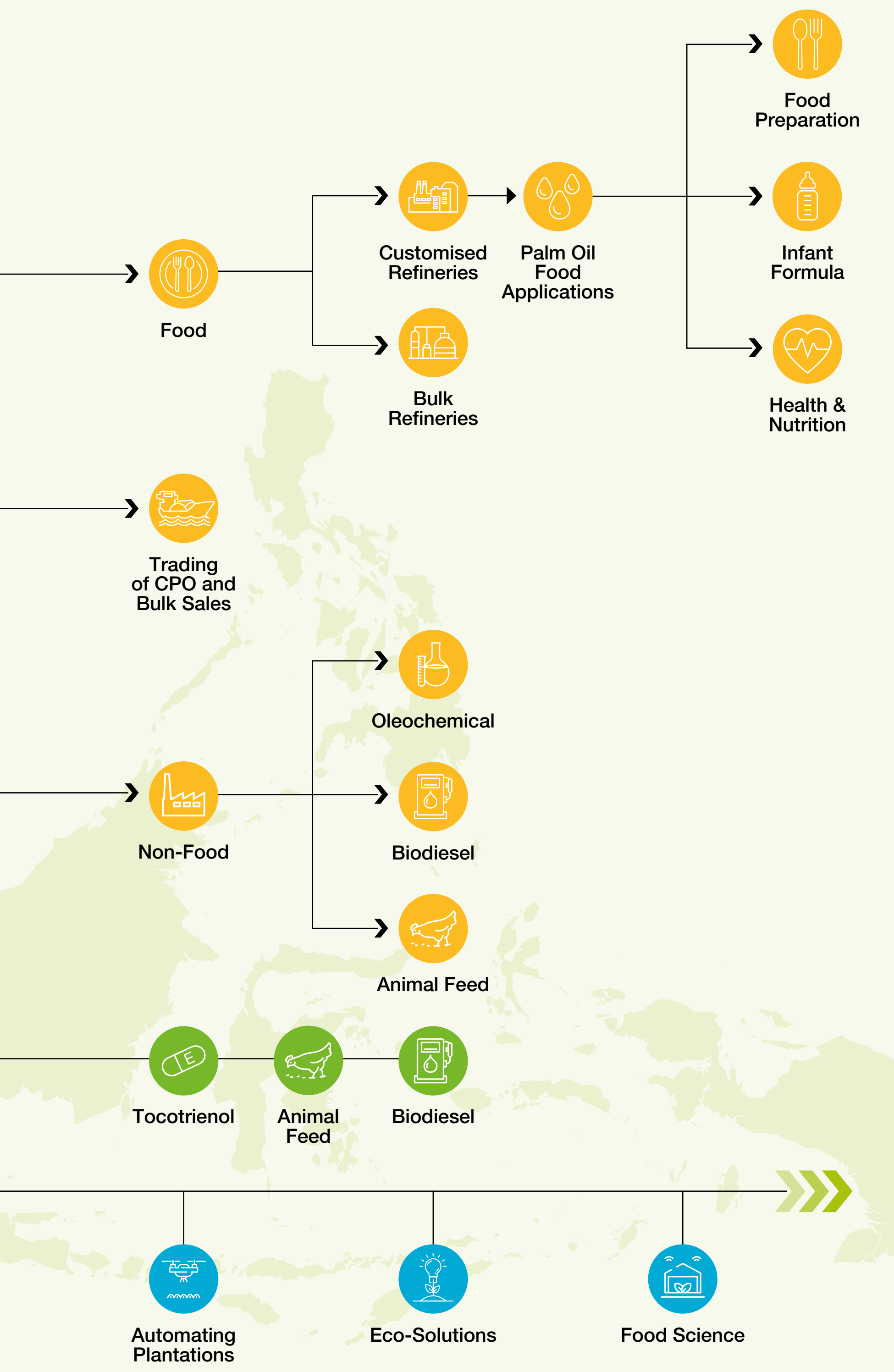
OUR INTEGRATED VALUE CHAIN

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

Our Global Presence

744,188 ha
total landbank

Operating in
13 countries

82,841
employees worldwide

Our Global Presence

4,500 ha
of GenomeSelect™ palms have been planted since its launch in 2016

5
R&D Centres

3
Product, Innovation & Development Centres

1
genetics testing facility

Our Sustainability Efforts

42.4 MW
total installed renewable energy capacity

5.2%
reduction in carbon emissions through biogas plants initiative

64%
of palm oil from sustainable sources

CORPORATE MILESTONES

Our Journey

1917

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

1955

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

1978

Sime Darby Berhad was officially incorporated in Malaysia and set up its head office in Jalan Conlay, Kuala Lumpur.

1981

The Dawn Raid: Permodalan Nasional Berhad (PNB), gained control of Guthrie Corporation Limited (GCL).

1985

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

2001

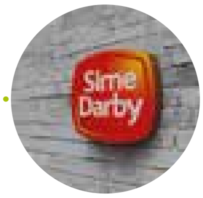
Kumpulan Guthrie Berhad acquired Salim Group's plantation interest in Indonesia which increased its landbank by more than 260,000 hectares in Sumatra, Kalimantan and Sulawesi. This acquisition laid the foundation for the modern day Minamas Plantation.

2004

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

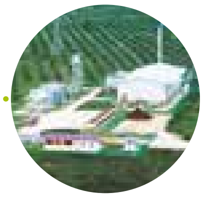
Kumpulan Guthrie Berhad became the first plantation company in the world to receive the European Retailers and Producers Good Agriculture Practices (EUREPGAP) certification for plantation management.

2007



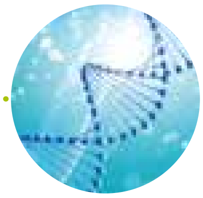
The newly established Synergy Drive was listed on Bursa Malaysia as Sime Darby Group with a market capitalisation of RM59.5 billion – nearly 80% more than its original RM31.6 billion value at the start of the merger process. All plantation activities and operations were consolidated under a subsidiary, Sime Darby Plantation Sdn Bhd.

2008



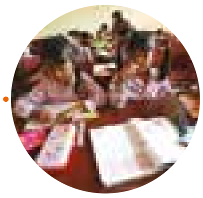
SDP's Sandakan Bay Strategic Operating unit (SOU) became the first SOU to receive the RSPO certification in the company.

2009



SDP became the first company in the world to successfully decipher the oil palm genome.

2010



SDP launched an industry-first Child Protection Policy focussing on the protection of children living within our estates. The Policy involved the protection of children against child maltreatment, raising awareness and offered access to protection mechanisms.

At Sime Darby Plantation, we take great pride in our rich corporate history, which spans two centuries. Our story is one of ambition, innovation, and trailblazing achievements that have left an indelible mark on our industry. We are committed to upholding the pioneering spirit that has driven us forward and to being a catalyst for positive change in the industry.

2016

SDP launched its Responsible Agriculture Charter (RAC).

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

2014

SDP became the founding member of the High Carbon Stock (HCS) Science Study and committed to the Sustainable Palm Oil Manifesto, which set higher sustainability standards for growers, end-users, and other stakeholders in the industry.

2013

SDP established the Prevention of Sexual Harassment Policy.

2011

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

2017

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

Sime Darby Berhad demerged to create 3 iconic pure play stand alone businesses. Sime Darby Plantation Berhad was listed on Bursa Malaysia.

2018

MSPO

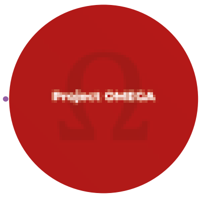
SDP achieved 100% Malaysian Sustainable Palm Oil (MSPO) certification and became the largest producer of MSPO certified palm oil.

2019

Crosscheck

In a major step towards traceability, SDP launched 'Crosscheck', an open access online tool that allows everyone to trace sources of SDP's palm oil in its supply chain.

2022

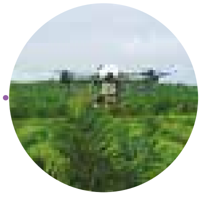


SDP announced Project OMEGA – a programme to transform all its mills in Malaysia, Indonesia and PNG into food safety compliant facilities.

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

SDP became the first oil palm plantation company to produce palm oil that is free of forced labour.

2021



In a watershed for the industry, SDP officially announced that it is moving towards accelerated mechanisation, automation and digitalisation, to transform plantation operations and reduce dependence on manual labour.

2020

SDP made its Genome research public to help accelerate the efforts by other plantation players in increasing oil palm yield on existing land and thereby stopping deforestation.

PIONEERS OF THE FUTURE

We have spearheaded several industry firsts in labour best practices which can be the blueprint for others to meet international labour standards.

UPHOLDING FUNDAMENTAL HUMAN RIGHTS

In all our business dealings, we have a responsibility to respect, support, and uphold fundamental human rights as expressed in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. Our commitment to fostering an inclusive environment is based on treating everyone with respect, trust, and dignity.

Respect
Ensuring that our operations do not impede on the rights of people and their cultural values.

Enhance
Going beyond risk minimisation and impact mitigation by creating a net positive footprint.

Engage
Listening to our stakeholders and maintaining dialogue and consultation on our performance.

Protect
Adopting a precautionary approach and safeguarding vulnerable communities and ecosystems.

Empower
Supporting stakeholders in amplifying their voices and building their own sustainable future.

Disclose
Sharing our journey and being transparent about our performance and objectives.

We believe in expanding boundaries and creating the traditions of the future.

Our ambitious Net-Zero Strategy to remove 17.2 million[*] tCO_2-e of emissions has a clear roadmap built on best practices and science-based targets and criteria.

OUR THREE-PRONGED APPROACH TO NET-ZERO

Accelerating renewables programme

By 2030, our operations will feature 49 biogas plants, compared to 14 currently, to address emissions from methane produced by mill effluent. This accounts for up to 70% of our emissions footprint for non-Forest, Land and Agriculture Scope 1 and 2 emissions[**].

+

Land use transformation

We are expanding existing reforestation, conservation and biodiversity initiatives. This includes reforestation of non-productive agriculture land as well as large-scale tree-planting as a nature-based solution to increase carbon sinks.

+

Accelerating supplier engagement

Reducing Scope 3 emissions[**], generated by third-parties in our value chain, poses the greatest challenge in our net-zero journey. We are committed to engaging suppliers to replicate our measures across their operations and value chains as a collaborative effort towards achieving our sustainability goals.

* Not inclusive of Scope 1 emissions removal (through sequestration from oil palm trees and conservation areas) which are currently being aligned to the Science Based Targets initiative (SBTi) guidelines. The removals will be completed once the alignment is completed.

** "non-Forest, Land and Agriculture" refers to the SBTi Criteria. Scope 1, 2 and 3 emissions are as outlined in the Greenhouse Gas Protocol.

INNOVATORS OF TODAY

Our breakthrough innovation in oil palm genome sequencing has the potential to revolutionise the industry.

PRODUCING MORE WITH LESS ENVIRONMENTAL IMPACT

GenomeSelect™, our higher yielding seed, is the result of our ground-breaking research on genome sequencing. With the potential to enable our entire industry to meet the global demand for vegetable oils without resorting to further forest expansion, GenomeSelect™ represents a game-changing innovation for our industry.

Investing in innovation

RM150 million R&D investment to establish one of Southeast Asia's largest genotyping labs.

Identifying stronger genome traits

Clear mapping to identify genetic traits for climate resilience and disease resistance.

Producing more while using less land

More than 20% increase in yield compared to our previous best planting material.

Sharing knowledge to end deforestation

Published our oil palm genome research in the public domain to accelerate industry-wide research.

We believe innovation lies at the heart of success.

We are advancing mechanisation, automation and digitalisation to reduce our reliance on manual labour and to attract a highly-skilled local Malaysian workforce.

INNOVATIVE TECHNOLOGIES REDUCE OUR NEED FOR MANUAL LABOUR

Halving the number of non-harvesting workers by end-2024.

Nursery Drone Pest Disease Sprayers have replaced over 100 workers who used to carry a backpack of chemicals to spray young seedlings in our nurseries.

Herbicide Strip Sprayers reduces our labour needs and covers an area four times wider.

Fertiliser machines reduce manpower with coverage of eight hectares (ha) per day, compared to two ha per day by manual workers.

Point-to-Point Drone Sprayers deliver extended hectarage precision spraying of pesticides, targeting 70% labour reduction.

100% Local Workforce

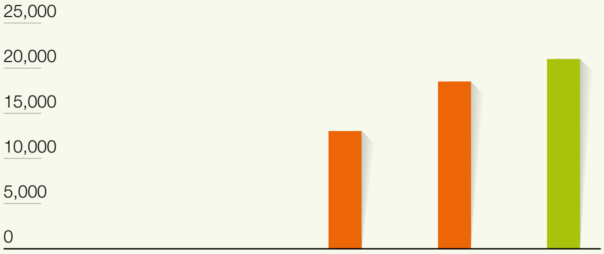
for Malaysian plantation operations by end-2027*

- Plantation jobs will be sophisticated and less laborious
- Workers will be highly-skilled in technology and compensated accordingly
- Transforming the industry from "dirty, dangerous and difficult" to "attractive, cutting-edge and tech-driven"

* With a proviso that a solution for a mechanised/automated cutter is achieved.

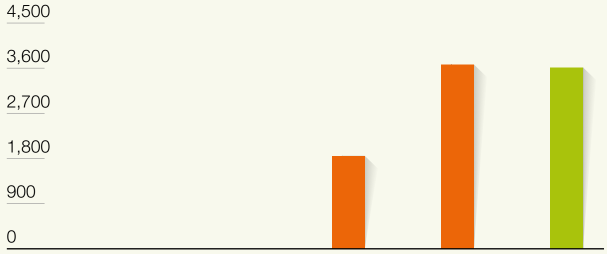
FINANCIAL HIGHLIGHTS

REVENUE*
(RM' MILLION)



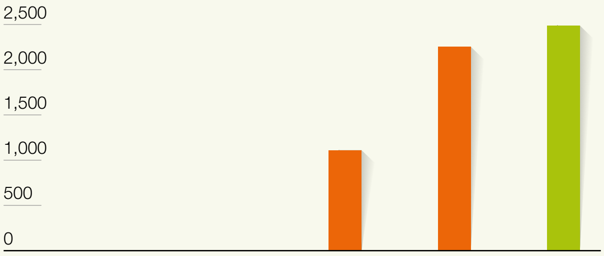
FY2020**	FY2021**	**FY2022**
13,044	18,533	**21,030**

PROFIT BEFORE INTEREST AND TAX*
(RM' MILLION)



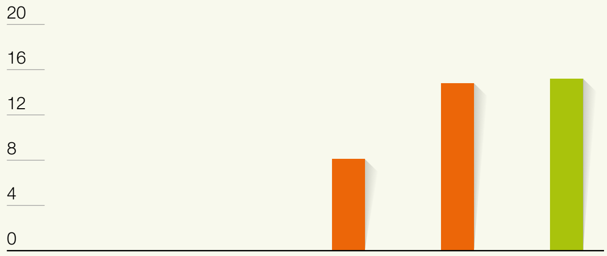
FY2020	FY2021**	**FY2022**
1,853	3,674	**3,615**

NET EARNINGS*
(RM' MILLION)



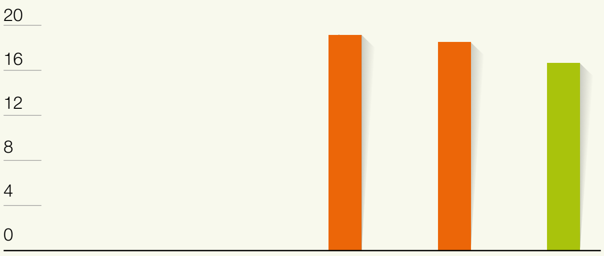
FY2020	FY2021**	**FY2022**
1,111	2,255	**2,488**

RETURN ON SHAREHOLDERS EQUITY*
(%)



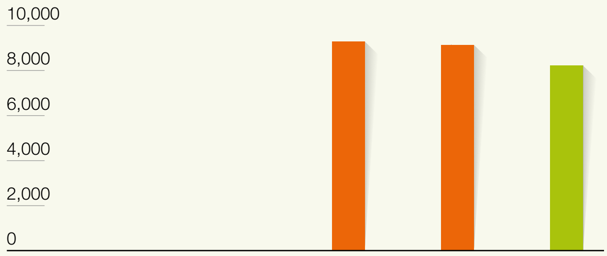
FY2020	FY2021**	**FY2022**
8.1	14.8	**15.2**

FFB YIELDS
(MT per HA)



FY2020	FY2021	**FY2022**
19.14	18.49	**16.63**

FFB PRODUCTION
('000 MT)



FY2020	FY2021	**FY2022**
9,278	9,129	8,207

* The Group's financial results from continuing operations
** Re-presented comparatives

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mohamad Helmy Othman Basha
Group Managing Director

Dato' Halipah Esa
Senior Independent Non-Executive Director

Dato' Idris Kechot
Independent Non-Executive Director

Datuk Mohd Anwar Yahya
Independent Non-Executive Director

Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani
Non-Independent Non-Executive Director

Datuk Seri Amir Hamzah Azizan
Non-Independent Non-Executive Director

Dato' Sri Sharifah Sofianny Syed Hussain
Independent Non-Executive Director

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

Tan Ting Min
Independent Non-Executive Director

GROUP MANAGING DIRECTOR

Mohamad Helmy Othman Basha

SECRETARY

Azrin Nashiha Abdul Aziz
(LS 0007238)

REGISTERED OFFICE

Level 10, Main Block, Plantation Tower
No. 2, Jalan PJU 1A/7, Ara Damansara
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia.

Telephone : +(603) 7848 4000
Facsimile : +(603) 7848 5360
Email : communications@simedarbyplantation.com
Website : www.simedarbyplantation.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

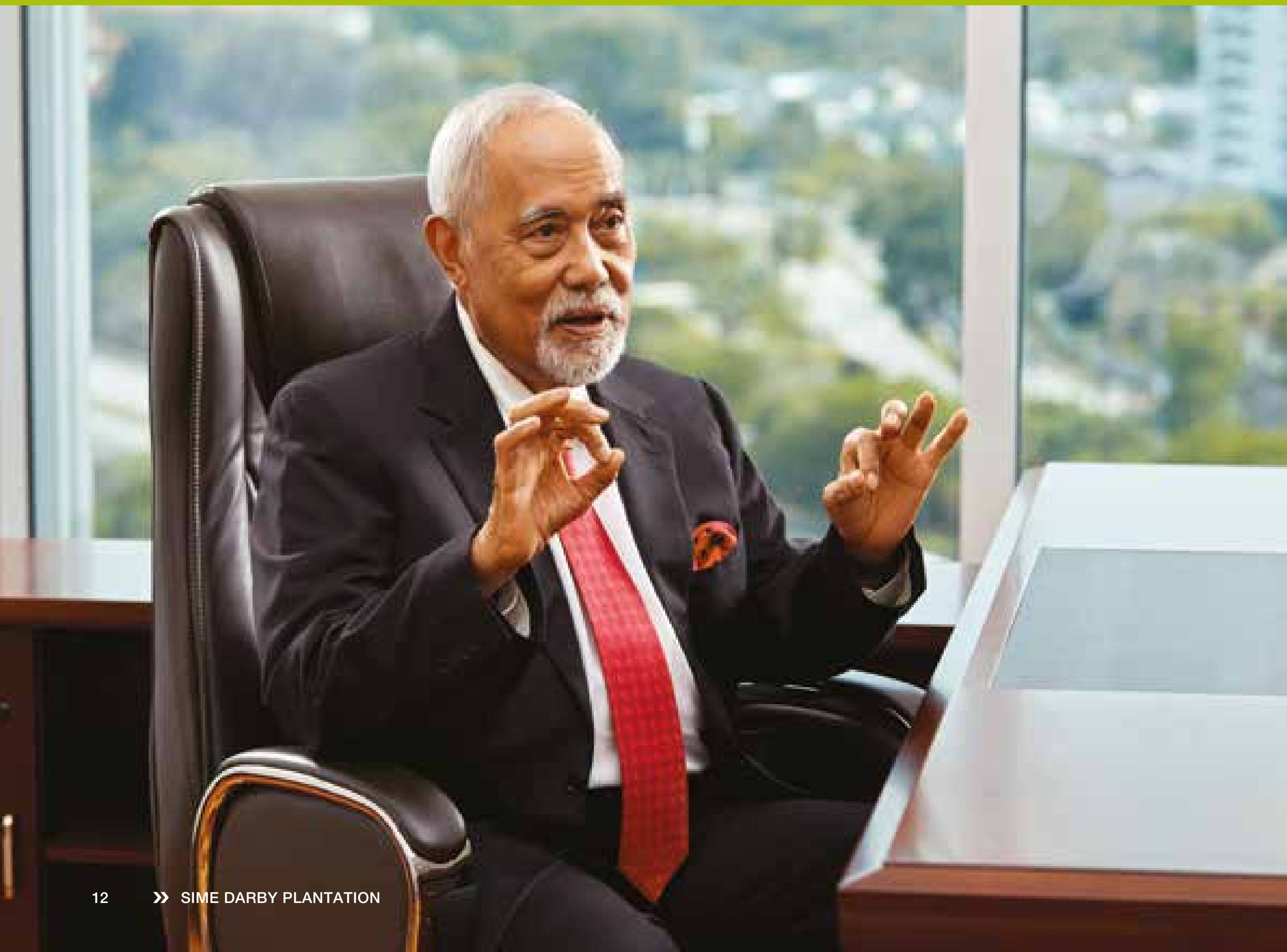
PLACE OF INCORPORATION AND DOMICILE

Malaysia

CHAIRMAN'S MESSAGE

> "As disruptive innovation impacts most economic sectors, SDP is well-positioned to ride the wave of new technologies, thanks in part to visionary leadership, a diverse talent pool and our investments in research and development."

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



Revenue

RM21.03 bil

Net Profit

RM2.49 bil

Mechanisation, automation and digitalisation efforts have attracted more local Malaysians to join our workforce.

A TRANSFORMATIVE YEAR DESPITE HEADWINDS

We began 2022 with a global transition towards endemicity in terms of COVID-19 which had disrupted the world economy over the past two years. The aftermath of the pandemic and the labour-related issues that we were still dealing with at the time, pointed towards yet another challenging year for Sime Darby Plantation (SDP). To compound matters, on 28 January 2022, the United States Customs and Border Protection (USCBP) banned the import of products originating from our Malaysian operations. The finding hardened our resolve to address any issues that existed in our operations and the team continued its singular focus on finding solutions.

Although the industry's predictions for Malaysia's palm oil production were buoyant with a forecast of 20 million metric ton (MT), the year's output fell short of the forecast primarily due to a shortage of labour affecting upstream production across the Malaysian plantation sector which persisted into the second half of 2022.

The shortfall in palm oil production worsened an already tight supply of global edible oils and partly contributed to the historic high crude palm oil (CPO) prices in the first half of 2022, topping RM8,000 in March before falling by about 40% in the second half of the year. Meanwhile, the price of production inputs such as fertiliser, fuel and energy had risen sharply by approximately 20% across the board, driven in part by the conflict in Ukraine.

The record high CPO prices were a saving grace to the industry, including SDP. Despite an overall lower productivity in 2022, the Group's revenue from continuing operations saw an increase of 12% year-on-year (YoY) to RM21.03 billion, due to the higher realised CPO price and a record-breaking performance by our downstream operations, Sime Darby Oils (SDO).

Despite the headwinds, we were not daunted. We come from a rich history spanning 200 years. We have faced trials and tribulations with resilience, and succeeded in the face of adversity. In the circumstances, we strengthened our resolve to remain steadfast in transforming our fortunes and forging ahead towards a brighter future for SDP and the industry.

I am especially proud of the SDP team who navigated these obstacles with dedication, commitment, and innovative thinking, not only to deliver stellar results for our stakeholders, but also to stay true to the course in turning challenges into opportunities in FY2022.

The undertaking to address the changes of force labour was indeed monumental. An exercise of reviewing and enhancing our existing labour practices led by our Chief Financial Officer and overseen by the Board Sustainability Committee involving over 500,000 man-hours and over 1,200 individuals, resulted in a comprehensive report that SDP submitted to the USCBP on 26 April 2022. It included a detailed assessment of our Malaysian operations mapped against each of the International Labour Organization (ILO) forced labour indicators, together with an in-depth description of improved governance structures and management systems, as well as copies of policies, guidelines, and standard operating procedures.

After the long year, the turning point came on 3 February 2023, when the USCBP announced its decision to modify (uplift) the forced labour finding against SDP, and with immediate effect, allowed SDP's palm oil products to be imported into the United States.

In the meantime, another transformative initiative was also underway. In the course of 2022, we unveiled ground-breaking innovations in advanced mechanisation, automation and digitalisation of plantation operations and demonstrated not just the feasibility of these innovations, but also their commercial viability by rolling them out across our own operations. These game-changing measures are reducing reliance on manual labour and attracting local Malaysians to join our workforce. We have set ambitious targets and goals in this regard. We also began transforming our palm oil mills into food safety compliant facilities beginning with those located in Malaysia.

CHAIRMAN'S MESSAGE

Then on 8 December 2022, we announced our commitment to achieve net-zero emissions by 2050. We unveiled the roadmap and strategic approach towards achieving this ambition, sending a clear signal that we have every intention and capability of achieving our stated goals. Our net-zero targets, developed based on the Science Based Targets initiative (SBTi) Criteria, are currently being validated by the SBTi. We have adopted this universally accepted gold standard in science-based target setting to reduce our GHG emissions, even though a significant number of other organisations have yet to set and commit to science-based targets.

Another watershed in 2022 was the crystallisation of SDP's growth plans for the future into a definitive strategy roadmap for the next five years.

FORGING GROWTH THROUGH SUSTAINABILITY AND INNOVATION

To drive growth and sustain our market leadership, the Group has formulated a strategy charter for 2023-2027 which is underpinned by three strategic priorities:

- Sustainability
- Operational Excellence
- Innovation

The strategy charter is accompanied by bold and ambitious goals and targets to be achieved in the five-year timeframe which include:

- Sustainable YoY PATAMI growth
- Carbon emission reduction in line with net-zero commitment
- Operational excellence
- 100% traceable commodities
- 100% human rights risks managed

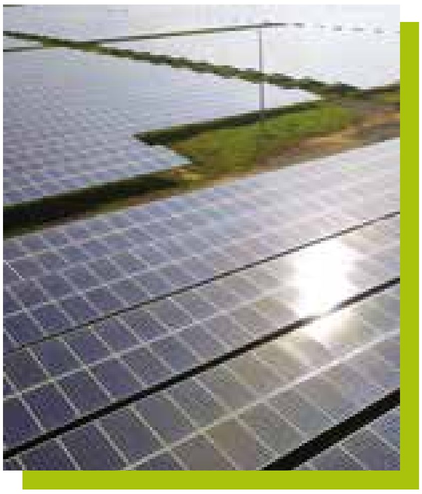
In a distinct shift, sustainability and innovation have been elevated as strategic priorities of the Group on par with operational excellence, clearly indicating our intention to build on our industry pole position in these two areas.

Indeed in 2022, we demonstrated how the synergies from these three strategic priorities will power the Group through the next chapter of our transformation.

STRATEGY IN ACTION

Sustainability

I cannot emphasise enough the importance of sustainability to us at SDP as we have witnessed how our plantations have been



Large scale solar panel plant, an effort to accelerate our renewable programme to achieve net-zero emissions by 2050.

affected by unpredictable changes to the environment and weather patterns.

In 2022, we stepped up our efforts by announcing our most ambitious and impactful environmental target to date, namely our commitment to achieve net-zero emissions across SDP's entire value chain by 2050. This entails tackling emissions using a three-pronged approach, for which the Group has already built strong foundations – acceleration of our renewables programme, engaging closely with suppliers to align with SDP's practices and standards, and land use transformation.

This was a landmark moment, not only for SDP, but also for the palm oil industry as it underscores the potential of the industry to transform itself to meet consumer demands while also protecting the environment.

Operational Excellence

Today, with the ever-increasing global population growth, there is more competition for available resources such as manpower, financial capital and raw materials. It is therefore important for SDP to be able to do more with less and address scarcity by improving productivity.

Operational excellence has been a hallmark of SDP, and the Group constantly challenges itself to raise its standards. For example, in 2022, we rolled out an initiative to transform our palm oil mills into food safety compliant facilities that will offer customers the assurance of premium quality products, while ensuring operational efficiency and occupational safety.

The first stage of this initiative covers all 33 palm oil mills in Malaysia, to be followed by a subsequent rollout across the Group's operations.

As the key player in the sustainable oils and fats sector, our downstream business, SDO, had previously initiated Project Matterhorn to transform its operations to achieve operational excellence in key areas such as quality, sustainability, innovation and digitalisation. This has resulted in several successful value creation initiatives which were instrumental in enabling SDO to achieve a record-breaking profit in 2022.

Innovation

As disruptive innovation impacts most economic sectors, SDP is well-positioned to ride the wave of new technologies, thanks in part to visionary leadership, a diverse talent pool and our investments in research and development.

In 2022, SDP announced several industry-leading initiatives, particularly in the areas of advanced mechanisation, automation and digitalisation of our upstream operations. These include various new sophisticated machines and high-tech gadgets such as drones that provide advanced mechanised solutions for the way work has been done in our plantations over the last 100 years. Our progress on reinventing crop evacuation as well as field and nursery upkeep has been nothing short of remarkable. We have deployed various new machines and are currently testing others. Our mechanised solutions cover different terrains in oil palm plantations, (be it flat, undulating or terraced), and operations in both nurseries as well as immature and mature plantation areas. They are more efficient than manual labour and reduce the need for workers across our upstream operations. Although we have yet to find solutions for the harvesting of palm, we are extremely excited about the various solutions that we are currently testing.

Accordingly, we have set ambitious targets – to reduce 50% of our non-harvesting workers by the end of 2024 whilst working towards a 100% local workforce by end of 2027, all of which will contribute to our aim for a man-to-land ratio of 1:17.5 hectares, doubling the efficiency of the current industry average of 1:8 hectares. The transformation that we envision would also attract highly-skilled local workers, men and women, machine specialists, technicians and drone operators who are diploma or degree holders. They will command salaries that are commensurate with their qualifications and expertise.

This would be a watershed in the industry's history of over 100 years and it will unlock more potential for us to drive further transformation through technology.

Our head start in these areas will enable the Group to continue to distinguish ourselves and extend our competitive advantage based on our sustainability practices, standards and impacts, as well as our cutting-edge innovations.

FOSTERING A STRONG CORPORATE GOVERNANCE CULTURE

In the fast-paced business environment that SDP operates in, it is important that robust corporate governance practices are put in place. This is fundamental to the continuing success and sustainability of the Group. As such, the Board of Directors plays a critical role in promoting integrity and transparency, while ensuring appropriate checks and balances.

In 2022, the Board played an active role, working closely with the Management team to ensure that the Group's strategy and activities were aligned with our overarching corporate values. The Board also monitored the progress of the Group towards the achievement of its commitments, targets and goals. In formulating our strategic roadmap, the Board played a key role in the development of the future direction of the Group, reinforcing the importance of a strong culture of risk management throughout the operations.

In our successful effort to implement sweeping changes in labour practices and in getting the USCBP's modification (upliftment) of the forced labour finding on SDP, the Board Sustainability Committee oversaw the intensive effort to review, revise and – where necessary – upgrade our systems and processes for recruiting, managing and working with our workers across our Malaysian operations. To underscore the importance of a behaviour and mindset change in maintaining a clean slate moving forward, the Board also approved the implementation of an environmental, social and governance (ESG) scorecard in SDP's Malaysian operating units, which carries as much weight as the operational scorecard, when measuring performance.

We are confident that the strong foundations that we have built and the improvements that have been made throughout the Group will enable us to lead the charge for years to come.

Also in 2022, the Board and SDP's Management worked together to formulate the Group's commitment to achieve net-zero emissions across the entire value chain by 2050. Here, the Board was particularly vigilant about the Group's ability to achieve its stated targets based on the SBTi Criteria, and we are proud that the Group's methodology for achieving targets for Scope 1 and Scope 2 emissions, is based on technology which is readily available today. This ensures a high degree of certainty while giving us the opportunity to outperform with future advances in technology.

OUTLOOK AND APPRECIATION

As 2022 was an eventful and transformative year for SDP, it is important to pause, to reflect on how far we have come, particularly in our key priority areas. Although we have established strong credentials as a pioneer and leader in the industry, we are not resting on our laurels. Instead, SDP is ready for the future, to continue to transform challenges into opportunities, to show our industry leadership or as we say it in my favourite sport, rugby, we are ready to "ruck and roll".

Looking ahead, we foresee the potential for wide-ranging changes to the palm oil industry if greater focus and resolve are placed on the need to mechanise, automate and digitalise plantation operations. With the sweeping changes and improvements we have made to our labour practices, the Group also has a blueprint of industry-leading practices that we would be delighted to share with our peers and partners in the industry.

We are confident that the strong foundations that we have built and the improvements that have been made throughout the Group will enable us to lead the charge for years to come. It is therefore befitting that for 2022, the theme of this report encapsulates our efforts – "A Force for Change, Forging Ahead to a Brighter Future".

On behalf of the Board, I wish to acknowledge and record our highest appreciation to SDP's former Board members for their contributions and wise counsel during their tenure of service which ended in 2022 – Mr Zainal Abidin Jamal, Mr Lou Leong Kok, Datuk Zaiton Mohd Hassan, and Dato' Henry Sackville Barlow. The Board would also like to take this opportunity to thank YM Tunku Alizakri Raja Muhammad Alias, who stepped down on 16 February 2023.

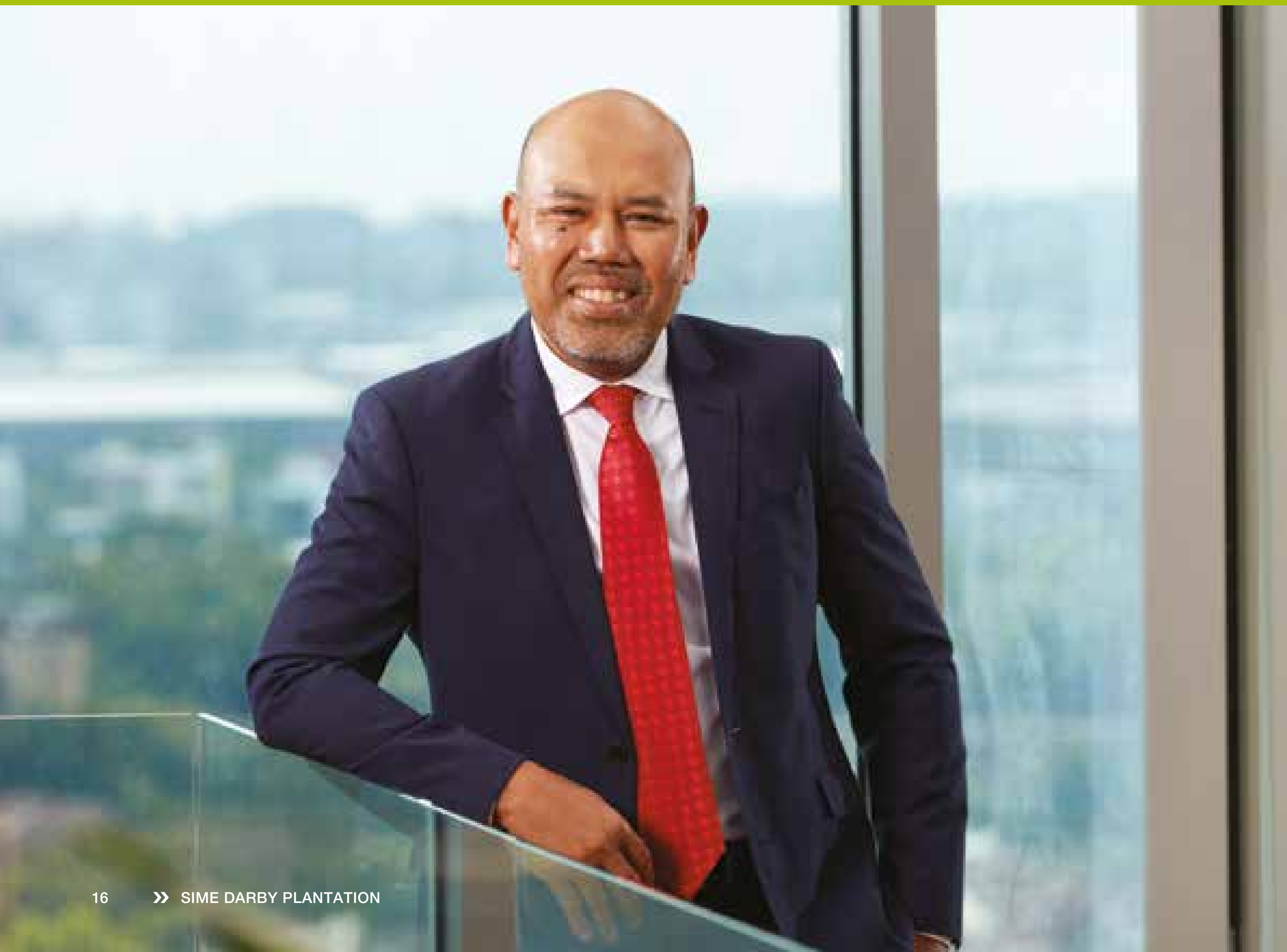
We also welcome our newest board members, Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani, who was appointed as Non-Independent Non-Executive Director on 16 June 2022 as well as Dato' Idris Kechot and Dato' Sri Sharifah Sofianny Syed Hussain, both of whom were appointed to the Board as Independent Non-Executive Directors on 29 December 2022. The Board also welcomes Datuk Seri Amir Hamzah Azizan who was appointed Non-Independent Non-Executive Director, with effect from 17 February 2023. Datuk Seri Amir Hamzah Azizan is also the Chief Executive Officer of the Employees Provident Fund of Malaysia.

To cap my statement for another successful year in SDP's illustrious history, on behalf of the Board, Management and employees of the Group, I record our sincere appreciation to our shareholders, customers, business partners and various stakeholders who continue to put their trust in us. I would like to take this opportunity to also thank all my colleagues on the Board for their expertise and dedication to the Group. On behalf of the Board, I thank members of SDP's Senior Management, as well as all our workers and employees for their determination, commitment and the many sacrifices made in the course of their service. I look forward to their continued support as we stride towards a brighter future, together.

GROUP MANAGING DIRECTOR'S REVIEW

> "In a year that brought both challenges and opportunities for Sime Darby Plantation, we acted with urgency and focus to transform and steer the Group towards a brighter future."

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director



Total Dividend in FY2022

16.04 sen per share

Oil Extraction Rate

21.10%

Drone sprayers are being used to manage pests and diseases in our nurseries.

OVERVIEW AND FINANCIAL PERFORMANCE

FY2022 got off to a volatile start due to soaring demand and low supply of global edible oils, driven by a perfect storm of geopolitical conflict, adverse weather conditions and supply chain disruptions. An abrupt global shortage of sunflower oil resulting from the Russia-Ukraine war and Indonesia's imposition of palm oil export restrictions had worsened the tight global edible oil supply caused by weather conditions and the prevailing labour shortages faced by Malaysian producers across the palm oil plantation sector.

Crude palm oil (CPO) prices hit an all-time high in March before falling in the second half of FY2022 by more than 40% as supply reverted to pre-restriction levels with the lifting of Indonesia's palm oil export curbs in May 2022. On average, CPO prices in 2022 were higher at RM5,100, compared to RM4,407 in the previous year, an increase of 15% year-on-year (YoY).

Our upstream operations in Malaysia continued to be hampered by labour shortages caused by a freeze on the hiring of foreign workers, a measure to control the spread of the pandemic initiated by the Government in June 2020. The freeze was only lifted in August 2022. The resulting shortage of harvesters, a role traditionally performed by foreign workers, affected our productivity and led to lower production of fresh fruit bunches (FFB) for the Group in FY2022.

Despite the unprecedented operational challenges, the Group registered a YoY increase of 12% in revenue from continuing operations at RM21.03 billion due to higher realised prices and a strong performance by our downstream operations, Sime Darby Oils (SDO). Net profit for FY2022 increased 10% YoY to RM2.49 billion, with a record performance by SDO, which achieved a profit before interest and tax (PBIT) of RM861 million, 51% higher than the previous year. Sales volume rose marginally by 1% to 3,318 metric ton (MT), while capacity utilisation declined slightly from 64% in FY2021 to 61% in FY2022 due to low feedstock.

The Group's upstream operations reported a 25% decline in total recurring PBIT to RM2.41 billion. A contributing factor to this decline was a 10% YoY decline in FFB production to 8.2 million MT. The segment also registered a lower oil extraction rate which declined from 21.59% to 21.10%. The decline was partially offset by higher average CPO and crude palm kernel oil (CPKO) realised prices, which increased by 20% and 5% YoY respectively.

The Board of Directors of the Company have approved a total dividend payout of 16.04 sen per share for FY2022, which represents 50% of the Group's recurring net earnings.

OPERATIONAL HIGHLIGHTS

Our operational highlights for the year also represent how we transformed challenges into opportunities. In that regard, the Group achieved several significant milestones in our pursuit of bold goals that will transform our business and potentially, the plantation industry.

Advanced mechanisation, automation and digitalisation of plantation operations

Project Infinity which aims to transform our plantation operations through advanced mechanisation, automation and digitalisation was launched in 2020 to address the heavy reliance on manual labour, performed largely by migrant workers in Malaysia. It entails a two-pronged approach – first, accelerating the mechanisation of our operations to reduce the use of manual labour, while maintaining or improving efficiency, and second, achieving and deploying breakthroughs in robotics and automation to transform plantation operations.

In 2022, we announced our achievement to date in mechanising several manual tasks across our Malaysian plantation operations, specifically around non–harvesting works such as crop evacuation as well as field and nursery upkeep. Harvesting remains the 'holy grail' in our industry. Nonetheless, in the areas which we have identified above, we have developed new machines and technological solutions, including several industry firsts,

GROUP MANAGING DIRECTOR'S REVIEW

both internally and in collaboration with start-ups and technology providers. We have deployed some of these solutions in our Malaysian operations, while the rest, including our solutions for oil palm fruit harvesting, are in prototype or concept stages. Alongside the unveiling of our current progress, Sime Darby Plantation (SDP) has also set ambitious goals and time frames which require a big leap towards large-scale automation to reduce our reliance on manual labour:

By end-2024

- 50% reduction of non-harvesting workers

By end-2027

- 100% local workers in our plantations (with a proviso that a solution for a mechanised/automated cutter is achieved) contributing to an improved man-to-land ratio of 1:17.5 hectares (ha) (One worker for every 17.5 ha of land)

For perspective, for over 100 years, oil palm plantations in Malaysia have remained heavily dependent on manual labour. Prior to the pandemic, around 80% to 85% of the sector's workforce comprised migrant workers, although at SDP, foreign workers accounted for about 75% of the plantation workforce. The current Malaysian industry average for man-to-land ratio is 1:8, namely one worker for every eight hectares of land and our industry's efforts at mechanisation were rudimentary and low-tech, at best.

It is my firm belief that large-scale and sophisticated mechanisation, automation and digitalisation initiatives such as Project Infinity, if adopted industry-wide, will enable our industry to finally move forward from its reliance on foreign labour. After all, innovation should not just be the domain of major companies like SDP. Other players as well as companies in other industries should also be encouraged to go to greater heights in order for an innovative ecosystem to develop and flourish. We only need to look around us at the lightning pace in growth of digital and AI technologies to realise that change is inevitable. Sooner or later, the palm oil industry too must change the 3Ds stigma that it has long been associated with. Modernising "dirty, dangerous and difficult" tasks through automation and advance mechanisation is necessary to increase productivity and cover a wider area of plantations more efficiently and for longer periods than humans can ever achieve, manually.

100% local workforce for Malaysian plantation operations

Dovetailing with Project Infinity's aim to transform oil palm plantation operations into a more sophisticated and technology-driven sector, is Project *Lokal*, through which we aim to attract highly-skilled local workers to manage modern, mechanised and automated plantation operations. We envisage that these specialised jobs will appeal to local workers, both men and women, who hold diplomas or degrees, and who fit a different profile of plantation worker – as machine specialists, technicians and drone pilots. They will enjoy competitive salaries that are commensurate with the enhanced job specifications.

Our early efforts to hire more local workers in our plantations are already showing results. Prior to the pandemic when the accelerated mechanisation programme was in its infancy, local workers made up only 25% of our Malaysian workforce, whereas by end 2022, the proportion of local workers had improved to 40%. This is good progress towards Project *Lokal's* aim of achieving a 100% local workforce for our Malaysian plantation operations by end 2027.

For more information on SDP's mechanisation, automation and digitalisation efforts, refer to pages 46, 60 and 61.

Delivery of customer value through quality and safety

With quality and safety at the heart of our operations, we have also challenged ourselves to raise food production standards and transform our palm oil mills into food safety compliant facilities. Through this transformation, SDP aims to deliver world-class food safety assurance to customers, while ensuring operational efficiency and the safety of our workers.

We began rolling out the initiative in 2022 and to date, seven mills have successfully obtained the Hazard Analysis Critical Control Point (HACCP) certification, while another 26 mills in Malaysia are still being evaluated. This first stage will be completed by the end of 2023 and cover all 33 palm oil mills in Malaysia. Subsequently, we will roll out this transformation programme across the Group's operations.

Downstream expansion in Indonesia

In line with our strategic priority to grow our existing downstream business, the construction of a new speciality oils and fats refinery in the Sei Mangkei Special Economic Zone in North Sumatra's Simalungun Region, began in November 2022. With an annual production capacity of more than 450,000 MT of palm and lauric-based products, the refinery is being built on a 16-hectare site and is expected to begin production in 2024. The investment of over USD150 million in the refinery represents our biggest investment in Indonesia to date and reflects our long-term commitment towards our business in Indonesia, in particular the North Sumatra region.

SUSTAINABILITY LEADERSHIP

At SDP, we pride ourselves in adopting sustainability standards and practices, often ahead of the rest in the palm oil industry. As such, we work hard to raise our own standards and seek solutions that will help raise the bar across the industry and distinguish ourselves from the competition. The three focus areas of our sustainability agenda – climate action, upholding human rights and ensuring responsible sourcing – are always at the core of our business, particularly in operations where sustainability considerations have shaped the implementation of initiatives and policies.

SDP aims to deliver world-class food safety assurance to customers while ensuring operational efficiency and the safety of our workers.

Climate action

In December 2022, SDP announced a clear roadmap explaining how we will achieve our commitment of net-zero emissions across our entire value chain by 2050. Our Net-Zero Strategy, which has been developed based on the Science Based Targets initiative (SBTi) Criteria, aligns with the Paris Agreement targets to limit global temperature rises to no more than 1.5°C, and commits to absolute overall emissions reduction in Scope 1 and 2 by 2050, with all unabated Scope 3 emissions balanced by an appropriate amount of carbon removals or offsets.

Furthermore, our Scopes 1 and 2 reduction commitments are based on readily available technologies so that these commitments can be fulfilled, while we maintain the possibility of reaching our goals faster with advancements in technology. This comprehensive strategy represents a landmark moment for the global palm oil industry.

In essence, SDP's Net-Zero Strategy is underpinned by a three-pronged approach:

- **Acceleration and expansion of renewables:** We aim to install 49 biogas plants across our operations by 2030. This will help to address the problem of methane pollution from our palm oil mill effluent, which accounts for up to 70% of SDP's footprint for non-FLAG Scope 1 and 2 emissions (FLAG: Forest, Land and Agriculture as per SBTi definition).
- **Land use transformation:** To reinforce our No Deforestation, No Peat and No Exploitation (NDPE) commitments, SDP is expanding its existing reforestation, conservation and biodiversity initiatives. This includes reforestation of non-productive agricultural land as well as large-scale tree-planting as a nature-based solution to increase carbon sinks. For instance, the Group has decided to reforest a 400 ha area of peat plantations in East Malaysia. To date, SDP has forest set-aside programmes of more than 40,000 ha, with over 1.9 million forest trees planted.
- **Enhancing supplier engagement:** We recognise that addressing Scope 3 emissions generated from third-party suppliers and other third parties in our value chain present the greatest challenge in our net-zero journey. SDP has therefore committed to engaging suppliers to ensure the replication of measures that we have implemented within our operations, to our entire value chain.

Upholding Human Rights

Management works hand in hand with the Board, in particular the Board Sustainability Committee, to ensure that the Group continues to fulfil its commitment to uphold human rights.

More information on the comprehensive effort we undertook to review our operations and ensure the well-being and safety of our workers, including the sweeping changes and improvements across our operations, is available at www.simedarbyplantation.com.

Ensuring Responsible Sourcing

As the world's largest producer of certified sustainable palm oil (CSPO), one of SDP's top priorities is to promote the responsible production of CSPO to as many stakeholders in our supply chain as possible, including smallholders who account for about 40% of global palm oil production. To this end, SDP runs extensive smallholder programmes in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands, helping more than 52,000 small and independent farmers get their plantations certified under both compulsory national schemes and the Roundtable on Sustainable Palm Oil's (RSPO) voluntary scheme.

In 2022, we extended our responsible sourcing programme to a group of small producers in Carey Island, Malaysia who are certified under a sustainable palm oil scheme organised by a social enterprise, Wild Asia Sdn Bhd. Under the programme, SDP committed to procure certified sustainable FFB from the small producers for two years commencing November 2022.

The inclusion of these small producers into SDP's sustainable supply chain will contribute to their livelihoods and signal to many others that they can continue to make a living by choosing to produce palm oil more responsibly and sustainably.

LOOKING AHEAD

Looking ahead, we see a volatile year for the global economy due to the macroeconomic headwinds, mainly because of continuing uncertainties in the supply of crude oil in the face of increasing demand. The Russia-Ukraine war and sanctions against Russia have disrupted the supply of oil and gas, leading to higher prices. On the demand side, the decision of the Chinese government to end its zero-COVID policy has sparked higher demand for oil as the nation looks to boost economic activity.

Costs are set to rise due to inflationary pressures which have significantly increased the cost of business inputs such as fertilisers, energy, fuel and labour. The costs of key inputs for Malaysian businesses went up nearly 20% in 2022, led by raw materials (+22%), equipment (+20%), energy (+19%), and minimum wage which increased from RM1,200 to RM1,500 (+25%), affecting margins.

Uncertainties will also prevail in the dynamics of the edible oil market which will continue to be influenced by a complex mix of issues from global economic growth, weather conditions and changes in policy, to changing regulations in producing and importing countries, competition from other oils as well as the energy market. Indonesia's biodiesel policy and China's economic recovery after their reopening will also be key drivers of demand. This multifaceted interplay of macroeconomic factors is expected to contribute to increased volatility in edible oil prices.

With the arrival of more foreign workers into Malaysia, particularly harvesters, we expect FFB production in our Malaysian operations to improve in 2023 after a challenging two years. We are encouraged by the Malaysian government's initiatives to speed up the hiring process of foreign workers and to ease the red tape where possible.

Despite the uncertain operating environment, SDP is guided by our Strategy Blueprint which sets out the five-year roadmap that anchors our approach to creating sustainable value. At the heart of our strategy, sustainability and innovation will remain our focus, as we continue to care for and nourish our people, surrounding communities and the environment. In delivering value to our shareholders, we will dare to flourish as we continue to drive change for a brighter future.

For more information on Our Strategies, refer to pages 38 to 39.

To my colleagues across our operations, I express my heartfelt appreciation for all the hard work and dedication. Thank you for your unwavering commitment to excellence and for being an integral part of our journey.

OUR VALUE CREATION MODEL

Our ability to create value leverages the synergies from our integrated approach across our entire value chain.

OUR CAPITALS

Financial

- RM31.15 billion worth of total assets
- RM19.02 billion in total equity

Intellectual

- Brand values
- Industry best practices
- Intellectual property, expertise, knowledge and experience within the industry
- 5 Research & Development Centres, 3 Product Innovation & Development Centres (previously known as Innovation Centres) and 1 fully operational genetic testing facility

Natural

- 744,188 ha total landbank
- 239 estates

Manufactured

- 70 mills and 11 refineries
- 284,900 MT bulking installation capacity

Human

- 82,841 employees
- A future-ready talent pool driven by innovation, high-performance-and winning mindsets
- Our culture of teamwork and collaboration

Social and Relationship

- Vendor Development Programme for mutually beneficial value creation and operational excellence
- Smallholder and supply chain collaboration
- Strong collaborative partnerships with loyal customers and like-minded business partners
- Continuous engagement with customers, communities, authorities and related stakeholders

OUR INTEGRATED VALUE CHAIN

Seed Production and Preparation

High-quality oil palm seeds are produced and nurtured in the nursery before being transplanted to our estates and sold to our customers.

Cultivation and Milling

Oil palm is cultivated in our estates and the fresh fruit bunches are delivered to our mills to be processed into crude palm oil and palm kernel, together with other by-products and waste. In Papua New Guinea, we also cultivate sugarcane and rear cattle for domestic consumption.

Waste Management

By-products such as palm fibre, sludge oil, palm oil mill effluent, empty fruit bunches, kernel shells, palm kernel expeller and palm fatty acid distillate are crucial in our Waste to Wealth initiative.

Processing and Value-Adding

Refineries and crushing plants produce refined products from their respective feedstocks to cater to food (frying, baking, confectionery and specialty ingredients) as well as non-food segments (oleochemicals, biodiesel and animal feed).

Commercial and Distribution

Crude palm oil and all refined products are traded locally and globally through our distribution channels.

OUR VISION

To be the leading integrated global palm oil player

OUR STRATEGY PILLARS

Sustainability

We demonstrate leadership in climate action and social performance; building trust through resilient supply chains, engagements and transparency.

Operational Excellence

We strive to strengthen and grow our core to achieve performance excellence across all businesses and sustain our ability to create value.

Innovation

We focus on innovation for business growth by engaging in digitalisation to transform business solutions and integration, as well as establishing an ecosystem to intensify rigour in innovation. We aim our innovation efforts at exploring and executing innovative ideas to develop new ventures.

Read more about Our Strategies on pages 38 to 39.

OUR COMPETITIVE ADVANTAGE

SDP is a leader in the palm oil industry with a proven track record established over the last 200 years. Our extensive presence and experience give us competitive advantages. These include:

The World's Largest Producer of Certified Sustainable Palm Oil

With a total planted area of 579,708 hectares, we are the largest plantation company in terms of landbank, all of which are certified as producing sustainable palm oil.

Leader in Sustainability

With the scale of our operations and influence, we are primed to lead the industry towards sustainable development, production and growth.

Future-focussed R&D Capabilities

We invest significant resources to push the boundaries of our capabilities to position ourselves now and into the future, allowing us to produce clean high quality food products.

Economies of Scale Through Value Chain Integration

We have strategic advantages as we manage and control our businesses across the entire palm oil value chain, allowing us to synergise business decisions across the value chain.

Wide & Diverse Geographical Reach

Our upstream operations comprises 239 estates and 70 palm oil mills located in four countries, while our downstream operations in 12 countries provide access to key markets globally.

Performance & Innovation-Driven Culture

Our people are driven by a corporate culture that values high-performance and innovation. Digitalisation and automation are tools that empower our people towards higher performance.

Availability of a Large Landbank

Opportunity to support Malaysia's National Sustainability agenda through partnerships with large-scale solar developers.

HOW WE SHARE THE VALUE WE CREATE

Investors

- Total shareholder return
- Responsible investment
- Shariah-compliance

Customers

- Preferred supplier of certified sustainable palm-based products and high-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
- Providing a safe, healthy and conducive work-life environment
- Improving the well-being and livelihood of our employees

Local Communities

- Mutual growth and development of local communities through employment opportunities, technical training, smallholder schemes and community development projects that focus on sustainable best practices, 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 and Society

- Positive relationships with authorities and local communities
- Support for the industry's renewable energy and innovative initiatives
- Manage tax in a fair and responsible manner

OUR MARKET LANDSCAPE

We have a global customer base and operate in a complex business and regulatory environment that spans 13 countries. It is imperative that we stay engaged with our stakeholders to understand current issues. We keep abreast of evolving global megatrends and local developments which may impact our business and our continuing ability to create value for stakeholders.

Trend

Rising demand for vegetable oils

Impact on SDP

Globally, palm oil is the most widely consumed vegetable oil accounting for 36% of total vegetable oil consumption. It is the fastest growing vegetable oil since 2000 with a compound annual growth rate (CAGR) of 6%.

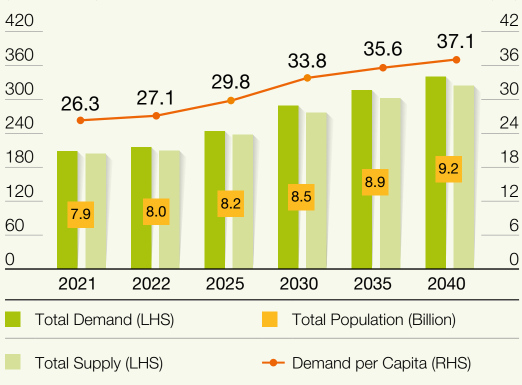
The long-term outlook for the vegetable oils business is positive and relatively strong, driven by the twin demand for food oil and biofuel (primarily biodiesel).

Global food oil demand has been remarkably resilient despite challenges posed by the pandemic and geopolitical tension between Russia and Ukraine. In the near term, the demand for food oil had increased in 2022, due to the Russia-Ukraine war which had resulted in a global shortage of sunflower and rapeseed oils. Current near term demands continues to be driven by the requirement for high quality clean palm oil products, balanced by concerns of a global slowdown in economic growth.

Over the longer term, global population growth coupled with an increase in real gross domestic product (GDP) per capita will contribute to sustaining strong demand for food oil.

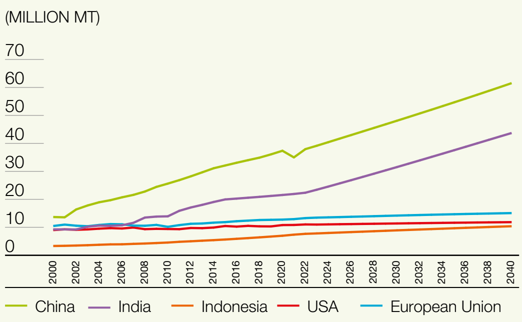
The demand for the non-food segment is also expected to grow due to a global move towards renewable fuels, thereby increasing the demand for biodiesel in the coming years.

GLOBAL VEGETABLE OIL DEMAND & SUPPLY VS POPULATION



Source: LMC Oilseeds & Oils Report 2022

TOTAL FOOD DEMAND FOR VEGETABLE OILS IN LEADING CONSUMERS



Source: LMC Oilseeds & Oils Report 2022

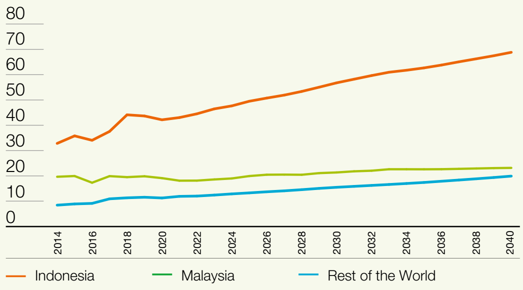
Our Response

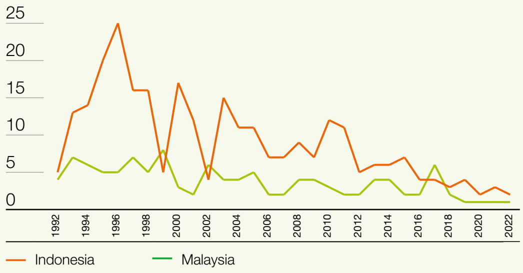
- Drive innovation to enhance productivity and efficiency, to generate higher production sustainably. For example, we are working to improve yields with our GenomeSelect™ seeds and focussed transformation on operational practices
- Continue to build, secure and maintain good relationships with customers by innovating to meet their needs proactively, seamlessly and promptly via a robust supply chain model
- Strengthen our efforts to transform our operations through advanced mechanisation, automation and digitalisation

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

Note: The strategy framework described in the table is part of our strategy blueprint which continued through FY2022. We developed a new strategy blueprint for the next five years from FY2023 onwards which will be discussed in pages xxx of this Report.

<table>
<tr><th>Trend</th><th>Impact on SDP</th><th>Our Response</th></tr>
<tr><td>Supply disruption of palm oil</td><td>
Palm oil production is affected by historical plantings and weather conditions which can affect yield and productivity.
Palm oil production in Malaysia has also been impacted by acute labour shortages due to border control restrictions to contain the global pandemic. In addition, the Russia-Ukraine war had also indirectly hit our industry by driving up input prices, notably of fertilisers and fuel.
These factors have changed planting decisions as they have altered the relative profitability of competing vegetable oil crops, which may be less labour intensive compared to oil palm.
PALM OIL SUPPLY FORECAST
(MILLION MT)


Source: LMC Oilseeds & Oils Report 2022
YOY GROWTH IN OIL PALM HARVESTED AREA
(%)


Source: United States Department of Agriculture 2022
</td><td>

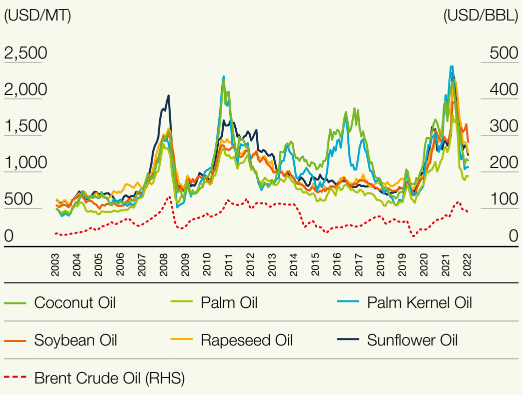
Actively recruit locals through Project Lokal to reduce reliance on foreign labour
Invest in precision agriculture which has resulted in the roll out of advanced mechanisation, automation and digitalisation solutions in our upstream operations to reduce reliance on manual labour and attract local workers
Increase the use of higher yielding planting material, such as GenomeSelect™, which was developed in-house and is also more resilient to weather conditions and more efficient in terms of nutrition and water use
Improved yield per hectare (ha) from all mature areas

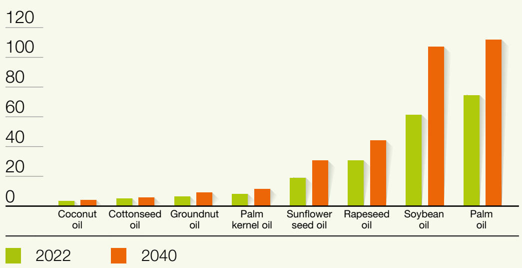
</td></tr>
<tr><td>Accelerating demand for climate action and commitment</td><td>
There is increasing pressure for companies to step up and take urgent actions to limit global warming in line with the framework of the Paris Agreement, and accelerate efforts to transition towards a net-zero economy. This has resulted in pressure on corporates and environmental, social and governance (ESG) investors to also make similar commitments.
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.
</td><td>

Our commitment and comprehensive strategy to achieve net-zero emissions across the entire value chain by 2050 will support this global agenda. Our comprehensive strategy includes accelerating renewable energy implementation, repurposing some of our land use and engaging with our suppliers
Set SBTi targets and monitor progress of our carbon emission reduction targets
Enhanced alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Continuing to adhere to MCCG FY2021 by adopting and implementing practices and policies to address sustainability risks and opportunities

</td></tr>
</table>

OUR MARKET LANDSCAPE

Trend	Impact on SDP	Our Response
Volatility of vegetable oil prices	Palm oil prices continue to be volatile due to disruptions and constraints in global supply which have caused Crude Palm Oil (CPO) prices to reach its all-time high in 2022. Prices are expected to stabilise in 2023 but remain susceptible to changes in global demand, tariff structures in major export and import countries, geopolitical factors, biodiesel mandates and CPO inventory levels in Indonesia and Malaysia. China's reopening and looming recession fears are also potential disruptive factors. Palm oil prices are expected to hover around USD1,000-1,200/MT from 2023 to 2040. **VEGETABLE OIL PRICES**  Source: World Bank	• Enhance and optimise supply chain to ensure seamless connectivity and prompt response to customer needs • Focus on growing the downstream business to minimise the impact of price volatility on the Group's revenues • De-commoditise palm oil production by increasing the proportion of differentiated product offerings over commodity products. Prices of differentiated products are more stable, and less vulnerable to the price volatility caused by market shocks and disruptions • Identify and expand alternative revenue streams from renewable sources, i.e. solar, biogas, biomass and alternative land uses
Growing emphasis on digitalisation	Border control measures during the global pandemic exacerbated the labour crunch in the plantation industry. The ensuing disruptions to many aspects of our operations and increased business risks had spurred SDP to focus on innovation and fast-track the adoption of new technologies in the upstream segment. The adoption of technologies such as digitalisation, automation and mechanisation reduced reliance on manual resources and helped boost productivity and efficiency. In the downstream segment, there is increasing adoption of Fourth Industrial Revolution (IR4.0) concepts such as artificial intelligence (AI) and the Internet of Things (IoT) which utilise digitalisation and automation to improve current manufacturing processes. To remain competitive, we must also improve our operational excellence and sustain our competitive edge through the delivery of new and innovative business capabilities. In particular, we are utilising these technologies to enhance our customers' experience to ensure we are better able to deliver value to them. There are also growing expectations for digital solutions to support and improve ESG practices. To support us in achieving our net-zero near-term 2030 and longer-term 2050 targets, leveraging digital solutions are vital to achieving our objectives.	• We are focussed on delivering our digital roadmap to transform our operations. At the same time, we are committed to improving and aligning our processes and practices to global ESG standards including leveraging the use of technology to meet our ESG commitments. • This includes building intelligence in our systems and machineries to enhance operational efficiencies and governance. • We are also exploring new business models and synergies across all business functions. • At an organisational level, digital solutions will enable us to explore and adopt relevant technologies that enable us to be a more data-driven organisation, leveraging on insights obtained through Data Analytics, AI/Machine Learning and various IoT solutions. • We introduced learning and development initiatives to 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, such as through the newly formed in-house Digital Academy.

Trend	Impact on SDP	Our Response
Increased competition from other edible oils	Palm oil faces several challenges. First, it potentially faces competition for market share from vegetable oils such as rapeseed oil, soybean oil and sunflower oil. Secondly, yields have stagnated in Malaysia and Indonesia due to the lack of major advances in mechanisation across the industry as well as the higher costs of fertiliser and labour. Although oil palm enjoys high productivity per ha, this advantage is constrained by the comparatively labour-intensive nature of the plantation sector, particularly in harvesting, which has proven difficult to mechanise. Thirdly, the rate of palm oil expansion in Malaysia and Indonesia has slowed because of sustainability pressures. These factors pose challenges for palm oil to scale up to fulfil future increases in demand for vegetable oils, such as the anticipated demand for biofuels. In 2022, palm oil and soybean oil accounted for over 65% of the vegetable oil market. This may further increase to 68% by 2040. In this regard, while soybean oil currently ranks second to palm oil, it might account for 33% of vegetable oil by 2040, possibly competing with palm oil at 34%. 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. **WORLD EDIBLE OILS PRODUCTION FORECAST** (MILLION MT)  Source: LMC Oilseeds & Oils Report 2022	• Further intensifying productivity and efficiency by replanting with our higher-yielding GenomeSelect™ planting materials and implementing precision agriculture, through Project Infinity which utilises mechanisation, automation and digitalisation to improve yields, increase productivity and reduce costs. • Continue to focus on innovation for product differentiation, service offerings and value to customers to provide solutions that fulfil their needs within the shortest possible lead time. • Explore diversification into the production of other crops and build the necessary supply chain.
Heightened regulatory environment	In 2018, the European Union called for a phase-out of the use of palm-based biofuels in Europe by 2030. In February 2023, the US Customs and Border Protection (USCBP) modified (uplifted) its forced labour finding against us and permitted the import of our products into the United States with immediate effect. This was a result of the comprehensive process we undertook over the last two years to review, revise and – where necessary – upgrade protocols for recruiting, managing and working with our workers. Food safety regulations are also being tightened. For example, in 2022, the European Union regulatory committee on food safety (SCoPAFF*) set limits of quantification (LOQ) for mineral oil aromatic hydrocarbons (MOAH) in fats/oils at 2mg/kg. European food companies, which include our customers, will begin complying with the LOQ in the near-term. Note: SCoPAFF: Standing Committee on Plants, Animals, Food and Feed.	• Proactively manage sustainability issues by engaging with relevant regulators and governments to address any allegations, resolve disputes and create solutions. • Ensuring sustainability of improvement plans implemented from the assessment and rolling out beyond Malaysia. *For more information on our response to the USCBP, scan the QR code below* *Press Release – SDP's palm oil exports to United States given greenlight after review by US Customs.*

STAKEHOLDER ENGAGEMENT

In addition to our business-as-usual dealings, we actively engage key stakeholders to better understand their concerns and expectations. This enables us to align our business strategies and practices to meet their needs and bring value to our markets, as well as the communities within and surrounding our operations.

Key Stakeholders	Mode of Engagement	Frequency of Engagement
Customers We have a global customer base who support us by purchasing our products and services.	• Events, webinars, forums meetings (virtual and face-to-face) • Surveys and feedbacks • Regular business touchpoints • Collaborative platforms and working groups • Exhibitions • Digital platforms	
Employees Our employees are our greatest asset as they are the main reason for our success.	• Capability and skills development programmes • Organisational Health Index (OHI) • Volunteer programmes • Muster briefings • Union meetings • Gender committee meetings • Social Dialogue sessions • Grievance channels • Events, webinars • Well-being support • Global donation drives • Global retreats • Digital engagement between leaders and employees • Employee and department recognition programmes • Portal updates	
NGOs/Civil Society Organisations Engagements with NGOs enable us to contribute more meaningfully to creating positive environmental and social impact in combination with business performance.	• Various engagement platforms, e.g. information sharing forums, roundtable discussions • Engagement surveys • Collaborative projects	
Industry Groups Industry Groups are forums for us to share knowledge and expertise, and stay abreast of current developments in the industry.	• Working groups • Task forces • Technical committees • Collaborative research • Conferences, seminars, field and lab visits • Information sharing	
Government Agencies Government agencies set the rules and regulations that we must comply with, and which impact our businesses and the industry at large.	• Various engagement platforms, e.g. events, webinars, roundtable discussions, feedback sessions, taskforce committees • On-site inspections • Working visits	

Legend:

Annually Quarterly Monthly Weekly Daily

Glossary:
ISPO – Indonesian Sustainable Palm Oil
MSPO – Malaysian Sustainable Palm Oil
RSPO – Roundtable on Sustainable Palm Oil

	Key Stakeholder Concerns	How We Address Stakeholder Concerns and Meet Their Expectations
	• Product quality, food safety, delivery and security of supply and services • Short-term and long-term product pricing • Traceability • Environmental harm, social injustice or exploitation • Product innovation and development	• ISPO, RSPO, MSPO certified products • No Deforestation, No Peat, No Exploitation (NDPE) Policy • 'Crosscheck' – our online open-source supply chain traceability tool • 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 • Expanded SDO's brand presence and reputation in the global market through comprehensive industry programmes • Enhanced digital presence with strategically curated content and optimised dissemination via SDO's website and social media channels • Increased awareness of SDO's brand and brand values among customers through impactful events and communications strategy
	• Succession pipeline and talent bench strength • Performance management and rewards • Employee well-being and support • Learning and development • Workers' welfare • Wages and overtime work • Collective agreement • Organisational culture and work environment	• Alignment and strengthening of KPIs and robust performance evaluation • Quarterly conversations for periodic monitoring of employee performance • Employee wellness programme, including a 24-hour hotline for them • Ongoing engagement and sports activities • Employee pulse surveys • Create attractive job opportunities in Malaysia through mechanisation, automation and digitalisation • Identification of learning needs and implementation of structured development programmes to build capabilities • Implementation of social dialogues and improve effectiveness of grievance mechanisms • Increased communications and engagements on the value of Culture of Care amongst internal stakeholders • Inculcate innovation culture via programmes and mediums such as Innovation Day and Innovation Portal
	• Free, Prior and Informed Consent (FPIC) • Environmental impact • Human rights and labour rights • Expansion plans • Deforestation • Traceability • Food security	• Making supply chain traceability data transparent and freely available through Crosscheck • Responsible Agriculture Charter • Human Rights Charter • Partnership and other collaboration opportunities • NDPE
	• Certification-related issues • Regulatory pressures • Market forces (trade and business) • Sustainability issues • New product development status and after-sales service	• Partnership opportunities • Task forces, working groups and other platforms • Sharing our latest genomic discoveries in 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
	• Regulatory compliance • Emerging regulatory changes • Public policies • Government legislations	• Beyond compliance approach • Robust governance • Engagement on matters such as industrial policy as well as commenting on policy proposals • Strategic collaborations • Ensure business units comply with applicable laws and regulations across the globe

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Mode of Engagement	Frequency of Engagement
Local Communities These are the communities in places where we operate, and our business activities have an impact on them.	• Community meetings and engagement events • Grievance panels	
Academic Institutions Academic institutions make it possible for us to reach out to a broader audience, and they provide access to cross-disciplinary collaborations and strategic partnerships.	• Collaborative projects • Advisory roles • Funding applications	

ENABLE CHANGE

We engage with all stakeholders to create positive change. We have identified six areas where we have demonstrated clear results.

1 Educating Others

Help **customers** understand our approach and way of thinking

As the world's largest producer of Certified Sustainable Palm Oil, we have established the "Palm Oil Experience Centre" at Carey Island, Malaysia, as an educational hub which is open to the public. We share information about our operations and how we produce sustainable palm oil.

We also organise visits for customers to our mills and refineries where they can see how our oils are extracted and refined to the highest levels of food safety standards, while valorising waste and producing renewable energy from by-products.

In 2022, we welcomed over 25,000 visitors to our facilities.

2 Navigating Limitations

Identify constraints and work together with **local communities (smallholders)** to create solutions

We also run extensive smallholder programmes in Malaysia, Indonesia, Papua New Guinea, and the Solomon Islands, helping more than 52,000 small and independent farmers get their plantations sustainably certified under both compulsory national schemes and the RSPO voluntary scheme.

Within the local communities around our operations, smallholders often face resource constraints when trying to meet sustainability standards. In 2022, we agreed to procure certified sustainable fresh fruit bunches (FFB) from independent small producers in Carey Island, Malaysia, for two years commencing November 2022. The small producers are certified under a sustainable palm oil scheme organised by a social enterprise, Wild Asia Sdn Bhd. Parties also commit to jointly ensure the traceability of palm oil produced by the independent small producers. By procuring FFB from the small producers at an agreed premium, we are also supporting and promoting their inclusion into our sustainable supply chain.

3 Aligning with Purpose

Connect with **employees** to converge on shared goals

In 2022, we organised 23 Integrity Day events across the Group, reaching out to 2,500 employees on our common goal of upholding integrity and adopting a zero-tolerance approach towards bribery and corruption.

The events culminated in an Integrity Summit in early 2023 which was attended by 500 employees physically and virtually. Three integrity experts were invited to share their knowledge and experience in addressing integrity issues in the workplace. The inspiring speeches instilled a renewed determination among our people to uphold the highest standards of integrity in all aspects of our business in line with our Core Values.

	Key Stakeholder Concerns	How We Address Stakeholder Concerns and Meet Their Expectations
	• Land rights • Fire and haze prevention • Exploitation • Local ecosystems • Smallholders	• NDPE Policy • Responsible Agriculture Charter • Human Rights Charter • Commitment to community development • Free, Prior and Informed Consent (FPIC) • Philanthropic support • Smallholder schemes • Community fire prevention
	• Advancement of sustainable palm oil • Community engagements	• Partnership opportunities • Research collaborations • Collective actions and commitments

4 Breaking Barriers

Overcome barriers and bring **local communities** together to create positive change

Through our subsidiary in Indonesia, Minamas Plantation, and in partnership with the Indonesia Heritage Foundation, we funded an environmental fire prevention awareness programme for students aimed at preventing forest and land fires.

The pilot phase involved five schools in Riau province in which 34 classes, 50 teachers and 850 university graduates spent 1,275 hours to raise awareness of the dangers of forest and land fires and instil respect for the environment among members of the community, especially the younger generation.

5 Leading the Way

Demonstrate our stewardship capabilities in dealing with **government agencies** and **industry groups**

In the area of conservation, the Malaysian National Interpretation (MYNI) for the Management and Monitoring of High Conservation Values (HCV) was published in 2022 as the national toolkit for HCV.

As the world's largest producer of Certified Sustainable Palm Oil, we were a member of the Technical Working Group for the HCV Malaysia Toolkit Steering Committee. We worked with a group of subject matter specialists and relevant stakeholders which provided advice and technical inputs for the development of the HCV Malaysia toolkit. The toolkit is based on the Roundtable on Sustainable Palm Oil (RSPO)'s High Conservation Value-High Carbon Stock Approach Toolkit.

6 Elevating an industry

Advocate among **industry groups, local communities and academic institutions** to drive a shift in mindset and behaviour to uplift the industry

In an agreement signed in June 2022, Sime Darby Plantation and other plantation groups – IOI Group, Aramijaya Agri and Agro Sdn Bhd, FGV Holdings Bhd and FELDA – agreed to cooperate in achieving coexistence with elephants.

This represents a big step forward as key players in the plantation industry have agreed to work together to share and exchange knowledge and build further capacity to manage human-elephant conflict.

The agreement is among the first multi-agency, human-elephant coexistence projects in Peninsular Malaysia using a large landscape approach, covering 19 estates in Johor and involving approximately 9,000 people.

MANAGING OUR MATERIAL MATTERS

We have considered and determined the material matters which impact our businesses as well as our stakeholders, directly and indirectly. They may have a positive or negative impact on our capitals, and as such, we have put in place various initiatives and measures to manage the material matters to achieve the best possible outcomes and contribute in a positive manner to long-term sustainable value creation for the Group and our stakeholders.

To determine our material matters, a four-step materiality assessment was conducted as outlined below.

1 Topic Review and Identification

In 2018 and 2019, we determined our material topics by engaging with a wide range of stakeholders and participating in collaborative industry platforms and dialogues.

2 Prioritisation

In Q4 2021, we conducted an internal review of the material issues to prioritise key topics.

The review also included outcomes from ongoing stakeholder engagement.

Source: Sime Darby Plantation SR2021, page 23

Legend:

Financial | Intellectual | Natural | Manufactured | Human | Social & Relationship

Material Matters	Why is This Material to Us?	What is Our Response?
Operational Performance	Operational performance represents the core of our business, namely how we deliver our products, and produce results. In addition to strengthening and honing our operational performance, we also manage the impact of disruptive macro externalities and factors beyond our control which may affect our operational performance, production and throughput, and ultimately, our business profitability and sustainability.	• Focus on driving exceptional performance across all business units to ensure consistent quality and customer satisfaction • Transformational initiatives to drive operational excellence, generate new revenue streams, reduce leakage and wastage, and lower costs
People Management	Our people are our greatest asset as they are the main reason for our success. We focus on building a strong organisational culture driven by innovation and best practices to cultivate excellence in our people. We also strive to protect and safeguard the rights of our people.	• Continued implementation of hybrid working arrangements (work from home (WFH)/work in office (WIO)) to allow flexibility for employees to achieve work-life balance • Implementation of "NEW", an employee programme to support employees' well-being. The programme covers physical and mental wellness and is supported by certified therapists and a 24/7 careline • Expanded "NADI", SDP's people management system, to extend our holistic and synergised people processes to our operations outside of Malaysia • Drive continuous improvement for better performance through: – performance management for clarity of goals and results – revision of people processes and practices to identify gaps and improvements – improvement of organisational culture and enhancement of working environment

We also monitor and review our material matters on an on-going basis through discussions with various stakeholders to ensure relevance and transparency, and consider the material matters in the formulation and implementation of the Group's strategies and plans. For FY2022, there were no significant shifts with regard to our material matters and they remain as depicted in the materiality matrix available in our Sustainability Report 2021. For more information, scan the QR code on page 69.

3 Stakeholder Consultation

We conducted one-to-one consultation with four external stakeholders from our customer and investor bases, an environmental NGO, and a labour rights expert.

We also sought feedback from our partner on Task Force on Climate-Related Financial Disclosures (TCFD) analysis.

4 Validation and Approval

The outcomes were consolidated and plotted on a materiality matrix.

The material topics and contents of this report were validated by the sustainability team and approved by the Sustainability Committee and the Board of Directors.

	Stakeholders Affected	Capitals Impacted
• Ongoing adoption of precision agriculture, especially digitalisation, innovation, mechanisation and automation, to reduce reliance on manual labour as well as increase efficiency and productivity	• Investors • Suppliers/Business Partners • Customers • Employees	
– enhancement of our commitment towards human rights – talent management and development: i. Implement succession-planning programmes to prepare talent and successors for Mission Critical Positions and Functional Critical Positions ii. Enhance our people's skills and capabilities through technical knowledge, soft skills and leadership development programmes, to equip them with critical skills and attributes • Implementation of Project *Lokal*, to attract more locals to work in our Malaysian plantations by offering more sophisticated jobs that involve the use of advanced mechanisation, automation and digital technology, with the aim of reducing dependence on manual labour and foreign workers • Benefits: implementation of voluntary health coverage, incentive scheme and continuous review of rewards enhancement • Contribute to nation-building by enhancing employability of young graduates in Malaysia via the PROTÉGÉ programme	• Investors • Suppliers/Business Partners • Customers • Employees • NGOs/Civil Society Organisations • Government Agencies	

MANAGING OUR MATERIAL MATTERS

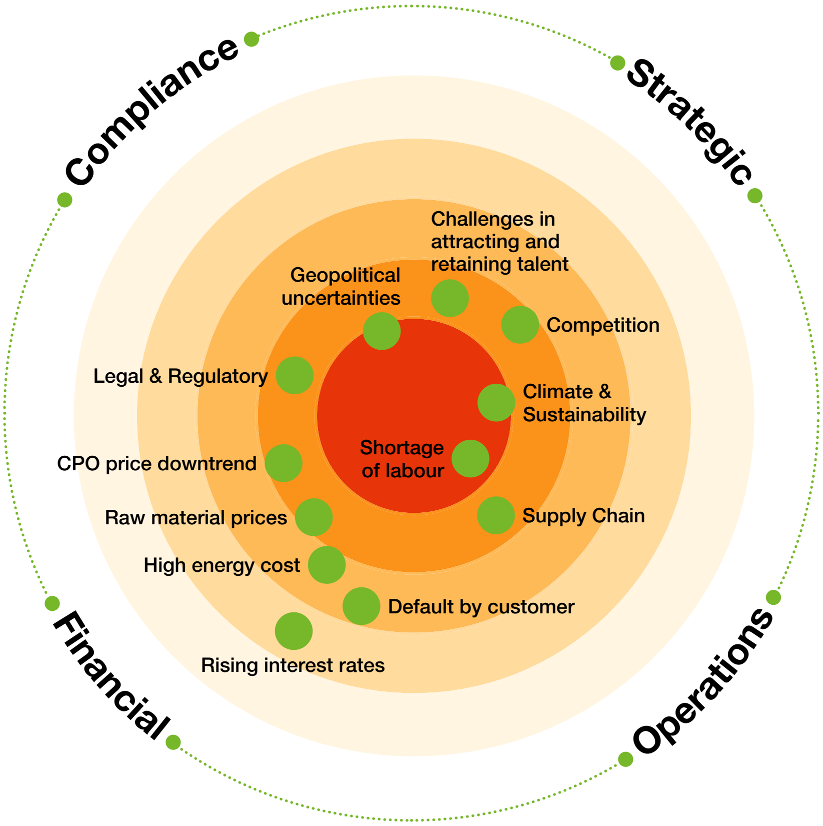
Material Matters	Why is This Material to Us?	What is Our Response?
Macroeconomic Conditions	Fluctuations in commodity prices due to trade protectionist policies, geopolitical conflicts and market competition can affect demand and supply trends, and erode revenue potential. Changes in prevailing legal and regulatory frameworks may exert additional pressure on the business and increase the cost of compliance and operations.	• Comprehensive understanding of the operating landscape to ensure that the right strategies are implemented to enable us to navigate the challenges • Strengthen the ability of our business to respond to changing market conditions with agility and innovative solutions • Diversify our business portfolio to spread opportunities and risks
Social and Environmental Impact	Real or perceived concerns relating to environmental or social harm, traceability, food safety, food security and emissions, may undermine our organisational reputation, credibility and trust in the marketplace.	• Ongoing support for socio-economic development of communities within and around our operating areas • Carbon footprint management, in line with our growth strategy and sustainability agenda • Proactive identification and management of environmental and social risks across the value chain • Targeted engagements with internal and external stakeholders to strengthen relationships and build trust. This includes training programmes and other communications with stakeholders • Enhancement of governance structures to take into consideration social and environmental impact
Occupational Safety and Health Performance	Accidents due to unsafe or poor working conditions which cause injuries or fatalities in the workplace can adversely impact employees' perception of workplace safety, affect morale and productivity.	• Educate employees and supply chain partners to increase safety and health awareness • Reinforce employees' adherence to workplace procedures and safety measures
Capital Management	Prudent capital management is critical for maximising returns to the Group as well as mitigating risks associated with capital depreciation, financial distress, value dilution or corporate credit rating downgrades.	• Prudent and resilient capital management to maintain a strong balance sheet • Optimise capital allocation among competing requirements while managing financial targets • Effective management of working capital

Read more about Our Value Creation Model on page 20.

	Stakeholders Affected	Capitals Impacted
• Practise proactive risk management which includes active engagement of stakeholders to assess the business environment for disruptive changes or emerging risks, while capitalising on business cycles in delivering sustainable profit growth • Implement measures to future-proof the business by reducing dependence on manual and foreign labour in Malaysia via mechanisation, automation and digitalisation • Promote sustainable growth by enhancing our commitment to protect the environment through our net-zero commitment	• Investors • Suppliers/Business Partners • Customers • Employees	
Social • Revision of policies and procedures to protect human rights and labour rights of workers • Better and more timely employee listening and management of grievances, by establishing grievance channels such as worker helplines and social dialogue sessions in our operations **Environment** • Strengthen our commitment towards climate action by developing science-based targets to achieve net-zero emissions across SDP by 2050	• Investors • Suppliers/ Business Partners • Customers • Employees • NGOs/Civil Society Organisations • Government Agencies • Local Communities	
• Inculcate a strong health and safety culture at all levels of the organisation through regular training, emphasising health and safety as drivers for operational excellence • Proactive Hazard Identification, Risk Assessment and Risk Control by all employees	• Investors • Employees • NGOs/ Civil Society Organisations • Government Agencies	
	• Investors • Suppliers/ Business Partners • Shareholders • Employees	

PRINCIPAL RISKS

The complex and dynamic nature of the operating environment poses risks and challenges to our operations and long-term viability. We manage these risks proactively by identifying specific risks and developing concurrent strategies to mitigate probable impact as far as possible.



ENTERPRISE-WIDE KEY RISKS AND MITIGATION STRATEGIES

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies	Link to SDP's Strategic Pillars
People Risk	**Shortage of labour** Severe shortage of harvesters in our Malaysian operations due to tighter border control, restrictions imposed by the government as well as stringent labour-related practices imposed by Sime Darby Plantation (SDP) on contractors and suppliers.	• Lower productivity leading to opportunity loss.	• Prioritise and expedite the hiring of new foreign workers, particularly harvesters with necessary skills and experience. • Proactive engagements with relevant government departments to accelerate the recruitment of foreign workers. • Accelerate mechanisation, automation and digitalisation initiatives to transform manual work in plantation operations including finding technological solutions for oil palm harvesting. • Intensify recruitment of local workforce via "Project *Lokal*" to operate the new machines and undertake highly-skilled work created through SDP's mechanisation, automation and digitalisation initiatives, such as machine specialists, technicians and drone pilots. • Paying the skilled workers recruited under 'Project *Lokal*' salaries that commensurate their qualification and technical expertise. • Implement operational workarounds to manage productivity levels to compensate for the limited number of workers.	 

Link to SDP's Strategic Pillars Legend:

Sustainability | Operational Excellence | Innovation

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies	Link to SDP's Strategic Pillars
	Challenges in attracting and retaining talent As job markets improve post-pandemic, the flight risk threat to our talent pool inherently increases. There is also increased competition in attracting the right talent.	• Diminished talent pool with specific skillsets, experience and knowledge to execute the Group's strategies.	• Comprehensive succession plan for critical job functions. Succession planning is a key performance indicator (KPI) for key management personnel in the Group. • Continuous training and development programmes to enhance employees' skills and knowledge. • Implementing robust performance management framework to enhance how performance is measured and managed to identify and develop key talents in the Group. • Periodic salary review and benchmarking to ensure competitive remuneration packages. • Improving well-being of employees through the Nurturing Employee Wellness (NEW) programme via a collaboration with NALURI as well as via the SDO Culture of Care programme.	
Geopolitical uncertainties	Geopolitical dynamics and diplomatic issues present uncertainties that could potentially affect demand from the Group's key markets, disrupt global supply chains and cause volatility in commodity prices.	• Potential decline in demand from key markets. • Increase in operating costs.	• 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.	
Climate & Sustainability Risk	Sustainability risk remained high in FY2022 as human rights and deforestation in the palm oil industry continue to be scrutinised. This has exposed the Group to the risk of stricter requirements from customers and regulators. Adverse and unpredictable/ unexpected weather conditions in countries where the Group operates may have an impact on safety and productivity of employees, yield productivity and supply chain.	• Increasingly stringent requirements from customers and regulators on sustainability practices. • Increased cost of doing business. • Adverse weather impacting yield and productivity.	• Developed comprehensive strategy to achieve net-zero emissions across the Group's entire value chain by 2050. The near and long-term targets to reduce greenhouse gas (GHG) emissions (including Scope 3 emissions) have been submitted to the Science Based Targets initiative (SBTi) for validation. • Active engagements with all stakeholders to communicate on the Group's sustainability initiatives. • 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.	
	Finding issued by United States Customs and Border Protection (USCBP) On 28 January 2022, the USCBP issued a finding on the use of forced labour in Upstream Malaysia operations.	• Reputational impact. • Potential loss of customers. • Potential loss of Roundtable on Sustainable Palm Oil (RSPO)/ Malaysian Sustainable Palm Oil (MSPO) certification.	• The USCBP modified (uplifted) the finding on 3 February 2023. The various enhancements to the Group's labour practices, governance structures and platforms as well as initiatives to continuously improve adherence to the 11 International Labour Organization forced labour indicators have been adopted and will be sustained via various external and internal third-party assurance mechanisms, while ensuring the grievance channels continue to be trusted and utilised by the workforce.	

PRINCIPAL RISKS

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies	Link to SDP's Strategic Pillars
Legal & Regulatory Risk	Changes in the regulatory landscape in the markets where the Group operates may expose the Group to higher compliance costs and increased scrutiny. An emerging risk includes the newly approved European Union's legislation on deforestation-free products in response to climate change. Rising nationalistic sentiments, particularly in relation to land matters, in the countries where the Group operates exposes SDP to the risk of unfavorable policies that could impact the Group's strategy, operations and financials.	• Increased cost of doing business. • Possibly more stringent regulatory requirements to be fulfilled where the Group operates.	• Proactive engagements and communication with all stakeholders to ensure the potential impact of proposed regulatory changes is understood and, where possible, mitigated. • Active communication with local regulators to reach amicable solutions. • A comprehensive and structured compliance programme is in place to ensure compliance. • Vigilant and continuous monitoring of any changes in regulations.	
Competition Risk	Competition risk escalates in the markets where the Group operates under challenging economic conditions, as well as the confluence of factors such as customer demand, raw material price volatility, changes in global supply and demand, inflationary pressure, and changes in regulations.	• Intense price competition affecting profitability.	• Close monitoring of customers' and competitors' strategies to better prepare for any shift in market trends. • Close engagement with customers to ensure competitiveness. • Continuous assessment and realignment of strategies to remain competitive. • Continuous marketing activities to strengthen the Group's brand in key markets. • Ensuring quality of products and services as well as product differentiation.	
Commodity Risk	**CPO price downtrend** After achieving its peak in early 2022, the CPO price has since been on a downtrend as recession fears, coupled with tight household spending due to high base interest rates, both locally and globally, hurt demand outlook. The CPO price is expected to remain weak in FY2023 as supplies and productivity improve due to the increased inflow of foreign workers into Malaysia, improved weather conditions and higher supply of other major vegetable oils.	• Lower profitability. • Risk of higher inventories due to lower demand.	• 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 against price volatility. • Improve product and service offerings through diversification and differentiation of existing products.	
	High energy cost High energy prices sparked by the Russia-Ukraine war have significantly increased processing costs for our operations, specifically in Europe. Despite gas prices tapering at the end of FY2022, the uncertainties continue to linger, given ongoing geopolitical conflicts, global warming and exchange rate volatility.	• Increase in operating cost.	• Continuous pursuit of improvement initiatives at our operations to reduce energy consumption. • Implement a hedging strategy for gas and use diesel as an alternate fuel.	

Key Enterprise Risks	Description	Potential Impact	Key Mitigation Strategies	Link to SDP's Strategic Pillars
Supply Chain Risk	**Shortage of vessels and containers** Shortage of vessels and containers remains a risk to our supply chain arising from the global surge in demand for goods post-pandemic, leading to significant global supply chain disruptions and higher operating costs. Despite the decline in freight costs, prices are still higher than before the pandemic. The full reopening of China's economy poses further threats to this risk.	• Disruption to business operations. • Increase in operating costs.	• Continuous close monitoring of freight rates and global supply chain activities and frequent communication with liners to ensure the availability of vessels. • Implementation of a shipment management solution to digitise the shipment process and reduce manual intervention gaps to optimise efficiency of the process.	
	Raw material prices Despite raw material prices cooling at the tail end of FY2022, it remains a key risk to be monitored due to global uncertainties caused by the ongoing geopolitical tensions, economic recessionary outlook and the uncertainties posed by the reopening of China's economy. This may continue to impact the cost of raw materials such as fertilisers and metal.	• Increase in operating cost. • Disruption to business operations.	• 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.	
Financial Risk	**Default by customer** Volatility in FY2022 due to macro-economic factors, including effects of the Ukraine war on freight availability and rates as well as financial stability of buyers, has inherently increased the risk of default by buyers both in terms of payment defaults and non-performance of contracts.	• Financial losses.	• 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.	
	Rising interest rates The multiple increases in interest rates by central banks worldwide in FY2022 has inherently increased the cost of financing for SDP, suppliers and customers. This indirectly increased the cost of doing business for all parties.	• Increased financing costs.	• The Group's gearing is diligently monitored and maintained at a reasonable level by optimising the Group's cash utilisation and assessing the currency of the Group's borrowings. This ensures that the Group's interest rate risk is kept within a manageable range. • Permitted derivative instruments such as short-tenure interest rate swaps are considered to ensure that the Group is protected against the risk of adverse interest rate movements.	

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, refer to page 118.

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 or action that will negatively impact our reputation and brand and, if an undesirable situation does arise, manage it aggressively to protect its 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

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

Strategic Objectives	Our Progress in FY2022
Sustainability	
Leadership in Climate Action and Social Performance	• Launched a comprehensive roadmap to achieve net-zero emissions by 2050 • Accelerated renewable energy production and adoption • Pursued land use transformation initiatives to increase carbon sinks including solutions for peat land and reforestation • Expanded the enhanced framework for treatment of workers, respect for human and labour rights, and ethical recruitment to Indonesia, Papua New Guinea (PNG) and Solomon Islands (SI). • Embedded Health and Safety culture in all operations
Build Resilient Supply Chains	• Strengthened the usage of Crosscheck • Build climate resilient supply chains through improved traceability and No Deforestation, No Peat and No Exploitation (NDPE) compliance • Support certification of smallholders
Building Trust through Engagement and Transparency	• Compliance with standards such as Food Safety, HSE, RSPO, ISCC certification • Enhance transparency via SPOTT, environmental, social and governance (ESG) ratings and Science Based Targets initiative (SBTI) progress reporting
Operational Excellence	
Performance Excellence Across All Businesses	• Rolled out commercial-scale advanced mechanisation, automation and digitalisation in plantations • Focussed on operational recovery in Malaysia through rehabilitation of crop quality, estate upkeep, mechanisation enhancement, ideal harvester ratio maintenance, sustained optimal productivity and efficient allocation of resources • Reduced dependence on foreign workers in Malaysia by modernising plantation work and offering attractive remuneration packages to attract qualified and skilled local workers • For Indonesia, we focussed on yield improvement, age profile, replanting exercise and improving workers' living and working conditions • For PNG and SI, we focussed on maximising production, improving product quality, optimising operational efficiency, and cost to customer • Successful value creation initiatives in manufacturing excellence, trading opportunities, customer-centric approach, business turnaround as well as an engaged and motivated talent pool
Delivery of Customer Value (Quality & Safety)	• Adopted the Good Manufacturing Practice (tGMP) in our Malaysia operations to ensure quality of our products based on international standards • Improved quality of our palm oil products by enhancing processes and innovation • Improved overall brand perception
Sustained Value Creation via Transformation	• Focussed on strengthening and adopting the best agronomic practices to create more value • Improved sustainability in our downstream operations through two key lenses: Supply Chain (for customer credentials) and Circularity (for new value propositions)
Innovation	
Innovation that drives Business Growth	• Focussed on genomics to drive higher yield • Improved Product Innovation and Development • Focused on food security through conventional and urban farming • Development of Food Strategy to address national agenda on food security • Identified areas to be explored for new business ventures
Digitalisation transforming Business Solutions and Integration	• Implemented tech-enabled monitoring that is energy-efficient • Enhanced process analytics and automation through in-process optimisation, framework and platform • Supply chain optimisation through integrated business planning and market intelligence services • "Digital workforce" of drones and unmanned ground vehicles have replaced some workers in plantation work
Ecosystem to intensify Innovation Rigour	• Focussed on process and product enhancement by using advanced network, digital and automation solutions • Supported ESG governance by utilising digital platforms for better workflow, efficiency and ease of monitoring

Link to Material Matters Legend:

Social & Environmental Impact | Capital Management | Operational Performance | People Management | Occupational Safety & Health Performance | Macroeconomic Conditions

Priorities for FY2023	Our KPIs

Priorities for FY2023

- Execute the net-zero carbon roadmap in stages
- Focus on biogas and solar expansion under renewable energy initiatives
- Go to market with a low carbon oil value proposition
- Further focus on land use transformation towards carbon neutral land use across our operations
- Profile our leadership in social performance through strategic partnerships

- Achieve 100% traceability to plantations across supply chains
- 100% NPDE sourcing across all supply chains
- Support and facilitate adoption of responsible agriculture practices by smallholders

- Achieve recognition as a sustainable supply chain partner of choice for customers
- Adopt leading standards for disclosures, e.g. Task Force on Climate-Related Financial Disclosures (TCFD), Taskforce on Nature-related Financial Disclosures (TNFD), SBTi progress reporting

Our KPIs

Non-Financial Metrics
- Carbon Emission Reduction
- SPOTT evaluation and ranking
- ESG ratings
- SBTi Progress Reporting
- Sustainable Policy Transparency

Priorities for FY2023

- Improve yield per hectare from all mature areas
- Speed up recovery to pre-pandemic performance, mitigate impact of shortage of harvesters in Malaysia
- Back to basics – Streamlining operations to the Agriculture Reference Manual
- Improve equipment efficiency at mills, produce crude palm oil that meets food quality and safety standards
- Strengthen supply of quality raw materials with low levels of Mineral Oil Saturated Hydrocarbons and Mineral Oil Aromatic Hydrocarbons (MOSH/MOAH)
- Continue to create value through business transformation, and in particular, intensify focus on ESG considerations in line with customers' expectations

- Continue to enhance the critical areas of Food Safety, Health, Safety and Environment (HSE), and Efficiency to meet the highest standards to maintain our leadership position
- Improve customer experience via digitalisation, particularly in new product development

- Establish suppliers that embrace high labour standards within their supply chains to become more competitive and sustainable
- Focus on execution of existing value creation projects on Food Safety, HSE and Efficiency (upstream), and operational and commercial excellence (downstream)
- Pro-active marketing to reposition our products and create additional value from our leadership position

Our KPIs

Financial Metrics
- Revenue
- Average selling prices
- PBIT/PBT
- Cost
- Gross Profit Margin

Downstream
- Operational Overall Equipment Effectivenes
- Customised vs commodity ratio
- Refinery utilisation/ availability
- Brand Perception – External Customer Survey

Non-Financial Metrics
- FFB Production/Yield
- OER & KER
- Mill Utilisation
- Replanting
- Land-to-man ratio
- Volume
- Sales of physical certified palm oil
- Customer Satisfaction Index
- Organisational Health Index

Downstream
- HSE Index
- Value Creation
- Culture of Care (CoC)

Priorities for FY2023

- Leverage on biotech to produce better planting material
- Accelerate business-as-usual initiatives for renewable energy, waste management and circular economy
- Maintain an innovation pipeline of new products and services which may be monetised
- Improve management of risks associated with new ventures
- Execute new business venture built from the innovation pipeline

- Enhance efficiency in automated data collection
- Continue to enhance process optimisation and reduce costs
- Adopt a customer-centric approach to improve customer satisfaction
- Explore novel business models with innovation as a core component

- Promote a strong innovation culture and digital and technology literacy through learning and development
- Develop self-maintained tools and platforms to reduce reliance on external parties
- Intensify technology scouting and adoption of new technology

Our KPIs

Non-Financial Metrics
- New technology adoption
- Expansion into new strategic businesses
- Develop innovation, digital-first and agile mindset among employees
- Co-create innovative technology through internal cross-functional collaboration and external partnerships
- Strengthen our innovation ecosystem to support our innovation agenda

GROUP FINANCIAL REVIEW

REVIEW OF OPERATIONS

The Group reported commendable results for the financial year ended 31 December 2022 (FY2022), registering net earnings of RM2.49 billion, a 10% year-on-year improvement despite operational challenges experienced during the year.

The fresh fruit bunch (FFB) production in Malaysia continued to slide, with the issue on shortage of labour particularly harvesters persist despite the Malaysian government rolling back its restrictions on hiring of foreign workers in February 2022. The Group has also intensified due diligence in its recruitment process to ensure strict adherence to ILO guidelines.

At end-2022, the shortfall of workers for upstream operations in Malaysia stood at around 4,000 workers. Nevertheless, the Group's spread of upstream operations in Indonesia, Papua New Guinea and Solomon Islands contributed to mitigate the impact on the overall Group FFB production volume for the year.

Cost of production had risen across the Group's operations, mainly influenced by the geopolitical tensions arising from the conflict in Ukraine. Fertiliser, a significant component in the cost of production, saw prices rising in excess of 70% on average in 2022 although they have since moderated. Higher energy costs and the increase in minimum wage in Malaysia had also put a pressure on the Group.

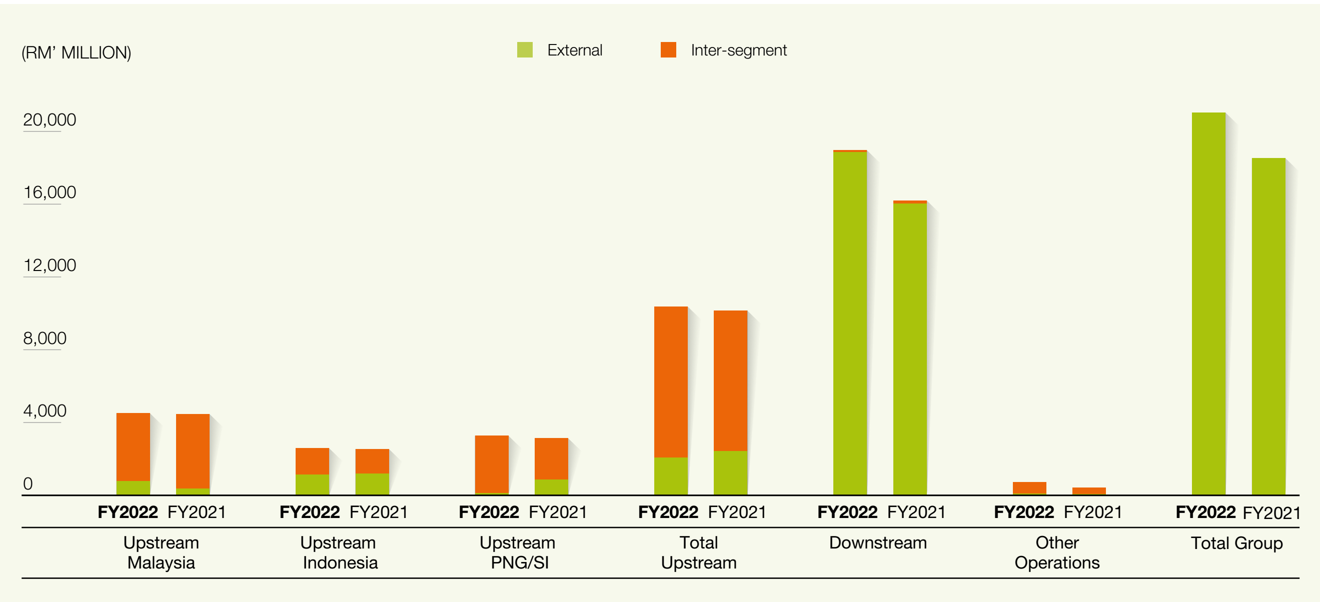
The Group continues to benefit from the high average Crude Palm Oil (CPO) prices during the year. The war in Ukraine, coupled with the temporary export ban by Indonesia, resulted in a sharp rise in the price in the first half of FY2022, which moderated thereafter with the increase in supply. Demand was also impacted by concerns over a potential global recession resulting from the war and pandemic-related economic disruptions. Despite market volatility, the Group's Downstream segment returned its best ever financial results with Profit Before Interest & Tax (PBIT) for the segment increasing 51% from FY2021, contributing 26% to the Group's recurring PBIT in 2022 (FY2021: 15%).

GROUP PROFIT OR LOSS

(RM'million)	FY2022	FY2021 (Re-presented)	Var %
Revenue	**21,030**	18,533	13
Recurring profit before interest and tax	**3,324**	3,823	(13)
Non-recurring transactions	**291**	(149)	
Profit before interest and tax	**3,615**	3,674	(2)
Finance income	**12**	12	
Finance costs	**(135)**	(86)	(57)
Profit before tax	**3,492**	3,600	(3)
Tax expense	**(809)**	(1,109)	
Profit after tax	**2,683**	2,491	8
Perpetual Sukuk	**(124)**	(124)	
Non-controlling interests	**(71)**	(112)	
Profit attributable to equity holders of the Company	**2,488**	2,255	10

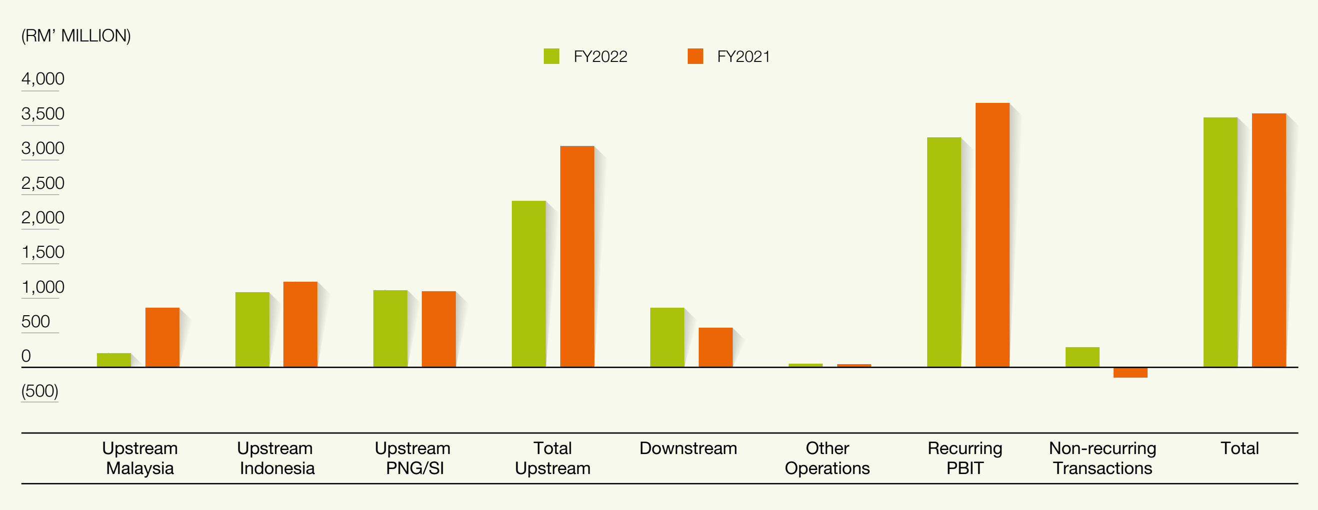
Despite the challenging operating environment, the Group registered a net profit of RM2.49 billion for FY2022, a year-on-year (YoY) increase of 10%. This was driven by a record performance by the Group's downstream operations, as well as profits from non-recurring transactions recorded during the year, which mitigated the decline in profits from the upstream operations.

REVENUE



Revenue from continuing operations increased by 13% YoY from RM18.53 billion to RM21.03 billion due to higher realised prices and strong performance by Sime Darby Oils (SDO). The Group recorded 20% and 5% increase in realised prices YoY for CPO and Palm Kernel (PK) to RM4,456 per MT and RM2,689 per MT, respectively, which mitigated the 10% decline in FFB production to 8.21 million MT.

PROFIT BEFORE INTEREST & TAX



Group

The Group's recurring PBIT decreased by 13% from RM3.82 billion to RM3.32 billion. This was primarily due to a 25% decline in the PBIT registered by the upstream segment, partially mitigated by stellar performance from the downstream segment which recorded a PBIT increase of 51% YoY.

Upstream

Despite the higher average CPO and PK prices realised, which increased by 20% and 5% YoY respectively, the Group's Upstream segment reported a 25% decline in the total recurring PBIT to RM2.41 billion, largely due to:

- a 10% decline in FFB production to 8.21 million MT;
- lower OER which declined from 21.59% to 21.10%; and
- higher estate and mill operating costs, adversely affected by an increase in fertiliser and fuel prices.

In addition, PBIT in the previous year included a one-off retirement benefit gain of RM106 million in Indonesia, consequent of changes introduced by the Omnibus Law.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	FY2022	FY2021	+/(–)	FY2022	FY2021	+/(–)
Segment			%			%
Upstream Malaysia	**4,472**	3,504	28	**3,513**	4,630	(24)
Upstream Indonesia	**3,558**	3,388	5	**2,781**	2,609	7
Upstream PNG/SI	**5,534**	4,510	23	**1,913**	1,890	1
Total	**4,456**	3,711	20	**8,207**	9,129	(10)

	PK price realised (RM per MT)			CPO extraction rate (%)		
	FY2022	FY2021	+/(–)	FY2022	FY2021	+/(–)
Segment			%			%
Upstream Malaysia	**3,170**	2,828	12	**19.99**	20.96	(0.97)
Upstream Indonesia	**2,069**	2,069	0	**21.32**	21.66	(0.34)
Upstream PNG/SI	**–**	–	–	**22.68**	22.87	(0.19)
Total	**2,689**	2,551	5	**21.10**	21.59	(0.49)

GROUP FINANCIAL REVIEW

Downstream

Recurring PBIT for the Downstream segment was 51% higher YoY at RM861 million compared to RM572 million in the previous year. This was driven by higher margins generated by the Asia Pacific bulk and differentiated operations which mitigated lower margins recorded by the European refineries and a decline in sales volumes in all territories.

Other Operations

The PBIT from Other Operations of RM55 million was 10% higher YoY, and comprised profits from the Group's agribio and research units.

Non-recurring transactions

The Group also registered non-recurring PBIT of RM291 million. This comprised gains on land disposals of RM275 million and "Earn Out" settlement of RM54 million for the disposal of a former subsidiary in Liberia. The gains were offset by impairment charges on investment in a joint venture and other assets of RM38 million.

Finance Costs

The Group's finance costs of RM135 million were 57% higher YoY, as a result of the increase in benchmark lending rates, but were mitigated by lower average borrowing balances arising from net repayment during the year of RM426 million.

Taxation

For FY2022, the Group reported a total tax expense of RM809 million on the back of a profit before tax of RM3.49 billion.

The Group's effective tax rate stood at 23% for the financial year.

Net Earnings

The Group posted total net earnings of RM2.49 billion in FY2022 as compared to RM 2.25 billion in FY2021. This translates into basic earnings per share and return on equity ratio as shown in the table below.

	FY2022	FY2021 (Re-presented)
	Sen per share	Sen per share
Basic earnings	**36.0**	32.6
	%	%
Return on Shareholders' Equity	**15.2**	14.8

GROUP BORROWING POSITION

The Group's borrowings as at 31 December 2022 declined by RM155 million YoY to RM6.10 billion, with total net repayment of RM426 million driven by higher cash generated from operations, which compensated the adverse impact of appreciation in foreign currencies against the Malaysian Ringgit resulting in higher borrowings balance.

The net debt/equity ratio as at 31 December 2022 stood at 28.7%, ahead of the target reduction to 30% by 2023.

RM'million	FY2022	FY2021 (Re-presented)
Total Borrowings	**6,096**	6,251
Bank balances, deposits and cash	**635**	603
Net Debt	**5,461**	5,648
Equity	**19,016**	17,856
Debt/Equity	**32.1%**	35.0%
Net Debt/Equity	**28.7%**	31.6%

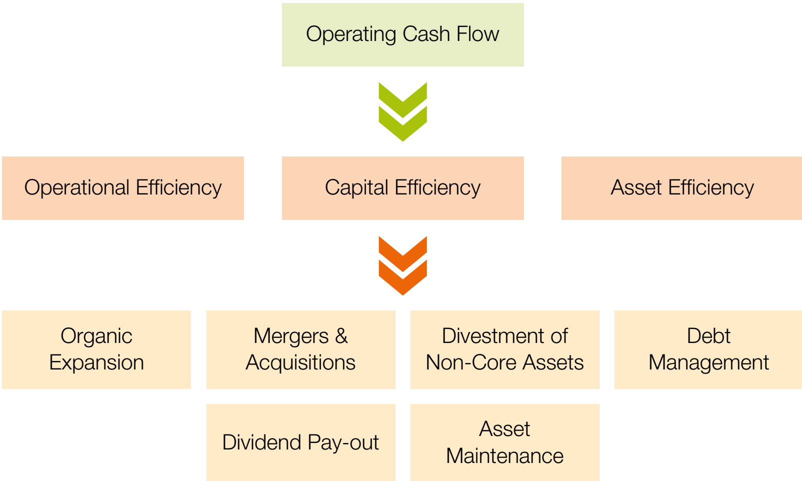
GROUP CASH FLOW

The Group generated higher operating cash flow during the financial year. However, the Group's free cash flow in FY2022 decreased by 1% to RM2.24 billion due to increased spending on capital expenditure and higher finance cost paid impacted by the rising benchmark lending rates.

RM'million	FY2022	FY2021 (Re-presented)
Revenue	**21,030**	18,533
EBITDA – total	**4,987**	5,005
EBITDA – recurring	***4,696***	5,154
EBITDA – non recurring	***291***	*(149)*
Operating cash flow	**3,644**	3,483
Capital expenditure	**(1,729)**	(1,457)
Proceeds from disposals	**438**	326
Dividend income and others	**64**	14
Finance cost, net of finance income	**(177)**	(112)
Free cash flow	**2,240**	2,254

Capital Allocation Framework

The Group's Capital Allocation Framework underpins Group-wide efforts to optimise resource allocation amongst competing requirements, particularly operating expenditure, capital investments and dividends. As such, the framework guides future investment decisions and emphasises maintaining a strong balance sheet.



The table below summarises the Group's capital allocation.

RM'million	FY2022	FY2021 (Re-presented)
Funds from operations	**3,969**	3,710
Uses of funds:		
Capital expenditure	**1,729**	1,457
Dividends and perpetual sukuk distribution	**1,751**	1,130
Reduction in net debt	**458**	943
Repayment of leases and others	**31**	43
Additional investment injection	**–**	139
	3,969	3,710

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

In FY2022, a total of RM1.73 billion was spent on capital expenditure, of which total oil palm planting costs amounted to RM901 million. As at 31 December 2022, the Group has 81,810 hectares of immature oil palm area.

Dividends to shareholders of the Group's holding company and minority shareholders of its subsidiaries together with distribution to holders of the Group's perpetual sukuk amounted to RM1.75 billion.

The Group also reduced its net debt by RM458 million during the year (cash impact, excluding foreign currency movements), in line with its objective to reduce leverage.

DIVESTMENTS AND DELEVERAGING EXERCISES

The recovery of economy post COVID-19 has renewed interests of potential buyers for the Group's assets that have been identified for sale, resulting in higher total disposal proceeds generated during the year.

In FY2022, the Group completed disposals of the following assets:

- approximately 222.08 hectares of land in Malaysia which was put up for sale by tender, and
- approximately 83.29 hectares of land acquired by the Malaysian government.

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 SIA")
  - PT Ladangrumpun Subur Abadi ("PT LSI")
  - PT Sajang Heulang ("PT SHE")
- certain plots of land in Malaysia totalling approximately 902.5 hectares.

PT Anugerah Sumbermakmur and PT Minamas Gemilang, both the Group's wholly-owned subsidiaries, had on 14 April 2023 entered into two Conditional Shares Sale and Purchase Agreements ("CSPAs") with PT Global Berkat Usahatama for the disposal of the cumulative 100% equity interest in PT LSI and PT SHE at a combined total cash consideration of IDR1.75 trillion (equivalent to approximately RM518 million). Barring any unforeseen circumstances, the proposed disposals are expected to be completed in 2023.

GROUP FINANCIAL REVIEW

DIVIDENDS

The Board of Directors of the Company had approved a total dividend payout of 16.04 sen per share for FY2022. This represents a payout of 50% of the Group's recurring net earnings, in line with the Group's dividend policy of distributing not less than 50% of the consolidated recurring net earnings as dividends to shareholders.

The interim dividend was paid on 18 November 2022 while the final dividend will be paid on 15 May 2023. Both dividend payments are in cash.

The dividends are summarised as follows:

	FY2022		FY2021	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	**10.00**	**692**	7.90	546
Final dividend	**6.04**	**418**	12.38	856
	16.04	**1,110**	20.28	1,402

VALUE DISTRIBUTION

The value created by the Group can be stated in terms of financial returns, non-financial returns and intangible forms. The Statement of Value Added shows how the Group has created value for and distributed the value created to stakeholders.

VALUE ADDED

(RM'million)	FY2022	FY2021 (Re-presented)
Revenue	**21,030**	18,533
Direct and Indirect Costs	**(14,191)**	(11,423)
Value Added from Operations	**6,839**	**7,110**
Other Operating Income	**838**	566
Other Gains/ (Losses)	**41**	(135)
Share of Results of Joint Ventures	**37**	20
Share of Results of Associates	**15**	15
Finance Income	**12**	12
Total Value Added	**7,782**	7,588

VALUE DISTRIBUTED

(RM'million)	FY2022	FY2021 (Re-presented)
Employees	**2,750**	2,512
Government and Society	**849**	1,170
	3,599	3,682
Providers of Capital		
Dividends to owners of company	**1,548**	938
Finance Costs	**197**	132
Non-controlling Interests	**71**	112
Perpetual sukuk	**124**	124
	1,940	1,306
Reinvestment and future growth	**2,244**	2,600
Total Value Distributed	**7,782**	7,588

5-YEAR FINANCIAL HIGHLIGHTS

(RM'000)	FP 31 Dec 2018[1]	FY 31 Dec 2019	FY 31 Dec 2020	FY 31 Dec 2021	FY 31 Dec 2022
FINANCIAL RESULTS					
Continuing Operations					
Revenue	6,484,858	12,001,593	13,044,271	18,532,714	**21,029,690**
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	1,214,740	1,615,960	3,077,921	5,005,271	**4,987,137**
Profit before interest and tax*	616,132	409,947	1,853,374	3,673,916	**3,614,596**
Profit before tax*	514,620	255,377	1,754,250	3,600,069	**3,492,200**
Profit after tax*	369,368	278,946	1,288,724	2,490,685	**2,683,270**
Perpetual sukuk	(62,661)	(124,300)	(124,641)	(124,300)	**(124,300)**
Non-controlling interests	(5,626)	(28,952)	(53,352)	(111,694)	**(70,895)**
Profit from continuing operations attributable to equity holders of the Company*	301,081	125,694	1,110,731	2,254,691	**2,488,075**
Discontinued Operations					
(Loss)/ profit from discontinued operations attributable to equity holders of the Company	(57,573)	(325,854)	73,838	–	**–**
Profit/ (loss) attributable to equity holders of the Company*	243,508	(200,160)	1,184,569	2,254,691	**2,488,075**
FINANCIAL POSITION					
Share capital	1,100,000	1,506,119	1,506,119	1,633,790	**1,633,790**
Reserves*	12,018,449	11,754,854	12,147,381	13,554,332	**14,733,439**
Shareholders' equity*	13,118,449	13,260,973	13,653,500	15,188,122	**16,367,229**
Perpetual sukuk	2,231,398	2,231,398	2,231,398	2,231,398	**2,230,717**
Non-controlling interests	396,078	368,351	384,850	436,641	**418,068**
Total equity*	15,745,925	15,860,722	16,269,748	17,856,161	**19,016,014**
Borrowings	7,296,914	7,744,927	6,682,203	6,250,676	**6,096,488**
Liabilities associated with assets held for sale*	21,133	35,735	17,699	138,513	**139,100**
Other liabilities*	5,562,330	4,866,338	5,351,001	6,090,382	**5,896,524**
Total equity and liabilities*	28,626,302	28,507,722	28,320,651	30,335,732	**31,148,126**
Non-current assets*	23,583,606	23,541,567	23,476,819	23,318,312	**23,908,544**
Current assets excluding cash*	4,426,979	4,012,270	4,369,523	5,806,885	**5,953,585**
Assets held for sale*	124,675	522,538	165,280	607,972	**651,004**
Cash*	491,042	431,347	309,029	602,563	**634,993**
Total assets*	28,626,302	28,507,722	28,320,651	30,335,732	**31,148,126**
FINANCIAL RATIOS					
Operating margin (%)*	9.5	3.4	14.3	19.6	**16.9**
Return on shareholders' equity (%)*	3.7[2]	(1.5)	8.7	14.8	**15.2**
Debt/Equity (%)	46.3	48.8	41.1	35.0	**32.1**
Debt/EBITDA (times)*	6.0	4.8	2.2	1.2	**1.2**
SHARE INFORMATION					
Basic earnings per share (sen)	3.6	(2.9)	17.2	32.6	**36.0**
Net assets per share attributable to owners of the Company (RM)	1.9	1.9	2.0	2.2	**2.4**
Net dividend per share (sen)[3]	1.7	1.0	11.6	20.3	**16.0**

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 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 and 31 December 2022.

* FY2021 have been re-presented for depreciation relating to a subsidiary in Indonesia which disposal plan has been put on hold. Please refer to note 31 of the Audited Consolidated Financial Statements for the financial year ended 31 December 2022.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

UPSTREAM

We will continue to move strongly ahead with our plan to implement advanced mechanisation, automation and digitalisation of plantation operations.

REIMAGINING RESPONSIBLE AND SUSTAINABLE AGRICULTURE

Our upstream business operates 239 plantation estates and 70 palm oil mills in Malaysia, Indonesia, Papua New Guinea (PNG) and the Solomon Islands (SI) covering a total landbank of 744,188 hectares.

The mainstay of our extensive upstream operations is development, cultivation and management of oil palm plantations and milling of fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK). Sime Darby Plantation (SDP) also develops, cultivates and manages rubber and sugarcane plantations, and processes rubber and sugarcane for sale. The Group also rears cattle for beef production.

Sustainability, operational excellence and innovation are the engines that power our upstream business. In this regard, through our game-changing innovations, we lead the transformation of the plantation industry with advanced mechanisation, automation and digitalisation as well as our GenomeSelect™ high-yielding seeds.

Our mills are 100% certified to the Roundtable on Sustainable Palm Oil (RSPO) as of 2021, making us the world's largest producer of Certified Sustainable Palm Oil (CSPO). We are an industry leader in sustainability, and we set the best practices as well as standards in many key areas, including protecting the environment and conserving biodiversity.

Our people are the bedrock of our organisation. We strive to uphold fundamental human rights in our operations to ensure their safety, welfare, and well-being as the fundamental priorities of our business.

KEY PERFORMANCE CONTRIBUTORS IN FY2022

When the pandemic hit in 2020, it exacerbated the acute labour shortage that the industry was already facing, and this had a wide-ranging impact on our Malaysian operations, affecting aspects such as crop quality, estate upkeep and yield harvesting. It prolonged until 2022 and negatively affected the Group's FFB yield, oil extraction rate (OER) and kernel extraction rate (KER), as our Malaysian operations account for 46% of the Group's upstream business.

Crop quality and estate upkeep began showing improvement at the end of 2022 with the arrival of 2,841 new workers. Although we prioritised the placement of new workers at our largest operations, productivity did not return to pre-pandemic levels. This was because the new workers lacked experience and required extensive training.

To address productivity issues, we deployed our advanced mechanisation, automation and digitalisation solutions to support operations. This included using drones for spraying seedlings at the

100% certified
by the Roundtable on Sustainable Palm Oil (RSPO)

Yields from operations in Indonesia improved by
7.2% YoY

Higher average realised CPO price
increase of 20% YoY

At SDP, our machinery plays an essential role in improving efficiency, helping ease the workload for our workers.

nurseries and using unmanned ground vehicles for immature and mature field upkeep in various terrain. All these tasks were previously conducted manually by workers. The groundbreaking use of these advanced solutions on a commercial scale in our estates also demonstrated the viability of the machines to outperform human workers in terms of productivity, bigger coverage area and longer working hours.

For more information on our advanced mechanisation, automation and digitalisation solutions, scan the QR codes below.

Press Release – SDP Mechanises and Automates Estate Operations

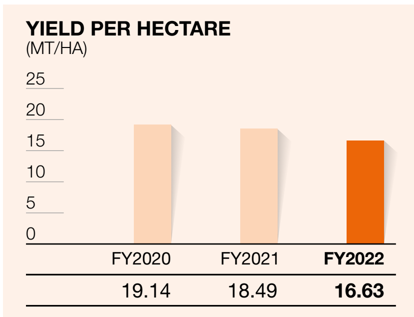
SDP's website – Innovation (Automating Plantations)

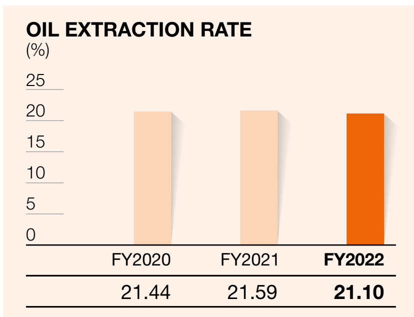
Our operations in Indonesia and PNG and SI continued on an upward trajectory post-pandemic. Upstream operations in Indonesia showed strong performance boosted by favourable weather conditions, namely, good rainfall patterns without prolonged droughts since 2020. However, we faced challenges in Indonesia when the Government imposed restrictions on palm oil exports, first through an export ban, and later through a "Domestic Market Obligation" scheme after the lifting of the export ban. These measures triggered a shortage of storage facilities at our mills as oils due for export were held back. Despite these challenges, yields from our operations in Indonesia improved from 16.47 metric ton (MT) per ha in 2021 to 17.66 MT/ha in 2022, an improvement of 7.2% year-on-year (YoY).

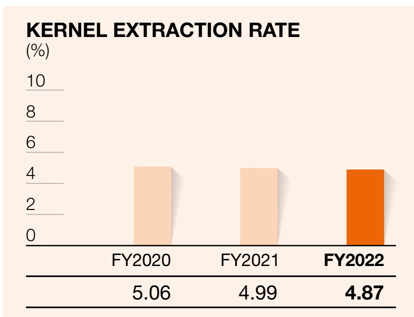
In PNG and SI, production was impacted by unpredictable weather conditions and the after-effects of pest attacks, but this was balanced out by positive changes in crop patterns with better crop production recorded particularly in regions that have predominantly young mature palms.

In terms of oil extraction, there were several factors that affected OER.
In Malaysia, mills were also impacted by the labour shortage, while in Indonesia, the operations were impacted by weather and logistics issues which affected timely deliveries of FFB to the mills. In PNG and SI, operations at the mills were disrupted by maintenance works while security issues affected deliveries.

The upstream business was also adversely affected by higher estate and mill operating costs, largely driven by the increase in fertiliser and fuel prices, brought about primarily by the Russia-Ukraine war.







OUR PERFORMANCE BY SECTOR
UPSTREAM

FINANCIAL AND NON-FINANCIAL

Upstream operations in Indonesia registered a strong 7% YoY growth in FFB production, while FFB production in PNG and SI increased slightly by 1% YoY. These gains were offset by a 24% YoY decline in production from our Malaysian operations, which were hampered by the continued labour shortage. As a result, the overall FFB production declined by 10% YoY to 8.21 million MT. The overall OER in FY2022 also declined by 0.49% YoY to 21.10%.

With CPO prices hitting an all-time high in FY2022, the Group recorded a higher average realised CPO price of RM4,456 per MT, a 20% increase YoY. The average realised palm kernel (PK) price also increased by 5% YoY. However, these were offset by higher estate and mill operating costs, as well as the decline in FFB production.

As a result, the upstream segment reported a 25% decline in the total recurring profit before interest and tax (PBIT) to RM2.4 billion for FY2022 compared to the previous year.

KEY HIGHLIGHTS OF THE YEAR

United States Customs and Border Protection (USCBP) ban lifted

The USCBP lifted its ban on our products on 3 February 2023 with immediate effect, having modified (uplifted) its forced labour finding imposed on 28 January 2022. This was an important recognition by the USCBP on the comprehensive process undertaken to review, revise and, where necessary, upgrade our protocols for recruiting, managing and working with our workers across our Malaysian operations.

Transforming plantation operations through automation, mechanisation and digitalisation.

We successfully mechanised several tasks on a commercial basis across our Malaysian plantation operations, and expect to reduce 50% of manual workers in non-harvesting activities by the end of 2024, while improving productivity. By end-2027, we aim to have 100% local workers in our plantations (with a proviso that a solution for a mechanised/automated cutter is achieved) contributing to an improved land-to-man ratio of 1:17.5 or one worker for every 17.5 hectares, compared to the current industry average of 1:8.

For more details on our advanced automation, mechanisation and digitalisation initiatives, scan the QR code.

SDP's website – Innovation (Automating Plantations)

Recruitment of workers for Malaysia operations in accordance with enhanced Responsible Recruitment Procedure

In line with our commitment to adopting labour practices that respect workers' rights, in 2022 we began recruiting foreign workers for our Malaysian upstream operations in accordance with our enhanced Migrant Workers Responsible Recruitment Procedure. Among the key features of this enhanced procedure is the hiring of licensed agents who operate in accordance with International Labour Organization (ILO) Standards. Additionally, workers do not bear any recruitment fees and related costs of employment. We provide workers with contracts of employment in their own native language to enable them to understand the terms of their employment. Additionally, we do not withhold their passports and personal documents.

IMPROVING WORKERS' LIVING STANDARD

We embarked on an initiative to improve the standard of living of our workers. We upgraded (and when necessary replaced) workers' housing across the Group's upstream operations in Malaysia, Indonesia, PNG and SI. We also sped up the rehabilitation of other infrastructure including roads in the estates.

ACHIEVEMENTS/INDUSTRY RECOGNITION

Country	Recognition	Awarding Body
Malaysia	Best Work Place Element SOHELP DIY (Chemical Management) Award for 2022 (Sengkang Estate)	The National Council of Occupational Safety and Health (NCOSH)
	Best Work Place SOHELP DIY Category 2 (Noise, Chemical and Ergonomic Exposure Management) Award for 2022 (Sengkang Estate)	
	Code of Best Practice for Oil Palm Nursery (CoPN) Award for 2022 (Jeleta Bumi Estate)	Malaysian Palm Oil Board (MPOB)
	Best Employer Award 2022 KWSP Lembah Klang (Sg Buloh Estate)	Kumpulan Wang Simpanan Pekerja (KWSP) / Employees Provident Fund of Malaysia (EPF)
	Best Employer Award 2022 KWSP Lembah Klang (Bukit Cheraka Estate)	
Indonesia	Gold in the 2022 for "Program Desa Mandiri Cegah Api awarded by Corporate Forum for CSR Development (CFCD)" (Minamas Plantation)	Indonesian Sustainable Development Goals Award (ISDA)
	Bronze Achievement for Operational Excellence (OPEXCON) event (Kalimantan Selatan and Pamukan Region (KSP) and Riau Utara and Aceh (RUA) regions)	SHIFT Indonesia
	Minamas Plantation received "Sistem Pencegahan Kebakaran Lahan dan Hutan Secara Terpadu" award on 14 December 2022 (Minamas Plantation)	Sawit Indonesia
	"Partisipasi Membayar Pajak Daerah Tahun 2021" award on 15 June 2022 (PT. Indoturuba Tengah)	Kabupaten Seruyan

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Adverse weather conditions Heavy rainfall and flooding affect the quality and quantity of fruit and oil production.	Strict adherence to the Agriculture Reference Manual (ARM) by all operating units to maximise and sustain potential yield.	No weather impact on the performance observed during the year.
Labour shortage While borders have reopened post-pandemic, the labour market has not returned to the pre-pandemic ease of recruitment, hampering upstream operations.	Reduce dependency on manual labour through advanced mechanisation, automation and digitalisation of plantation operations, and by that, maintaining an optimum man-to-land ratio. Reduce dependency on foreign workers by transforming the nature of work in plantations to become more modern and sophisticated to attract qualified and skilled local workers such as drone pilots and machine specialists, who have receive attractive remuneration packages.	We have a commitment to increase local hiring in estates and mills. During the year, we hired 3,926 locals. Our ratio of foreign to local employees stood at 60:40 as at end-2022, compared to 75:25 pre-pandemic.
Human Rights While the USCBP's finding on forced labour in our operations has been lifted, it is important to ensure that adequate changes are in place and maintained to protect workers and ensure their well-being moving forward.	In addition to the improved communications with our workers and contractors as well as enhanced grievance mechanisms such as Social Dialogue sessions and helplines, the Board of Directors also approved the implementation of an ESG scorecard that carries as much weight as the operational scorecard across Upstream Malaysia.	*For more information on our workplace practices that champion the protection of human rights, scan the QR code below.* *Press Release – SDP's palm oil exports to United States given greenlight after review by US Customs.*
Instability of Indonesian Government Policies The shortage of domestic cooking oil supply had driven the government to impose regulations that impacted businesses.	Frequent engagements with relevant stakeholders to plan and strategise sales, delivery, and storage.	Despite the regulations imposed by the government, we were able to meet the terms stipulated in our contracts and fulfil our obligations.

WAY FORWARD

The Malaysian government has sped up the approval of applications for migrant workers for the plantation sector. Thus, palm oil production is expected to recover in 2023 as the wider availability of foreign workers, particularly harvesters, will address the labour shortage in our Malaysian plantations, hence improving the production of FFB in Malaysia.

We will continue to move strongly ahead with our plan to implement advanced mechanisation, automation and digitalisation of plantation operations as a longer-term solution to heavy reliance on manual labour. Thus, we expect to attract highly-skilled local workforce.

In terms of supply and demand, CPO prices are expected to hold at current levels due to stabilising factors such as higher palm oil production, improved weather conditions and higher availability of other major vegetable oils.

Sustainability will continue to be a key focus area, particularly with the increased scrutiny of measures to protect the environment. In this regard, the progressive development of biogas plants across our upstream operations to capture methane from palm oil mill effluent is timely. Methane is one of our largest sources of emissions.

Our proactive and ongoing efforts will reassure stakeholders that we are making firm progress on our industry-leading commitment to achieve net-zero emissions by 2050.

Our Group Managing Director welcoming workers from Indonesia at the Kuala Lumpur International Airport.

OUR PERFORMANCE BY SECTOR
UPSTREAM

3-YEAR OPERATIONAL REVIEW

	FY2020 (January 2020 – December 2020)			
	Malaysia	Indonesia	PNG & SI	Total
FFB Production (in MT)	4,944,336	2,521,544	1,811,748	**9,277,628**
OP Hectarage (in ha)				
– Mature hectares	246,895	158,158	84,340	**489,393**
– Immature hectares	52,070	35,173	6,703	**93,946**
– Total planted hectares	298,965	193,331	91,044	**583,339**
Yield per hectare (in MT/ha)	20.14	16.29	21.48	**19.14**
FFB Processed (in MT)				
– Own	4,942,093	2,521,544	1,811,748	**9,275,385**
– Outside	673,367	529,776	540,275	**1,743,419**
– Total	5,615,460	3,051,320	2,352,023	**11,018,804**
Mill Production				
– Crude Palm Oil (in MT)	1,174,059	659,450	529,201	**2,362,710**
– Palm Kernel (in MT)	284,593	138,648	133,870	**557,111**
– Oil Extraction Rate (%)	20.91	21.61	22.50	**21.44**
– Kernel Extraction Rate (%)	5.07	4.54	5.69	**5.06**
Rubber				
– Planted hectare (in ha)	12,229			**12,229**
– Rubber production (in kg)	6,107,678			**6,107,678**
– Yield per hectare (kg/ha)	1,220			**1,220**
Coconut				
– Planted hectare (in ha)				
Sugar Cane				
– Planted hectare (in ha)			5,637	**5,637**
– Cane yield (MT/ha)			37.37	**37.37**
Beef Production				
– Total herd as at December (in heads)			27,006	**27,006**
– Average deadweight (kg/head)			280	**280**
Total Landbank / Concession	342,408	256,247	146,646	**745,301**

FY2021 (January 2021 – December 2021)				FY2022 (January 2022 – December 2022)			
Malaysia	Indonesia	PNG & SI	Total	Malaysia	Indonesia	PNG & SI	Total
4,630,138	2,609,306	1,889,565	**9,129,009**	3,513,096	2,780,881	1,912,796	**8,206,774**
256,381	159,874	85,451	**501,706**	253,129	158,336	84,839	**496,304**
40,612	31,950	5,440	**78,002**	42,969	32,878	5,963	**81,810**
296,993	191,825	90,890	**579,708**	296,098	191,214	90,802	**578,114**
18.54	16.47	22.06	**18.49**	14.01	17.66	22.37	**16.63**
4,626,249	2,608,159	1,889,565	**9,123,973**	3,513,096	2,780,881	1,912,796	**8,206,774**
717,966	590,217	557,174	**1,865,357**	722,712	555,656	587,697	**1,866,065**
5,344,215	3,198,376	2,446,739	**10,989,330**	4,235,809	3,336,537	2,500,493	**10,072,839**
1,119,997	692,818	559,686	**2,372,501**	846,688	711,340	567,156	**2,125,184**
265,305	144,253	139,166	**548,724**	204,000	143,781	142,697	**490,478**
20.96	21.66	22.87	**21.59**	19.99	21.32	22.68	**21.10**
4.96	4.51	5.69	**4.99**	4.82	4.31	5.71	**4.87**
12,013			**12,013**	5,009			**5,009**
3,840,036			**3,840,036**	1,774,035			**1,774,035**
800			**800**	363			**363**
139			**139**	278			**278**
		5,637	**5,637**			5,637	**5,637**
		40.74	**40.74**			41.02	**41**
		27,499	**27,499**			27,490	**27,490**
		280	**280**			290	**290**
341,815	256,169	146,646	**744,630**	341,535	256,007	146,646	**744,188**

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

SIME DARBY OILS

SDO capitalised on in-house trading capabilities, favourable market conditions, higher sales and higher premiums to deliver a record-breaking profit in FY2022.

ABOUT SIME DARBY OILS

Sime Darby Oils (SDO) is our downstream business that serves global customers. Our products include edible oils, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives.

In line with our philosophy of "Realising possibilities, together", SDO collaborates and works closely with customers to deliver top-quality and enriching products, develop bespoke solutions and produce superior, refined oils and fats products which are tailor-made to suit their needs.

Within SDO's operations, there are 11 refineries with a total capacity of 3.99 million metric ton (MT) per year and a total bulking installation capacity of 284,900 MT; four kernel crushing plants with a total annual capacity of 405,000 MT; one biodiesel plant with a production capacity of 120,000 MT per annum; one soya crushing plant with production capacity of 132,000 MT per annum as well as two copra mills in Papua New Guinea with production capacity of 42,000 MT.

KEY PERFORMANCE CONTRIBUTORS IN FY2022

Excellence in Bulk and Trading Operations

SDO capitalised on in-house trading capabilities and favourable market conditions to deliver a higher refining margin in FY2022. Despite a slight decline in capacity utilisation due to lower feedstock received from the Group's upstream operations, there was an increase in sales volume due to good demand. SDO also enjoyed higher premiums from physical sales of fully segregated and mass balance oils, as well as RSPO certificates in FY2022.

Value creation from business transformation

In 2020, SDO started Project Matterhorn, a programme designed to transform our operations to achieve operational excellence, focussing on key areas such as safety, quality, sustainability, innovation and digitalisation. The programme has led to successful value-creation initiatives, honing manufacturing excellence while creating a safer and healthier workplace. We developed trading opportunities, adopted a customer-centric approach while implementing business turnaround, creating an engaged and motivated talent pool.

Record-breaking FY2022 PBIT

RM859 mil

an increase of 51% YoY

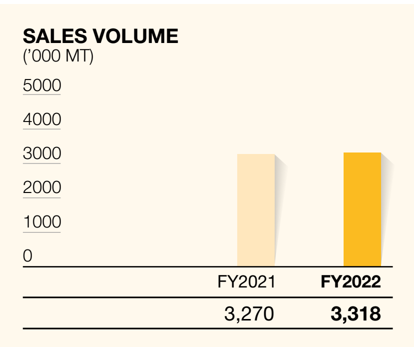
SDO carbon emissions

reduced by 8.2%

SDO team executed 115 CSR projects with

11,917 volunteer hours

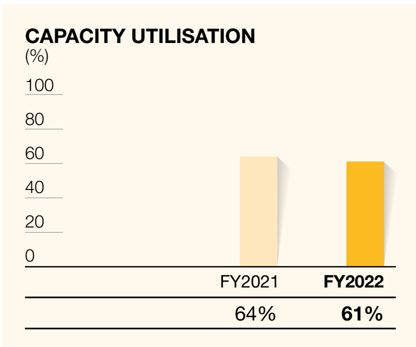
Within SDO's operations, there are 11 refineries with a total capacity of 3.99 million MT per year and a total bulking installation capacity of 284,900 MT.



FINANCIAL AND NON-FINANCIAL PERFORMANCE

In FY2022, SDO achieved a record-breaking Profit Before Interest and Tax (PBIT) of RM859 million, representing a year-on-year (YoY) increase of 51%. Our Asia Pacific operations delivered the largest contribution, driven primarily by higher margins generated from our bulk and differentiated businesses.

The strong results from Asia Pacific operations mitigated the impact of lower sales volume and margins recorded by SDO's Europe and Africa operations, which suffered from higher feedstock costs and utility prices.



KEY HIGHLIGHTS OF THE YEAR

Towards net-zero carbon emissions

Programme Circularity@SDO focusses on the reduction of carbon emissions and to "Reuse, Reduce or Recycle" waste at our refineries and crushing plants. Over 50% of the planned carbon emissions reduction projects were executed, resulting in a total reduction of carbon emissions by 8.2%.

Energy saving projects

Various energy saving projects were implemented across all of the Group's refineries. These include projects to improve condensate recovery, heat recovery and insulation, and replacing large motors with high efficiency motors. In addition, SDO also focussed on increasing renewable energy consumption through the installation of solar panels on rooftops and the use of biogas.

At our refinery in the Netherlands, a reverse osmosis plant was built, reducing the amount of water, energy and chemicals needed in the plant's operations.

Waste reduction projects

Thailand

- Recycling plastic waste to make t-shirts
- Reuse spent bleaching earth as fertiliser
- Reduced the weight of 1-litre plastic bottles by 1.96 grams as a result of new bottle design and new technology of PET machine

Malaysia

- Installing drinking water stations to reduce the use of plastic bottles at refineries

Indonesia

- Recycling plastic waste to make shopping bags

OUR PERFORMANCE BY SECTOR
SIME DARBY OILS

New product development

SDO developed and implemented new processes across our integrated supply chain to drive significant improvements in Food Safety.

Following two years of restrictions during the pandemic, in 2022, SDO's technical teams were able to meet our customers in person to refine product development in accordance with their specifications and, also to provide technical support. This complements the digital tools we developed to make our new product development cycle more efficient.

Among the new products SDO developed and released in the year was *ALIF D* – a new cooking oil, fortified with vitamin D to help nourish consumers with this essential vitamin while preparing everyday meals for their families. In line with key trends, SDO is also developing a range of products to support plant-based foods, and in this regard, released *ALIF* Margarine in the Malaysian market in 2022. SDO had also successfully developed and released new products specifically for the Group's expansion into the China market.

Branding and marketing

SDO reinforced our brand communications through clear messaging on all branding and marketing initiatives. We ran several well-integrated communications campaigns across various channels and enhanced our digital presence on our website, social media platforms and LinkedIn to increase engagements with stakeholders. This includes the successful #GetMoving Challenge, a global event, joined by thousands of our employees worldwide who were motivated to get healthy while raising funds for the benefit of disadvantaged communities in the countries where SDO operates.

In addition to expanding SDO's brand reach and credibility through industry programmes globally, SDO also enhanced its brand image with the Malaysian public by commissioning a mural at Tiger Tunnel, created by a local artist famously known as Miey Ali, a sponsorship programme with the National Zoo of Malaysia.

To celebrate the Group's bicentennial, SDO ran a programme, "Driving Culture of Care Within SDO Community", highlighting SDP's 200 Years of Volunteerism. Under the programme, SDO's team executed 115 corporate social responsibility projects globally throughout the year, accumulating a total of 11,917 volunteer hours.

Improved overall brand perception

In a customers survey to gauge the perception of the SDO brand, we achieved an overall score of 84.4%, which was higher than the previous year's score of 83.0%. In addition, 89.0% of customers rated SDO's sustainability performance "Excellent" or "Good".

ACHIEVEMENTS/INDUSTRY RECOGNITION

Award to	Recognition	Awarding Body
#GetMoving Challenge (GMC)	**PR Award 2022** Gold (Best Use of Advocate) Bronze (Best Employee Engagement/Internal Communication)	Marketing-Interactive
	CMO Asia Brand Congress 2022 Gold (Best Digital Integrated Campaign)	CMO Asia
	2022 The Dragon of Malaysia Gold (Best Mobile Marketing Campaign) Silver (Best Business to Business or Trade Marketing Campaign)	Dragons of Malaysia
	2022 The Dragon of Asia Gold Award – Best Business to Business or Trade Marketing Campaign	Dragons of Asia
SDO Morakot	The No. 1 Brand Thailand 2022 For Cooking Oil	Marketeer Magazine
	ASEAN Business Award 2022 – Agri sector-based product	ASEAN Business Advisory Council
	Superbrands Thailand's Choice	Superbrand organisation

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Climate & Sustainability Risk Sustainability risk remained high in FY2022 as human rights and deforestation in the palm oil industry continue to be increasingly scrutinised. This exposes SDO to the risk of stricter requirements from customers and regulators.	• Active engagement with all stakeholders to raise awareness of the Group's sustainability initiatives • Continuous effort to further strengthen sustainability practices on the ground	Increasingly stringent requirements from customers and regulators on sustainability practices.

Risks	Strategies	Results
Commodity Risk High energy prices sparked by the Russia-Ukraine war have significantly increased processing costs for SDO's operations, specifically in Europe. Despite gas prices tapering at the end of 2022, the uncertainties continue to linger given ongoing geopolitical conflicts, global warming and exchange rate volatility.	• Continuous pursuit of improvement initiatives at SDO's operations to reduce energy consumption • Implement hedging strategy for gas and use diesel as an alternate fuel	Increase in operating costs.
Shortage of quality CPO arising from labour issues in Upstream Malaysia operations The low supply of quality CPO persisted throughout 2022 arising from severe shortage of harvesters in our Upstream Malaysia operations, causing refineries to run at lower capacity.	• Align sales with production capacity • Purchase CPO from third parties	Potential delay in delivery to customers.
Competition Risk Competition risk escalates in the markets where SDO operates under challenging economic conditions as well as a confluence of factors such as customer demand, fluctuation of raw material prices, changes in global supply and demand, inflationary pressure, and changes in regulations.	• Close monitoring of customers' and competitors' strategies to better prepare for any shift in market trends • Close engagement with customers to ensure competitiveness • Continuously assess and realign strategies to remain competitive • Continuous marketing activities to strengthen SDO's brand in key markets • Ensure quality of products and services/ product differentiation	Intense price competition affecting profitability.

WAY FORWARD

Looking ahead to 2023, SDO will place emphasis on the following four focus areas:

Product innovation and development

Product innovation and development are key aspects of our downstream business. SDO collaborates closely with customers to understand their requirements, to deliver the products they need in the shortest time possible, while achieving the highest standards of product purity and quality. In addition, SDO is working to develop products that are in demand globally, namely nutritious plant-based products with a small environmental footprint.

Digital transformation

SDO's digital transformation involves reimagining our processes using digital solutions as we move towards becoming a digital organisation by 2025. Digital solutions will enable SDO to engage more closely and rapidly with our customers globally, to gain a better understanding of their needs and develop products in line with their requirements. Digital transformation will also enable SDO to work hand-in-glove with our customers in product development, collaborate seamlessly with their product teams and tackle new product development together with speed and agility.

Culture of Care

Building a Culture of Care among SDO employees at all levels is also a priority. A Culture of Care unites SDO in a common mission for the greater good, focussing our attention on caring for the planet, our communities, our customers and the ultimate consumers of our products – businesses who use the Group's products to make food for the families they nourish. It also fosters better relationships among members of the SDO team at all levels of our operations.

Environmental, Social and Governance (ESG) considerations

Advancing ESG considerations in the Group's decision-making is also an important priority as globally, there is increasing scrutiny of business practices and their alignment with sustainability principles. In addition, customers are concerned about climate change, carbon emissions and low carbon products, as they develop their net-zero commitments and look to SDP as a partner to help them achieve supply chain carbon emissions reduction. In this regard, the Group is perfectly positioned to provide customers with a reliable supply of low carbon products because we have an integrated supply chain and a longstanding commitment to sustainable agriculture, including no deforestation, no peat and no exploitation (NDPE). Additionally, our ability to meet the elevated level of compliance that is required in specific markets through our integrated segregated sustainable supply of palm oil, gives us a competitive edge.

Our product offerings include edible oils, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

RENEWABLES

Renewable energy is a key enabler in our roadmap to achieve net-zero emissions by 2050. We are committed to expanding our biogas and solar energy initiatives while exploring innovative ways to maximise the value of biomass and other waste products.

ABOUT OUR RENEWABLES BUSINESS

Sime Darby Plantation Renewable Energy Sdn Bhd (SDPRE) is the subsidiary set up in 2020 to support the Group's green initiatives. Its mandate includes establishing ventures to co-develop biogas plants as well as other renewable energy projects such as solar and biomass.

As the Group sought to intensify efforts to reduce carbon emissions in 2020, SDPRE was given the responsibility to take over our biogas and other renewable energy developments. To date, there are 14 operational biogas plants in Malaysia, Indonesia and Papua New Guinea which capture methane from palm oil mill effluent (POME) and convert it into renewable energy.

For solar energy, in addition to leasing out selected areas within our landbank for use as solar farms, SDPRE has also developed rooftop solar projects to reduce the Group's conventional energy and diesel consumption.

With regard to biomass, in addition to converting biomass into fertiliser for use in our plantations, SDPRE is also exploring opportunities to use biomass as an alternative fuel.

For more information on SDP's renewable energy initiatives, refer to www.simedarbyplantation.com/sustainability/climate-action/

ACHIEVEMENTS

Biogas

Progress on biogas plants: In FY2022, we commissioned two new biogas plants at Elphil and Kempas estates, bringing the total number of biogas plants in operation to 14 with a total capacity of 21.4 megawatt (MW).

Impact on carbon emission reduction: Based on the Science Based Targets initiative's (SBTi) latest guidelines adopted by Sime Darby Plantation (SDP), the Group's operations recorded a total of 2.54 million tCO_2e from non-Forest, Land and Agriculture (non-FLAG) Scope 1 and Scope 2 emissions. To date, the total carbon emission reduction achieved through biogas initiatives is 0.22 million tCO_2e, which is equivalent to planting 7,898 carbon capture trees. Biogas initiatives have helped us accelerate the progress in reducing carbon emissions from 2.5% to 5.2%, putting us on track to achieving a 50% non-FLAG carbon emission reduction by 2030.

Note: With the new SBTi baseline, only biogas projects from 2020 onwards are taken into account for carbon emission reduction calculation; previous projects are considered as business-as-usual.

Solar

Progress on solar projects: In 2022, we completed the construction of rooftop solar at our Research & Development (R&D) Centre in Banting with a capacity of 267 kilowatt peak (kWp). With its completion, we have installed rooftop solar systems at seven sites, of which five are operational, and supplying a total 582 kWp of solar energy. The two remaining completed sites are expected to be commissioned by 2023 and will supply annually, an additional 432 kWp of solar power.

The next phase of rooftop solar projects is currently in progress and involves three sites:

- our Group Head Office,
- our Centre of Sustainability and the R&D Centre in Carey Island, and
- SDO Port Klang Refinery

These projects are expected to be completed by the third quarter of 2023, and when operational, will supply an additional 1,522 kWp of solar power.

Impact on carbon emission reduction: Our current operational solar rooftop initiatives have contributed to carbon emissions reduction by 435 MT carbon dioxide (CO_2) annually and will increase to 758 MT CO_2 annually when the two completed sites begin operations in 2023. With the completion of the rooftop solar systems at the three sites which are currently in progress, this will accelerate carbon emission reduction to 1,895 MT CO_2 annually. These initiatives have put the Group on track to achieving a 50% non-FLAG carbon emission reduction by 2030.

In addition, SDP also has two solar systems under development which will be installed at SDO Kernel Crushing Plant and SDO Pasir Gudang Refinery with a total capacity of 2,395 kWp.

KEY HIGHLIGHTS AND WAY FORWARD

Solar

NEM and SELCO: To date, seven solar PV systems have been installed under the Net Energy Metering (NEM) and Self-Consumption (SELCO) schemes with a total capacity of 1,014 kWp. Moving forward, we are planning to install 81 solar rooftop systems across our assets, as an initiative to reduce our Scope 2 emissions and strengthen our approach towards the Group's net-zero commitment.

Note: the NEM and SELCO schemes are initiatives of the Malaysian Government to encourage the uptake of renewable energy. Under the NEM, energy produced from solar PV installation will be consumed first, and any excess will be exported to the national grid and sold to the national utility provider. The SELCO scheme does not permit exportation of excess energy to the national grid.

Large Scale Solar (LSS): In support of Malaysia's national agenda to reduce its carbon emissions, we leased our land to third parties to develop large scale solar plants under the Government's LSS scheme. The first LSS plant with 20 MW capacity was installed in Tali Ayer Estate in Penang and commenced operations in 2018. It has been generating stable income since 2019.

The development of 12 LSS4 projects with a total capacity of 336 MW is expected to be commissioned by the end of FY2023. As SDP is the landlord with no ownership of the LSS plants, we do not claim the carbon emissions reduction from LSS projects towards our own targets. Instead, the carbon emissions reduction contributes towards national targets. Once all 12 LSS projects on our assets are commissioned, in total they will produce a projected total carbon emission reduction equivalent to planting 7,390,338 carbon capture trees as part of Malaysia's carbon reduction targets.

Off-Grid: SDPRE has also started implementing battery energy storage and off-grid solar systems as part of its portfolio. The Group is currently developing two off-grid solar projects equipped with Battery Energy Storage Systems (BESS) at our assets, namely at our fertigation system in Sungai Buloh Estate which has a solar plant with a capacity of 25.92 kWp and 77 kWh BESS at multiple areas in Jelata Bumi Estate with total of 859 kWp solar plants and 1,482 kWh BESS.

Potential solar capacity: Upon completion of the solar projects currently under development, the total capacity of SDP's assets will be 359 MW which translates into the capability of generating power to supply up to 110,778 households.

Biogas

Currently, SDP has 14 biogas plants which contributed to the Group's carbon emissions reduction by 5.2% for the year in review. Of this total, 10 are operational biogas plants in Malaysia with the capacity to power up an estimated 36,000 households. In the pipeline are 16 plants – three of which are currently under construction, five are at the pre-construction stage and the rest are still in development stages.

Biomass

The team continues to explore the feasibility of valorising oil palm trunk, empty fruit bunch, palm kernel shell and biochar, by selling them as fuel. This will significantly support our plans to reuse waste and offset emissions. The Group is actively seeking biomass business opportunities with international firms to use these waste materials as fuel.

Algae

SDP is looking into capturing carbon from flue gas emitted by our operational boilers. To realise this, we are looking into carbon capture and sequestration using algae defensive technology to reduce our carbon footprint and promote the circular economy. We are planning to commence a trial phase in early 2023.

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Lack of Expertise Lack of key personnel and technical support to carry out projects efficiently	• Work with the Group Human Resource department to headhunt project consultants or talents with expertise in relevant fields. • Perform due diligence to ensure proper selection of solar contractors with good track records.	Strengthen technical support and business operation capabilities of SDPRE, improving project success rate. Appoint reputable Engineering, Procurement, Construction, and Commissioning contractors through tender process.
Crop fluctuation Low processing trend at oil mills resulting in low production of POME which directly impacts power generation and revenue from biogas plants.	• Evaluate and explore crop diversion initiatives and increase the supply of outside crop . Improved power generation and revenue from biogas power plants.	Continue to sustain good relationships with biogas partners and SDP's stakeholders.
Emergence of new technology Fast evolving and high-cost technologies emerges quickly to challenge the viability and profitability of projects.	• Keep abreast of new market developments through subscriptions to publications, exploratory discussions, workshops with startups and universities and strategic connections with potential partners. • Rationalise new technology and incorporate them into current operations.	Aligning SDPRE team's knowledge with the latest technology. Maintaining a balance between adapting to the latest technology and maintaining project profitability.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

RESEARCH & DEVELOPMENT

Sime Darby Plantation Research & Development's vision is "Turning science into solutions for the ever-changing world". Our work enables SDP to reimagine the future of the palm oil industry and provide solutions to leap into the future.

Sime Darby Plantation (SDP) is a fully integrated global plantation company with market-leading Research & Development (R&D) applications and capabilities in key areas across our value chain. These focus areas include plantation research & advisory, biotechnology & breeding, processing technology, seeds & agricultural services, customised product development, environmental, safety & health. Our R&D infrastructure includes five R&D Centres in Malaysia, Indonesia, and Papua New Guinea, three Innovation Centres in Malaysia, the Netherlands and South Africa, as well as a fully operational genetic testing facility in Malaysia.

In addition to the Innovation Centres, R&D supports Sime Darby Oils through seven Centres of Excellence covering the following areas: frying, bakery, confectionery, food safety, nutrition and wellness, animal nutrition and process innovation.

Across these R&D facilities, over 180 scientists and technicians are focussed on aligning SDP's innovation towards the changing world and market needs. Our breakthrough innovations are intended to be commercialised and marketed as viable and scalable products and solutions for the market. Some of SDP's most impactful technologies and innovations which were developed in-house at our R&D centres are currently being rolled out commercially across our operations. They include industry-leading oil palm genomics technology and cutting-edge innovations in the field which improve our plantation yields and milling processes and customise our downstream products.

OUR R&D UNITS

Our main R&D units are:

• Biotechnology & Breeding (BB)	• Environmental, Safety & Health
• Plantation Research & Advisory (PRA)	• Support Services
• Processing Technology i. Processing & Engineering ii. Oils & Fats iii. Lab Services iv. Advanced Mechanisation Technology	• Sime Darby Plantation Seeds & Agricultural Services (SDPSAS) • Minamas Research Centre (MRC)
• Product Innovation and Development (PID)	• New Britain Palm Oil Limited (NBPOL) Research Centre

Lab Services

Total Lab Analyses in 2022

213,236

Investments

RM5,271,947

MS ISO/IEC 17025 Accreditation

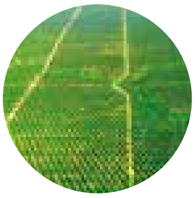
239 tests

Savings

RM0.52 mil

We have over 180 scientists and technicians across our R&D facilities.

KEY PROGRESS (GENOMESELECT™)



GenomeSelect™

Calix 600®

1

2016 – 2022

4,500 ha

planted in SDP

2

2022 – 2023

50%

SDP Replanting

2024/25 ONWARDS

100%

SDP Replanting

3

YIELD EVALUATION/VALIDATION

- GenomeSelect™ performed significantly better in yield than other comparative fields. The 2016 Dusun Durian Field was the best performer for three consecutive years since commercial harvesting commenced in 2019. In 2022 (year 3), its yield was 51% above the average of all coastal fields in Central East Region of similar age group.
- Three monitored 2018 GenomeSelect™ fields across coastal, basaltic and inland yielded 7%, 14% and 31% higher in side-by-side comparisons with our Calix 600® (1st year yield).
- The oil-to-bunch ratio of GenomeSelect™ was 13-15% above the mean produced by Calix 600® material.

4

Available in seed market in 2023 followed by upscale in 2024

For more information on the implementation of GenomeSelect™, scan the QR code below.

SDP's website – Innovation

OUR PERFORMANCE BY SECTOR
RESEARCH & DEVELOPMENT

PROGRESS MADE DURING THE YEAR

Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd (SDPSAS)	
Produce high quality planting materials for SDP and external customers	• Fulfilled our estates' requirements for planting with GenomeSelect™ material. • Supplied Calix Q6™ and Calix 600® planting materials to external customers including plantation companies, nursery operators and smallholders. • SDPSAS also provides agronomy services to more than 50,000 ha small and medium size estates owned by external customers. • Exports of Calix Q6™ and Calix 600® materials to overseas markets, mainly Thailand, India and the Philippines, doubled YoY to approximately 1,000,000 seeds.
Product Certification	• All seed production units under SDPSAS in Banting, Layang-Layang and Tawau continue to implement the MS157:2017 Product Certification, ISO 9001 Quality Management System accreditation and Code of Practice Nursery (CoPN) certification.
Processing & Engineering	
Improving OER using Biocatalyst	• Total of 10 out of 33 mills (Upstream Malaysia) commercially using biocatalyst in their milling process, whereby oil recovery of an additional 0.7% is achieved. • Received 2 IChemE Malaysia awards – 1. Palm Oil Industry Award 2. Sustainability Award
Inline near infrared (NIR) for Real-Time Measurement of Delta OER	• Studies on OER increment using inline NIR to support the project on improving OER using biocatalyst. • Supercedes manual verification process which eliminates human error, real-time mode, online reporting system and manpower reduction.
Mill – IR4.0	• Embarked on mill process control and automation. • Leveraged on digital twin technology and modelling to simulate process adjustments and conditions for process optimisation.
Separate Oil Recovery System (SORS) The enabler for production of good quality crude palm oil (CPO) and waste stream-based feedstock i.e. technical grade oil (TGO) for biofuel application.	• Together with targeted technical Good Manufacturing Practice (tGMP), the mill could produce CPO that complied with mineral oil hydrocarbon (MOH) limit as demanded by customers. • SDP enjoyed a premium price for biofuel after producing it based on waste stream oil/TGO verified by International Sustainability & Carbon Certification (ISCC).
Zero Liquid Discharge at SDPSAS	• Completed installation and commissioning of Electro Oxidation (EO) system for SDPSAS wastewater treatment and achieved the required quality. • Treated water from EO is used for nursery watering.
Bunch Yield Mapping	• Completed development and testing of fully online algorithm processing in the estate. • Established dashboard and data flow from a vision system to SDP's Spatial Data Management & Rapid Analytics (SMART). • Received Universiti Malaya (UM) Excellence Award 2022 – Corporate Partner Research.
Bunch Smart-Grabber	• Completed development and testing of novel mechanism for bunch smart-grabber with low error range. Patent application has been filed. • Completed development and testing of the bunch smart-grabber on a mini tractor grabber (MTG) with UM.
Membrane Oil Recovery System (MORS)	• Completed all rectification and automation of the system. • The permeates (filtrate of membrane) going into an effluent treatment plant (ETP) from the membrane have significantly less suspended solids and oil and grease than conventional ETP.
High Speed Separator (HSS) for Final Oil Recovery	• Collaboration with SDP's operation units to utilise HSS for higher oil recovery prior to discharge to an effluent treatment plant. • Proven to reduce oil loss to below 0.7% OLWB (oil loss wet basis).

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
IKM Excellence Award (2022)	Institut Kimia Malaysia
Palm Oil Industry Award (2022)	Institution of Chemical Engineers (IChemE)
Sustainability Award (2022)	Institution of Chemical Engineers (IChemE)
Special Achievement in GIS (SAG)	Esri Inc.

SDP prioritises standardisation and accreditation of laboratories to ensure accuracy, reliability and high-quality products.

Rapid Oil Recovery System	• Collaborative work with the Tanah Merah Mill has developed this fast oil recovery system to replace the long hydraulic retention time using vertical clarifier. • Preserve and supports high quality CPO production.
Advanced Mechanisation Technology (AMT)	
Autonomous Mechanical Buffalo Grabber (Proof of Concept)	• Breakthrough in autonomous navigation and FFB collection capabilities for the palm oil industry. • Tested FFB collection at full scale (navigation, identifying harvested bunches' location and collection). • Reduces dependency on foreign and skilled workers. Labour reduction from one to zero compared to a manually driven machine. Productivity performance is comparable at 20 ha/day (targeted). • Autonomous technology can improve safety in plantations by reducing the need for human workers to operate heavy machinery, which can be hazardous. • As the mover operates in the estate, its autonomous system will continue to learn and adapt based on the real-time data it collects.
Autonomous Robot Loose Fruit Collector (Proof of Concept)	• This machine has three main systems – an autonomous mover, a collection system and a detection system. The components include a roller for collecting loose fruits (LF) on the ground, a conveyor and a vacuum chamber to transfer the LF, and a separator to separate the LF from debris. • This machine can collect scattered LF on the ground effectively (1kg/min) with trash or debris content of less than 10%. • Once LF is detected, the mover will autonomously move from one palm to another. Then, the machine will start to collect and go through the cleaning process to separate the LF from the debris. Cleaned LF is stored in a collection bin. • Reduces dependency on foreign and skilled workers—labour reduction from four to zero (targeted) compared to manual collection.
Mechanised Rat Bait Applicator	• Fully mechanised rat bait applicator ready for commercial use. • Modular design for flexibility. • Compact, light-weighted – able to move with ease in estates with flat terrains or terraced areas. Suitable for any types of rat bait. • Productivity up to 40 ha per day (flat areas) compared to 10 ha per day manually. • Reduces dependency on foreign and skilled workers—labour reduction from four to one compared to manual operation.

OUR PERFORMANCE BY SECTOR
RESEARCH & DEVELOPMENT

Oils & Fats	
Digitalisation for SDO Refineries	• Process automation and modernisation in the refineries to improve efficiency and traceability further. • The first digitalisation system (known as SDO's PI system), went live in Sime Darby Oils Port Klang Refinery (SDOPKR).
Environment, Social & Governance in Waste Water Management	• Efficient technologies to treat waste water to achieve zero discharge, have been tested and are now at commercialisation stage.
Industrial Leader in Low MOH Production	• Established process control and SOPs to reduce MOH in crude oil. Achieved low levels of mineral oil saturated hydrocarbons (MOSH) & mineral oil aromatic hydrocarbons (MOAH) based on customer's specification.
Lab Services	
Monitoring of Laboratory Performances	• Internal testing capabilities of our Lab Services contributed a total of RM0.52 million in cost savings in FY2022. • Conducted Palm Products Proficiency Testing (PALMTEST) and Effluent Proficiency Testing (EFFTEST) for SDP's mills which are required to determine the performance of individual laboratory for specific tests in palm products and effluent analysis, as well as to monitor laboratories' continuous performance.
Promoting Food Safety	• Implemented MOH analysis via Chronet Workstation in the Food Safety Laboratory to cater to customers' growing demand for low MOH products.
Enhancing Laboratory Methods and Techniques	• Deployed NIR techniques to replace conventional laboratory methods, shorten testing turnaround time and reduce analysis costs. • Automated laboratory testing as part of the enhancement project on the digitalisation of laboratory operations through the Laboratory Information Management System (LIMS).
Ensuring Standardisation and Accreditation of Laboratories	• All laboratories under R&D Lab Services in Carey Island, Tawau and Bintulu implemented the MS ISO/IEC 17025:2017 accreditation system governed by the Department of Standards Malaysia.
Plantation Research & Advisory (PRA)	
Estate Mapping	• Mapped 79,846 ha of the SDP's plantation areas via satellite and drone for remote sensing purposes. • Improved palm counting, detection of vacant areas, and monitoring outbreaks of pests and diseases.
Deployment of Unmanned Aerial Vehicle (UAV) Point-to-Point Sprayer for *Oryctes rhinoceros* Beetle Control in Immature Oil Palm	• New method of spraying technology using drones deployed to 10,000 ha of immature fields.
Development of UAV *Ganoderma* Census via Image Analytics	• Developed a successful algorithm model to classify *Ganoderma*-infected palms using image analytics on images taken from the drone fitted with multispectral and hyperspectral camera.
Deployment of SMART Crop Protection Agri 4.0 Apps for Pest and Disease Census Data Generation	• 12 apps developed and deployed to all our estates to undertake pest and disease census of rats, termites, *rhinoceros* beetle, *Ganoderma*-infected palms, crown disease, leaf eating pests, weed condition as well as barn owl occupancy census.
Production and Supply of ARMYCORR™ (Arbuscular Mycorrhizal Fungi) for Use in Oil Palm Nursery (bio-fertiliser)	• Launched ARMYCORR™ in 2022 - ARMYCORR™ contains Mycorrhizal fungi that form a symbiotic relationship with the plant's root and act to defend the roots from harmful pathogens and enhance growth. • Produced 52.1 MT and delivered to our estates during the year.

Plantation Research & Advisory (PRA)	
Production and Supply of ORBOX™ Bioinsecticide (Metarhizium) for Biological Control of *Orytes rhinoceros* Population in Oil Palm Replants	• Produced and supplied ORBOX™, a bioinsecticide which infects and kills larvae of *Oryctes rhinoceros* beetle and ultimately reduces its population in oil palm fields. • 14.3 MT of ORBOX™ was supplied and applied at oil palm replanting sites in SDP estates.
Product Innovation & Development (PID)	
Commercialising New Products	• Successfully commercialised four new products - ALIF margarine, ALIF cooking oil fortified with Vitamin D, as well as butter oil substitutes and customised shortening for China and US markets, respectively. • Anchored on quality, the products contributed to SDO's largest growth in gross profits to date.
Meeting Consumer Demands	• A preliminary version of a pastry margarine with 10% reduction in saturated fat content was developed following a request by a customer. • Made progress in oils and fat blends for our plant-based segment.
Developing New Formulations	• Developed new formulations that improved the performance of wellness products and animal nutrition.
Digitalising Operations	• Adopted Interactive Technical Application Services (iTAS), a web-based application which led to time and cost efficiencies.

WAY FORWARD

Moving forward, we will continue to apply our R&D capabilities towards our transformative efforts.

In the upstream business, we will look into increasing yields to meet increasing demand for vegetable oil without further need for land expansion, namely through GenomeSelect™ and other innovations.

Plantation management also represents an opportunity for R&D to implement cutting-edge technologies which enable us to manage our plantations better. We will continue to adopt greater mechanisation, automation and digitalisation in our operations to improve the land-to-man ratio while attracting local employees. Furthermore, instead of the traditional Global Positioning System (GPS) based mapping technologies, we will continue to improve our drone and satellite imaging capabilities to map out our plantations in near-real time, rapidly. This will improve the ability to identify diseases, manage outbreaks more effectively and facilitate more precise decision-making.

For our downstream business, R&D will look into supporting our ability to respond to evolving consumer needs by leveraging our capabilities to develop new products and innovative solutions.

Our expert scientists continue to innovate products to help customers excel in Oils and Fats applications.

R&D efforts will also be channeled towards enhancing our sustainability commitments by taking proactive approaches to reduce carbon, energy and water footprints in our operations. We are also developing new technologies to efficiently treat our industrial wastewater that will tremendously reduce SDP's net carbon footprint in line with our net-zero commitment.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

HUMAN CAPITAL GROWTH

Our people practices continue to be pivotal in this transformative year for us. It is crucial to continuously develop our employees' capacities and capabilities for new ways of working, particularly for Upstream Malaysia which has experienced accelerated development in the environmental, social, and governance (ESG) space, as well as mechanisation, automation and digitalisation.

HUMAN CAPITAL FRAMEWORK

Our Human Capital Framework sets out the Group's strategic focus to maximise the potential of our employees and our ability to deliver results sustainably.

Creating Alignment

Establish clarity and alignment between strategy, corporate goals, and day-to-day operations

Highlights in FY2022

- Rollout and monitoring of ESG scorecard
- Measuring effectiveness of Human Rights initiatives in Upstream Malaysia via Workers' Satisfaction Survey
- Strategy-driven Key Performance Indicators

Quality of Execution

Effective execution of strategy

Highlights in FY2022

- Continuous development and elevation of jobs at plantations via mechanisation and automation to drive productivity and create enhanced career opportunities for locals to join Upstream Malaysia
- Enhanced leadership prowess for senior and junior management talent
- Prioritised key Organisational Health Index (OHI) management practices to drive quality of execution

Capacity for Renewal

Drives innovation, continuous improvement and future skills to face evolving business challenges

Highlights in FY2022

- Enhancing Digital and Research & Development (R&D) capacities and capabilities
- Setting the foundation for the development of an in-house Digital Academy
- Identified Functional Critical Positions (FCP) alongside Mission Critical Positions (MCP). FCPs are key positions with similar scope and function that are present across multiple divisions or locations

We continuously develop our employees' capacities and capabilities to drive the business of today and create value for tomorrow.

ESG alignment through
ESG Scorecard

Workers' Satisfaction Survey

Drive
Execution Excellence
through Organisational Health Index

Award-winning
Talent Management and Development practices

KEY CONTRIBUTORS TO PERFORMANCE IN FY2022

Commitment to ESG

We are committed to respecting, supporting, and upholding fundamental human rights for our employees and communities. This commitment is reflected both in our Human Rights Charter (HRC) and Core Values, and is aligned with human rights principles as described by the International Labour Organization, Universal Declaration of Human Rights, and the United Nations Guiding Principles on Business and Human Rights.

We recognise that one of the most crucial elements in fulfilling our ESG commitments is to listen to our employees. Hence, an expansive Grievance Channel network was implemented for Upstream Malaysia, supported by fortnightly social dialogues across all 155 operating units, benefitting workers from nine different nationalities. This commitment is further demonstrated through our ongoing efforts to ensure all our suppliers, contractors and vendors adhere to the HRC.

To measure the effectiveness of these initiatives, an ESG scorecard was developed and cascaded to all executive-level employees in our Upstream Malaysia operations. The ESG scorecard measures the success of human rights initiatives, namely the Grievance Channels, Social Dialogue, Workplace Safety, and compliance with applicable regulations and governance standards. We also conduct Workers' Satisfaction Surveys as a check-and-balance to ensure that our workers' experience is aligned with our human rights initiatives.

Driving Execution Excellence

We continued the Organisational Health Index (OHI) practice as a means of gauging employee sentiment of management practices within their respective departments and at the organisational level. For FY2022, the focus was on four key management practices: Strategic Clarity, Consultative Leadership, Talent Development and, Rewards & Recognition. These practices were selected based on key focus areas that require improvement, and were supported by external benchmarks to drive quality of execution.

An OHI survey was conducted in early FY2022 to gauge the effectiveness of these practices and to assess progress since it was first implemented in 2018. The results were then used to identify specific action plans for improvements. These were further supplemented with various pulse surveys as periodic check-ins and a measure of employee sentiment from time to time.

OUR PERFORMANCE BY SECTOR
HUMAN CAPITAL GROWTH

Talent Management and Development

We have identified key positions with similar scopes or functions across multiple divisions or locations. These are classified as FCP, an extension of the MCP that was first established in 2020. Like MCPs, successors were also identified for the FCPs through a combination of performance and potential assessments. Endorsed successors were put through a series of structured development programmes.

We continue to focus on structured development for our talent pool via programmes at enterprise level, catered to address leadership and capability development. We rolled out the Senior Management and Middle Management Programmes Group-wide in 2022 and will rollout the Junior Management Programme in 2023.

Upstream Learning Intervention for Transformation (UpLIFT), a programme that aims to build capabilities in upstream operations, has continued into its second year for Upstream Malaysia and expanded beyond managers, to cover executive level assistants as well as non-executive level supervisors. We have expanded UpLIFT for New Britain Palm Oil Limited (NBPOL) managers beginning November 2022.

UpLIFT will be expanded to fully cover managers and assistants in both Upstream Indonesia and NBPOL in 2023.

As a testament to our strong talent management practices, SDP was awarded the Silver Award for Excellence in Talent Management at the HR Excellence Awards 2022, organised by HumanResourcesOnline.net. The award was first established in 2012 and has evolved from highlighting exceptional practices to benchmarking human resources practices across industries.

Enhancing Digital Literacy

In line with our shift towards enhanced mechanisation, automation and digitalisation in our operations, digital literacy programmes were conducted to enhance capacity for the adoption of new methods, technologies, and ways of working. These programmes are:

- Design Thinking
- Agile Project Management
- Situational and Agile Leadership in High-Stakes Situations
- Competing in the Age of Artificial Intelligence
- Data Visualisation
- Scrum Master Programme

We will continue to enhance our digital literacy programme by establishing a Digital Academy in 2023.

Digital literacy programmes were conducted to enhance capacity for the adoption of new methods, technologies, and ways of working.

Through advanced mechanisation, automation and digitalisation, we are making work in plantations more sophisticated and less laborious.

Enhancement of real-time feedback

We continue to drive performance improvement by actively promoting and driving real-time performance management and monitoring. A mobile app was first developed in 2020 alongside the launch of the new performance management framework. In FY2022, we further enhanced our real-time feedback feature by integrating it into our NADI people management system. Through this feature, employees can provide feedback anytime, anywhere, from any device. Recognition badges are also available for employees to award the recipient with a badge such as Teamwork, for appreciation and recognition.

WAY FORWARD

Moving forward we will continue to enhance our key initiatives in four major areas.

Enhancing Employee Experience

We will prioritise employee experience through a comprehensive plan. We will place strong emphasis on employee listening as a crucial component in understanding the overall employee experience at all levels of the organisation. As such, we will conduct pulse surveys and actively solicit real-time feedback and suggestions to provide deeper understanding of the employee experience on the ground.

Employee well-being is another key aspect of a positive employee experience. In addition to expanding the employee wellness programme in terms of content and its reach throughout our organisation, we will also promote wellness through sports and recreational activities, and other social events. This will foster a sense of camaraderie and create a supportive and inclusive workplace that encourages positive interactions.

Project *Lokal*

We will intensify the recruitment of locals for our upstream operations in Malaysia, leveraging on attractive new jobs as a result of our advanced mechanisation, automation and digitalisation initiatives. We will seek to collaborate with relevant agencies to promote and uniquely position such jobs as a new career path for highly-skilled and qualified Malaysians, in the plantation sector.

Talent Management

We will pursue capacity and capability enhancement of our employees through structured talent management and development programmes that are designed for their progressive development. We will expand the UpLIFT programme to our upstream operations in Indonesia to build a robust pipeline of future leaders. In addition to providing valuable exposure to the young talent whom we have identified by assigning them to work on key projects, we will also roll out the Junior Management and Management Trainee programmes to deepen our leadership pipeline.

Leveraging on Digital

We will boost digital literacy and skills across the organisation through the development of our own in-house Digital Academy which will serve as a hub for learning and development in the digital space. We will also leverage on technology to introduce e-learning to improve access to our learning and development resources. This will enable us to deliver learning-on-demand modules to our employees, allowing them to learn at their own pace and convenience, regardless of time constraints or other limitations.

SUSTAINABILITY OVERVIEW

SUSTAINABILITY IS PART OF SIME DARBY PLANTATION'S DNA

Sime Darby Plantation's (SDP) vision is to be the leading integrated global palm oil player. To achieve our vision, SDP's Strategy Blueprint calls for the Group to drive growth through three strategic pillars – Sustainability, Operational Excellence and Innovation, shaped by global megatrends which include the impact of climate change on the Group's business.

To build sustainability leadership that differentiates, the Group's sustainability purpose covers three key pillars – contributing to a better society, minimising environmental harm and delivering sustainable development. In pursuit of these priorities, our efforts focus on the three main areas where we can make the greatest impact – climate action, human rights and responsible sourcing.

SUSTAINABILITY STRATEGY

Climate Action

Implementation of 2050 net-zero emissions roadmap
SDP's Net-Zero Strategy commits to absolute overall emissions reduction in Scope 1 and 2 by 2050, with all unabated Scope 3 emissions balanced by an appropriate amount of carbon removals or offsets.

Land Use Transformation towards carbon neutral land use across the Group's operations
Reforestation of unplantable reserves and rehabilitation of peatland to accelerate sequestration and exploration of opportunities for tree planting.

Implementing the Protect, Restore and Connect approach in managing identified unplanted areas.

Human Rights

Respecting and upholding Fair Labour Standards and Ethical Recruitment
Ensuring sustainability of human rights improvement plans and implementation across all operations with the main goal of ensuring worker well-being.

Embedding a culture of Health and Safety
Enhancing the Culture of Care programme and Project Omega HSE standards across all operations with the overall ambition to ensure Zero Harm.

Responsible Sourcing

Demonstrating complete traceability and No Deforestation, No Peat and No Exploitation (NDPE) compliance, and going beyond palm-based products
The overall goal is to achieve a 100% transparent and NDPE compliant supply chain by 2025, which extends across non-palm supplies as well.

Include smallholders in the Group's sustainability journey
Support certification of smallholders throughout SDP's supply chain with a target to ensure more than 50,000 smallholders within the Group's supply chain adopt responsible agriculture practices by 2025 in line with SDP's responsible sourcing guidelines.

Detailed reports on the progress of the sustainability strategies are available in the Our Environmental Responsibility, Our Commitment to People, and Responsible Sourcing sections on pages 70 to 89.

SUSTAINABILITY GOVERNANCE

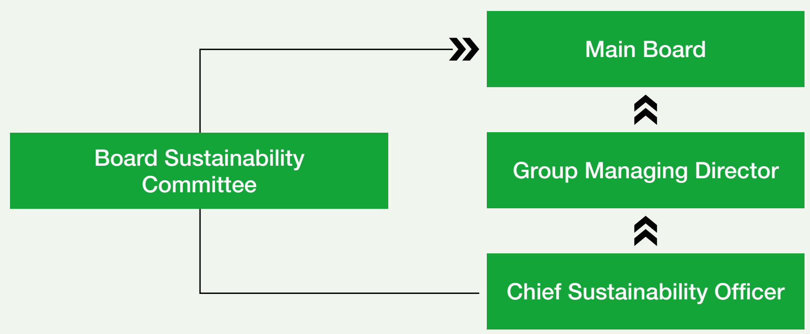
SDP has in place a strong and robust sustainability governance structure which is key to our ability to create long-term value. The Board of Directors is accountable for the Group's sustainability commitments and performance. The Board takes an active role overseeing sustainability related matters through the Board Sustainability Committee (BSC), which supports oversight of the Group's sustainability objectives, policies, and practices.

The Group's sustainability risks are monitored in our Enterprise Risk Management framework that is governed by the Board Risk Committee. This framework includes environment, social and governance (ESG) risks that are material to the Group.

At Management level, the Group Managing Director is accountable for sustainability-related matters for the entire Group. ESG related metrics are included as part of the Group Managing Director's corporate scorecard. One of the Key Performance Indicators that will be measured is the performance of the Group against an external sustainability benchmark.

The Group Managing Director is assisted by a sustainability team, led by the Chief Sustainability Officer, who is also responsible for reporting on updates, progress, and

Our Sustainability Governance structure



For more information on our Sustainability Governance, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

critical concerns to the Board Sustainability Committee every quarter.

CLIMATE GOVERNANCE

SDP has aligned our disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which will enable stakeholders to better understand and assess the Group's exposure to and management of the impact of climate change.

Climate governance covers the Board's oversight of climate-related risks and opportunities, and the role of Management in assessing these risks and opportunities. At the Board level, SDP's climate governance is led by the BSC. At every quarterly BSC meeting, the progress of the Group's efforts to decarbonise our operations against our overall climate strategy is monitored and deliberated as a standing agenda item. This includes the Group's renewables projects (biogas and solar initiatives), efforts in implementing nature-based solutions and reforestation projects, and efforts to eliminate deforestation within the Group's supply chain.

Key outcomes of the BSC meetings are escalated to the Board. Specifically in 2022, climate-related topics were discussed around the Net-Zero Roadmap and targets, carbon removals strategy, nature-based solutions programmes, TCFD framework and recommended disclosures, and carbon pricing mechanisms. In 2022, the BSC supported SDP's Net-Zero Roadmap and targets, which were aligned with SBTi.

For details on our Board Sustainability Committee, refer to the Sustainability Committee Report on pages 111 to 113 of this Report. Details of the Enterprise Risk Management and activities of the Board Risk Committee are available in the Risk Committee Report on page 115 of this Report.

Materiality

SDP monitors and reviews our material matters on an on-going basis through stakeholder discussions and considers the material matters in the formulation and implementation of the Group's strategies and plans. For FY2022, there were no significant shifts in SDP's material matters and they remain as depicted in the materiality matrix available in our Sustainability Report 2021.

Materiality Matrix

SUSTAINABILITY HIGHLIGHTS

100% Roundtable on Sustainable Palm Oil (RSPO) certified mills producing 14.7% of global certified sustainable palm oil

100% Malaysian Sustainable Palm Oil (MSPO) & Indonesian Sustainable Palm Oil (ISPO) certified

Scored **89.8%** in the 2022 ZSL SPOTT assessment

ENVIRONMENT

Target to achieve **net-zero emissions** across SDP's entire value chain by 2050

Established SDP's Scope 3 emissions, accounting for **44%** of SDP's total emissions in FY2022

Developed a **Net-Zero Strategy and Roadmap** and roadmap in line with Science Based Targets initiative (SBTi)

Planted **1.9 mil** trees as of 31 December 2022

997.36 hectares of reforested area within SDP's concession areas

HUMAN RIGHTS

The United States Customs and Border Protection (USCBP) modified (uplifted) its forced labour finding against SDP, permitting the resumption of palm oil imports from SDP into the United States

230% increase in usage of grievance channels since 2021

More than **1,500** worker representatives were elected to participate in Social Dialogues

In 2022, **14,566** active workers and 5,273 former workers have been reimbursed recruitment fees they may have paid

47,776 unionised employees

30% of the Board of Directors are women; 27% of senior management* posts are women

We regret to report **five** workplace-related fatalities in 2022

SUPPLY CHAIN

Traceability to Mill **94.8%**

Traceability to Plantation **72.7%** overall increase in traceability since 2021

50% of smallholders are RSPO certified

9 webinars on NDPE requirements, which were attended by 229 participants from 35 supplier groups

50% grievances raised in the year have been resolved, 17% are no longer in our supply chain, and a further 33% are under investigation

74% of our total supplying mills, 66% are delivering their commitment on No Deforestation and 73% on No Peat requirements as per NDPE Implementation Reporting Framework (NDPE IRF).

* Vice President 1 and Senior Vice President.

OUR ENVIRONMENTAL RESPONSIBILITY

Sime Darby Plantation recognises the inherent value of forests and their biodiversity, as well as the scarcity of natural resources and threats from climate change.

SDP's net-zero commitment covers our entire value chain from upstream to downstream and across all businesses.

As a leader in the plantation industry, Sime Darby Plantation (SDP) has a tremendous responsibility to protect the environment. The Group's commitments are outlined in our Responsible Agriculture Charter (RAC) and are aligned with the latest industry requirements. Our activities are guided by a precautionary approach and firm No Deforestation, No Peat and No Exploitation (NDPE) policy.

In addition to complying strictly with all applicable national laws and the requirements of leading certification standards, we also work with palm oil industry stakeholders, including competitors and suppliers, to deliver long-term positive conservation results.

In fulfilling our environmental responsibility, the Group focusses on three key areas:

- Taking Positive Climate Action
- Protecting and Enhancing Biodiversity
- Maintaining Operational Efficiency

TAKING POSITIVE CLIMATE ACTION

2022 was a transformative year for SDP in our efforts to take positive climate action. We announced our commitment to achieve net-zero emissions across our entire value chain by 2050. In relation to that commitment, we also reset our baseline emissions to align with the Greenhouse Gas (GHG) Protocol Corporate Value Chain (Scope 3) guidance and the latest draft of the Land Sector and Removals Guidance. We also made further progress in aligning our climate-related disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). SDP also accelerated our renewable energy programmes to reduce Group-wide carbon emissions.

Defining our Net-Zero Commitments

SDP's commitment to achieve net-zero emissions across our entire value chain by 2050 comes with a clear roadmap towards achieving the landmark target for the Group and the palm oil industry.

Our net-zero commitment features several key points:

- The net-zero commitment covers SDP's entire value chain from upstream to downstream and across all major businesses.
- We developed a comprehensive strategy and roadmap to achieve the net-zero emissions target, namely:
  - Acceleration of renewables programme to address a large part of our direct emissions
  - Expanding land use transformation initiatives to increase carbon sinks
  - Escalating engagements with suppliers to promote replication of climate change initiatives within the entire value chain
- The action plans are aligned with the Paris Agreement targets to limit global temperature rises to no more than 1.5 degrees Celsius.
- SDP's Net-Zero Strategy is science-based and developed to meet Science Based Targets initiative (SBTi) aligned emissions reduction targets.
- SDP has developed both near-term (2030) and long-term targets (2050), which have been submitted to SBTi for validation.
- SDP sets FLAG-specific targets for the portion of emissions that are related to the land sector, in line with SBTi's Forest, Land and Agriculture (FLAG) Guidance
- SDP's updated baseline emissions incorporate the GHG Protocol's Land Sector and Removals draft guidance released in 2022 and includes emissions from land use change and management.

The Group also refreshed our net-zero emissions roadmap to incorporate existing commitments to reduce emissions towards a long-term net-zero target.

For more information on SDP's Net-Zero Roadmap, scan the QR code below.

SDP's website – Net-Zero Emissions

Implementing the TCFD Recommendations

In 2021, SDP began aligning our climate-related disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The Group has continued to make progress in relation to implementing the recommendations of the TCFD.

SDP's summary in implementing TCFD recommendations

Pillar	Recommendation	Summary
Governance Disclose the organisation's governance around climate-related risks and opportunities	Describe the Board's oversight of climate-related risks and opportunities	The Board is responsible for the oversight of climate-related risks and opportunities. SDP's approach is guided and governed by our Board of Directors, including the Board Sustainability Committee. The identification, assessment and monitoring of climate-related risks are reported to the Board Risk Management Committee. For more information, refer to pages 69 and 112.
	Describe management's role in assessing and managing climate-related risks and opportunities	A dedicated sustainability team, including a Climate Change Unit, drives operational execution of our sustainability and climate strategy. The team works together with the Renewable Energy and Conservation and Biodiversity teams on the implementation of renewable energy and land use transformation projects.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	Within the short to medium-term[1], the Group needs to anticipate and manage the varying impacts of climate transition risks, depending on scenario applied. In the longer term, physical risks could pose a threat to our assets. Refer to pages 72 to 74 on our assessment of climate risks.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	The Group incorporates climate risks and opportunities into our business strategies, as evident in our land use and conservation, supply chain and renewable energy strategies. In addition to the scenario analysis, the Group has developed a Net-Zero Roadmap with near-term and long-term targets. SDP will continuously monitor new developments (e.g. Carbon Border Adjustment Mechanism, local carbon pricing legislations) and update our plans.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The physical and transition risks identified were assessed to be well controlled in the short term. Our strategies are assessed to be resilient based on the medium (2030) and long-term (2050) outcomes of the scenario analysis (pages 72 to 73) and how they affect SDP's business and operations. Our current risk mitigation measures contribute to our climate resilience.
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	Climate risks and opportunities are part of SDP's risk management framework, processes and reporting. SDP prioritises climate risks as per SDP's material matters (https://dsr2021.simedarbyplantation.com/our-approach-to-sustainability/managing-our-material-issues/). The results of the climate risk assessment demonstrate the importance and relevance of the measures that the Group is implementing to mitigate climate risks. For more details on climate risk identification and assessment, refer to pages 72 to 73.
	Describe the organisation's processes for managing climate-related risks	In 2022, SDP strengthened the assessment of our resilience towards transition and physical risks and understood the financial impact of our most material transition risks in the medium-term horizon. For more information, refer to page 72.
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	SDP's Enterprise Risk Management (ERM) Framework includes the identification, assessment and monitoring of climate-related risks, as per page 35.

[1] Refers to SDP's time horizons of short-term (2025 or earlier), medium-term (2030) and long-term (2050 or above).

OUR ENVIRONMENTAL RESPONSIBILITY

Pillar	Recommendation	Summary
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	SDP's metrics relating to energy and GHG emissions (Scope 1, Scope 2 and Scope 3) and reduction targets are aligned with net-zero. Water consumption and effluent management metrics are also reported on page 79.
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	In line with GHG Protocol standards, SDP provides our 2020-2022 performance on relevant climate-related metrics. For more information, refer to pages 75 to 77.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	SDP's targets: 50% operational Scope 1 & 2 emissions reduction by 2030 and absolute overall emissions reduction in Scope 1 and 2 by 2050 (submitted for SBTi validation).

Climate-Related Risks and Opportunities

In 2022, we enhanced the assessment of transition and physical risks to better understand the impact of climate risks to the Group. A Climate Risks and Opportunities workshop was conducted and represented by various business functions to identify and assess our most material transition risks and opportunities in the short-term (2025 or earlier), medium-term (2030) and long-term (2050 or above) horizons, aligned with SDP's Net-Zero Roadmap. The likelihood and impact of identified climate transition and physical risks were discussed and prioritised under the net-zero and Business as Usual (BAU) scenarios. The most material and significant impacts associated with transition risks in the medium-term horizons are presented in the next section.

Scenario Analysis

The scenario modelling is a guide to help with the evaluation of hypothetical outcomes based on a limited set of assumptions. The impacts presented are subject to uncertainties and should not be taken as forecasts. SDP's approach in scenario analysis is aligned with the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), Nationally Determined Contributions (NDCs) and International Energy Agency (IEA)'s Net-Zero Emissions by 2050 Scenario, to project SDP's GHG emissions against our expected business growth. SDP's scenario analyses covering our upstream and downstream business operations are listed below:

Transition Risk			Physical Risk
Time horizon	**2030**		**2050 and 2100**
Scenarios	Business as Usual (+4.0°C): High emissions scenario assuming development without introduction of low-carbon measures	Orderly – Net-zero (1.5°C): Immediate action to curb emissions with increasing regulatory requirements	Representative Concentration Pathway (RCP) 8.5 (warming of 3.2-5.4°C by 2050 and 2100). RCP 2.6 (warming of 1.5-2.0°C by 2050 and 2100).
Assumptions	• Climate policy ambitions are expected to strengthen over time • More aggressive mitigation efforts under net-zero compared to BAU • Carbon prices are expected to rise over time and assumed to only cover Scope 1 emissions, and will be much higher than in a BAU scenario • Net-zero scenario relies more heavily on new technologies compared to BAU scenario with green technologies maturing overtime, bringing the cost of investment lower as adoption rate increases • Greater emissions reporting obligations expected under net-zero compared with BAU and expected to become more stringent over time		• The risks ratings were generated using Climate Risk Engines. The Climate Risk Engines analyses an asset's vulnerability to hazards using a representative archetype, Simple House, to calculate the probability of damage or failure from each of the hazards analysed. • The site analysed is located at West Estate and Oil Mill, Carey Island, Malaysia.
Metrics	Estimated annualised impact against the latest 5-year average budgeted recurring PATAMI for the Group (for estimated increases in cost) and the absolute annualised impact (for increases in CAPEX spending) in line with the Group's Enterprise Risk Management Framework		Hazard risk ratings.

Transition Risks Scenario Analysis: Financial Impacts by 2030

Risk Likelihood & Risk Impact Criteria (Financial)

Score	Rating	Financial Impact Criteria	
		Plantation Group	
5	Catastrophic	More than 25% of budgeted recurring PATAMI	> RM 300 million
4	Major	15% to 25% budgeted recurring PATAMI	RM200 million – RM300 million
3	Moderate	5% to 15% budgeted recurring PATAMI	RM50 million – RM200 million
2	Minor	1% to 5% budgeted recurring PATAMI	RM10 million – RM50 million
1	Insignificant	Up to 1% budgeted recurring PATAMI	< RM10 million

Transition Risks	Business as Usual Scenario	Net-Zero Scenario	Risks Mitigation
Regulatory/Policy **Carbon Pricing** If SDP does not decarbonise our operations in line with future regulatory expectations, there will be additional costs (e.g. taxes or fees on carbon emissions) which may be incurred as operating costs. Failure to meet these future compliance requirements may also lead to potential limitations to SDP's access to these markets.	Minor: Estimated impact from introduction of carbon tax is based on NGFS[1] Nationally Determined Contribution (NDC) scenario carbon pricing trajectory of USD2.52/tCO_2-e against the Group's 2030 residual Scope 1 – FLAG and energy and industrial processes GHG emissions following our reduction strategies to achieve the 2030 near-term target reduction as per our Net-Zero Roadmap.	Catastrophic: Estimated impact from the introduction of carbon tax is based on NGFS' net-zero 2030 scenario carbon pricing trajectory of USD106.17/ tCO_2-e against the Group's 2030 estimated residual Scope 1 – FLAG and energy and industrial processes GHG emissions following our reduction strategies to achieve the 2030 near-term target reduction as per our Net-Zero Roadmap.	Development and on-going implementation of SDP's net-zero by 2050 commitment.
Regulatory/Policy **European Union (EU) biofuel phase out by 2030** Under the EU's revised Renewable Energy Directive (RED II), oil palm crop-based biofuels cannot be counted towards EU renewable energy targets and this may result in a decline in palm oil demand for biofuel use in the EU.	Minor: Estimated impact from the palm-based biofuel phase out is insignificant as SDP no longer exports palm-based biodiesel.	Minor: Estimated impact from the palm-based biofuel phase out is insignificant as SDP no longer exports palm-based biodiesel.	• SDP has shifted our export strategy to waste-based biodiesel since 2020 with all sales to the EU being made up of waste methyl ester and used cooking oil methyl ester. • Continue to explore new markets including lobbying for higher biodiesel mandates in Malaysia and Indonesia to create higher domestic demand for palm oil.
Technology **Transitioning to lower emissions technology** Increase in capital expenditure due to investments in green technologies as part of the Group's efforts to decarbonise our operations.	Minor: Estimated impact from investments in green technologies in a scenario where investments are primarily limited to those making most operational and commercial justifications.	Minor: Estimated impact from investments in green technologies in a more aggressive transition scenario to meet net-zero climate change commitments, although the technologies become more economically viable.	• Reduction of SDP's operational emissions through our renewable energy initiatives (methane capture, solar). • SDP has a Low Carbon Oils Project commencing in 2023.

[1] NGFS scenarios are obtained from www.ngfs.net/ngfs-scenarios-portal/

OUR ENVIRONMENTAL RESPONSIBILITY

Climate Change-Related Opportunities

We have identified two high impact opportunities applicable to our operations in Malaysia, Indonesia and Papua New Guinea:

Opportunities	Description	Potential Benefits
Increased demand for low emission fuels and technology	Increasing demand for low emission technology such as biogas plants, solar energy generation or advanced fuels such as biofuels and biomass will contribute to increased revenue.	Expected major increase in revenue from solar power business by monetising SDP's land assets for large-scale solar development, smaller-scale solar projects and potential to expand the biogas development to the supply chain.
Increased customer demand for low carbon products	Increased customer demand for low carbon products due to a shift towards environmentally conscious mindsets and low carbon awareness amongst customers. This leads to increased revenue for SDP.	Maintaining access to markets and customers on a low carbon trajectory. Potential access to a premium market as an early mover in this space.

Climate Scenario Qualitative Analysis

Physical Risks Adaptation and Analysis

SDP continues to strengthen our climate physical risk adaptation and assessment initiatives. In 2021, a study was conducted to assess the potential impact of rising sea levels on SDP's concession areas and infrastructure. As a result, estates and mills located in high-risk areas have been equipped with bunds to prevent flooding and coastal inundation. These bunds, made of earth, have been strategically constructed across all coastal estates owned by SDP. Plans are currently being developed to maintain the stability of the bunds to ensure their effectiveness.

In 2022, SDP also carried out additional assessments to understand the long-term risks of physical climate change. The result of this assessment can be used proactively by management for the purpose of replanting and renewal of leases of affected plantations. This pilot assessment was carried out at West Estate and Mill, Carey Island, Malaysia. This location was selected due to its high exposure to physical climate risk and close proximity to the sea.

Coastal inundation and riverine flooding were found to represent the dominant hazards under both RCP 8.5 and RCP 2.6 scenarios published by the Intergovernmental Panel on Climate Change (IPCC).

High-Risk Hazards for RCP 8.5 & RCP 2.6 by 2050 and 2100 (West Estate and Mill)

Ranks	Hazards	Estimated Risk in 2050	Estimated Risk in 2100
1	Coastal Inundation	High Risk at Estate Parcel 1, 2, 5, 9, 10	High Risk at Estate Parcel 1, 2, 4, 5, 8, 9, 10
2	Riverine Flooding	High Risk at Estate Parcel 2, 5, 6, 9	High Risk at Estate Parcel 2, 5, 6, 9
3	Surface Water Flooding	High risk at Estate Parcel 1, 5	High risk at Estate Parcel 1, 5

Our estates in Carey Island, Malaysia are surrounded by bunds to prevent flooding and coastal inundation.

Impacts of Rising Global Surface Temperature on Oil Palm Yields

Rising atmospheric carbon dioxide (CO_2) concentration will increase global surface temperatures. The Group's R&D department carried out a simulation study using SimePalm, a model that simulates growth and yield of oil palm, to project one cropping cycle for 20 years from 2020 to 2040 based on projected changes in atmospheric CO_2 concentration and surface temperature under RCPs 2.6, 4.5, 6, and 8.5. We found that the impact on oil palm yields are negligible or minimal for the next 20 years until 2040. If rainfall increases by 10% for the next 20 years as a result of climate change, this will result in higher oil palm yields.

Resetting our Baseline Emissions

SDP's carbon accounting has evolved in line with refinements of the methodology to measure emissions. To ensure completeness of our entire inventory, SDP undertook an exercise to re-establish our baseline emissions. Using FY2020 as a baseline, the exercise resulted in:

- A re-established baseline for the Scope 1 and 2 emissions; calculation of Scope 3 emissions and; inclusion of emissions from land use change.
- A breakdown of the FY2020 re-established baseline emissions is depicted in the diagram below.

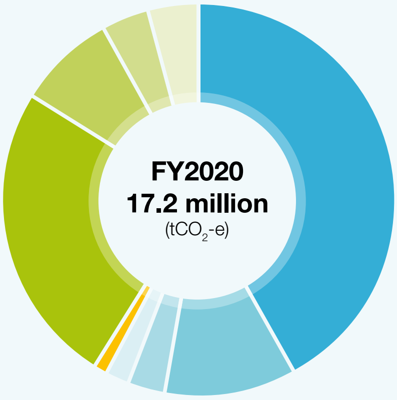
FLAG-related emissions

All emissions related to agriculture (to the farm gate, excluding processing), land use change (LUC) and land management, including forestry (to yard excluding processing)

Energy and industrial processes emissions

Emissions from operational activities beyond the farm gate, i.e., emissions from fossil fuels combustion

TOTAL EMISSIONS, BY KEY CATEGORIES



Scope 1 (57%)	
Land Use Change	**42%**
Effluent Treatment	**11%**
Stationary Combustion, Vehicles, Machineries	**3%**
Fertiliser & Livestock	**2%**
Scope 2 (1%)	
Purchased Electricity & Steam	**1%**
Scope 3 (42%)	
FLAG Purchased Goods and Services (Feedstock Palm & Non-Palm Supply)	**25%**
Others	**8%**
FLAG Purchased Goods and Services (Non-Feedstock)	**4%**
Non-FLAG Purchased Goods and Services (Feedstock Palm & Non-Feedstock Supply)	**4%**

Note:
- Land Use emissions currently do not include removals which are currently being aligned with latest SBTi guidelines. Will be included in the inventory once completed.
- Others (Scope 3) includes upstream and downstream transportation and distribution, business travel, employee commuting, capital goods, use of sold products, processing of sold products, waste generated in operations and fuel and the energy related activities.

Monitoring Our GHG Emissions

SDP uses the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Standard to calculate GHG emissions which comprise:

- Scope 1: Direct emissions from SDP's owned and controlled sources
- Scope 2: Indirect emissions generated from purchased electricity and steam
- Scope 3: Indirect emissions that occur across SDP's entire value chain. The Group has enhanced the granularity of our GHG inventory by reporting our Scope 3 emissions this year.

SDP's top three emission sources are land use change (Scope 1); purchased goods and services (Scope 3); and effluent treatment (Scope 1). In 2022, Scope 1 accounted for 45% of SDP's total emissions while Scope 3 accounted for 44%. SDP's emissions in 2021 and 2022 were higher than baseline emissions due to the transition from the COVID-19 pandemic to the post-COVID-19 era. The table below provides a detailed breakdown of emissions by source.

GHG emissions by emission sources (tCO_2-e)

Emission sources	2020 (Baseline)	2021	2022
Scope 1			
FLAG*	**7,503,483**	**8,494,072**	**8,448,558**
Land Use Change	7,200,168	7,974,179	7,801,359
Land Management	270,530	439,913	567,323
Non-land (transportation and machineries)	32,785	79,981	79,876
Energy and Industrial Processes**	**2,384,244**	**2,165,063**	**1,927,088**
Effluent Treatment	1,869,965	1,693,414	1,479,699
Stationary Combustion	514,279	471,650	447,389
Sub-total (Scope 1)	**9,887,727**	**10,659,136**	**10,375,646**

OUR ENVIRONMENTAL RESPONSIBILITY

Emission sources	2020 (Baseline)	2021	2022
Scope 2			
Energy and Industrial Processes-Purchase Electricity and Steam	153,384	226,280	225,722
Sub-total (Scope 1 & 2)	**10,041,111**	**10,885,416**	**10,601,369**
Scope 3			
FLAG*	**5,024,845**	**5,885,708**	**6,237,846**
FLAG Purchased Goods & Services – Feedstock[1]	5,024,845	5,885,708	6,237,846
Energy and Industrial Processes**	**2,141,362**	**2,521,066**	**2,137,943**
Purchased Goods & Services – Non-Feedstock[1]	1,136,650	2,044,767	1,626,369
Capital Goods	210,433	229,655	272,428
Fuel and Energy-related Activities	10,307	21,188	25,821
Upstream Transportation and Distribution	101,834	30,561	28,182
Waste Generated in Operations	8,965	4,655	9,415
Business Travel	4,312	3,715	8,636
Employee Commuting	30,842	26,260	27,473
Downstream Transportation and Distribution	319,046	130,814	103,783
Processing of Sold Products	5,145	16,172	17,897
Use of Sold Products[2]	313,828	13,279	17,938
Total (Scope 3)	**7,166,207**	**8,406,774**	**8,375,789**
Total (Scope 1, 2 & 3)	**17,207,318**	**19,292,190**	**18,977,158**
Total Scope 1 Biogenic emissions (tCO_2)	3,478,224	3,463,772	3,178,801

* FLAG: All emissions related to agriculture (to the farm gate, excluding processing), LUC and land management.

** Energy and Industrial Processes: Emissions from operational activities beyond the farm gate, i.e., emissions from fossil fuels combustion.

SDP employs the installation of photovoltaic (PV) systems on rooftops of our buildings and land assets as one of our strategies to reduce carbon emissions.

SDP's methodology mainly considers the following GHGs: CO_2, methane (CH_4) and nitrous oxide (N_2O). CH_4 and N_2O were converted into CO_2 equivalents (CO_2-e) based on their global warming potential from the IPCC Sixth Assessment Report. Some emission factors used (e.g. fuel emission factors as published by the UK Government GHG Conversion Factors for Company Reporting) were based on the IPCC Fourth Assessment Report (AR4) GWPs.

SDP's Scope 1 and 2 consolidation and reporting on GHG emissions are based on the "control approach" i.e., the Group will account for 100% of emissions only from our upstream and downstream operations where it has direct operational control.

Scope 2 emissions are calculated based on location-based method, which is the proxy for the market-based method.

Scope 3 emissions, namely Purchased Goods and Services, Capital Goods, Fuel and Energy related activities, were estimated using GHG Protocol's Scope 3 Evaluator. Several Scope 3 categories are excluded as they are irrelevant to SDP's operations – Upstream-leased assets, End-of-life treatment of sold products, Downstream-leased assets, Franchises, and Investments.

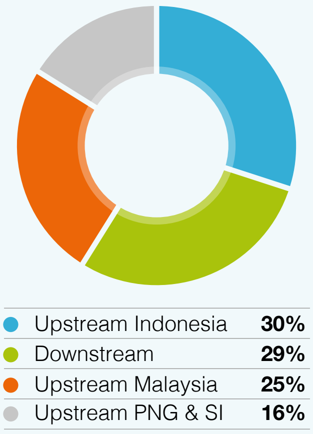
The Group is on a progressive journey to update and improve the accuracy of our reported emissions by reducing the level of estimation and by replacing the use of average data methodologies with more accurate data. These changes can affect both the emissions in a baseline year for SDP and the annual emissions it reports.

The Group will strive to improve how our emissions are standardised, measured and reported in the future.

1 Scope 3 Purchased Goods and Services: Feedstock refers to upstream emissions of purchased oil palm and fresh fruit bunches from suppliers. Scope 3 Purchased Goods and Services: Non-Feedstock refers to materials purchased such as fertiliser, seedlings tools, chemicals, machineries spare parts, safety equipment, maintenance, medical supplies, office equipment, packaging and building/construction. Emissions were estimated using GHG Protocol's Scope 3 Evaluator.

2 Use of sold products refer to end use of biodiesel sold.

GHG EMISSIONS BY BUSINESS SEGMENT FOR FY2022 (%)



GHG EMISSION INTENSITY (SCOPE 1 & 2) FY2022
(tCO_2-e/MT CPO/PK)

Reducing Emissions – Renewable Energy

SDP employs three main strategies in our renewable energy business to reduce carbon emissions:

BIOGAS

Installation of methane capture facilities and biogas plants at mills

SOLAR

Installation of photovoltaic (PV) systems on rooftops of buildings and land assets

BIOMASS

Recycling of by-products of upstream processes back into operations as fuel and organic fertiliser

For more information on SDP's renewable energy projects (current and pipeline), refer to pages 56 to 57.

Emissions avoided from implemented renewable energy projects (2020 – 2022) tCO_2-e

Renewable Energy sources	2020	2021	2022
Biogas[1]	43,310	52,721	62,411
Solar PV[2]	0	6.44	386.11
Total Emissions Avoided (tCO_2-e)	43,310	52,727	62,797

For more information on SDP's renewable energy initiatives, refer to the Renewables section on pages 56 to 57.

[1] Emissions avoided are based on emissions avoidance from electricity exported to the grid.
[2] Calculated based on the electricity generation of solar PV projects in operation.

PROTECTING AND ENHANCING BIODIVERSITY

As a responsible operator in these regions, SDP's environmental management practices aim to minimise impact on biodiversity and focus on conserving the world's natural habitats.

SDP's RAC outlines the Group's approach to safeguarding the environment, and the Group continuously strives to not only meet, but also exceed our commitments. We have expanded our efforts beyond legal and certification requirements to make positive contributions to forests in key landscapes through many conservation and restoration programmes. These nature-based solutions enhance the environment and ecosystems while offsetting SDP's carbon footprint.

Our approach on managing conservation areas

SDP has had a strict no-deforestation policy in place since 2014. For new developments, SDP applies the latest Roundtable on Sustainable Palm Oil (RSPO) criteria to assess the proposed land for high conservation value and high carbon stock using the RSPO's High Conservation Value-High Carbon Stock Approach (HCV-HCSA) Toolkit.

In accordance with our policies, SDP has not developed any land in Indonesia and Malaysia for several years, and the Group's only areas of expansion have been in Papua New Guinea which are low carbon developments in line with the RSPO's New Planting Procedure (NPP) and HCV-HCSA requirements. The most recent of these expansions was in an

OUR ENVIRONMENTAL RESPONSIBILITY

area of 373.51 hectares in Poliamba, Papua New Guinea, where SDP's development plans were formulated in accordance with the RSPO's NPP, with 206 hectares identified for development and 168 hectares set aside for conservation – or 45% of the total area. The plans have been approved and planting started in late 2022.

SDP's conservation areas have remained largely unchanged over the years. As at end-2022, a total of 47,308 hectares – two-thirds the size of Singapore – have been identified as high conservation value (HCV) and conservation set-aside (CSA) areas with about 87% of the total conservation area located at SDP's operations in Indonesia, Papua New Guinea and Solomon Islands.

All HCV and CSA areas identified to date have been set aside for conservation and are subject to dedicated management and monitoring plans. Measures include regular surveillance and patrolling for encroachment to prevent illegal development, poaching, and hunting.

For more information on SDP's approach on managing conservation areas, scan the QR code below.

SDP's website – Climate Action

The Malaysia Protect-Restore-Connect Approach

SDP has identified a total of 17,913 hectares of land classified as "unplantable reserves" in Malaysia. These unplantable reserves are made up of HCV and CSA areas, as well as other areas with characteristics which render them as non-productive or unsuitable for oil palm planting. These include terrain with slopes greater than 25 degrees, ponds, ravines, swamps and the like. The total unplantable reserve area makes up about 5.03% of SDP's total upstream landbank in Malaysia, making them suitable candidates for conservation.

Protect-Restore-Connect in a nutshell

Protect
SDP protects areas that are in good condition and have the potential for conservation. These could be areas that have been untouched and require little maintenance, depending on their present condition and quality.

Restore
SDP restores areas that require intervention in order to increase the conservation and biodiversity values. SDP's focus in these areas will be on ecological services such as erosion control and ensuring waterways' health and quality.

Connect
SDP connects areas that have the potential to be connected with important habitats, landscapes and ecosystems. SDP's focus on these areas will be on creating corridors, connectivity, stepping stones and extensions to such habitats and ecosystems.

In considering the type of conservation measures best suited for a particular area, the SDP Conservation and Biodiversity Area (CBA) initiative which was launched in 2021, sets out specific guidance in determining whether a particular site should be protected, restored or connected with other landscapes. This will then enable the Group to draw up the appropriate action plans.

In 2022, as part of the initiatives to restore CBA, SDP began setting up new satellite nurseries to supply and plant tree saplings of endemic forest species and fruit trees at the identified areas. Where possible, SDP will also introduce Endangered, Rare & Threatened (ERT) species with a planting density of 600 – 1,000 saplings per hectare.

The CBA approach is supported by existing SDP tree-planting initiatives, such as the Group's Plant-A-Tree and Sapong Forest Rehabilitation projects. The Group has also identified new external partnerships, such as Project RELeaf with Nestlé Malaysia, Plan4Tawau with 1StopBorneo and the SDP-BORA Stream restoration project.

SDP will also develop similar programmes for non-plantable areas in Indonesia, Papua New Guinea and Solomon Islands.

Total conservation area in SDP for 2021-2022 (in hectares)

Year	Malaysia		Indonesia		PNG & SI		Total HCV	Total CSA	Total HCV + CSA
	HCV	CSA	HCV	CSA	HCV	CSA			
2021	3,652	2,583	20,437	0	14,024	6,197	38,086	8,780	46,866
2022	4,012	2,568	20,437	0	14,024	6237	38,503	8,805	47,308

Managing Peat

SDP has implemented a strict "no new planting on peat" policy since 2014. There are however, existing 32,798 hectares of plantations located on peat across all operations.

Peatlands store twice as much carbon as the rest of the world's forests and are more susceptible to fire. For this reason, the Group conducts drainability assessments at our existing operations on peat in accordance with RSPO requirements and uses the results to plan the phasing out of oil palm cultivation on these lands. Suitable crops will replace oil palms on these lands to generate a higher water table or rehabilitated natural vegetation. It is crucial to maintain an optimal water level for peatland, to maintain its vast stores of carbon, prevent peat fires and minimise peat subsidence.

In the interim, SDP's operating units continuously implement best peat management practices in compliance with the RSPO Principles and Criteria and the Group's internal agriculture reference manual. In addition, the Group maintains existing vegetation in and around our oil palm plantations and engage with surrounding local communities to educate them on sustainable management of peat areas to prevent slash and burn activities.

Our Conservation Initiatives

SDP's conservation initiatives include tree planting and geotagging of the trees, wildlife conservation, managing human-wildlife coexistence and protecting biodiversity including ERT species. To date, we have 8,804.78 hectares of CSA areas throughout our concession areas and have planted close to 1.9 million trees as of 31 December 2022. In 2022, a total of 997.36 hectares have been reforested within SDP's concession areas.

For more information on these initiatives, scan the QR code below.

SDP's website – Climate Action

MAINTAINING OPERATIONAL EFFICIENCIES

SDP's operations in plantations, mills and refineries are resource intensive. However, as operational excellence is SDP's hallmark, the Group is able to do more with less, particularly with effective energy and water management strategies. In addition, the Group strives to manage waste efficiently in maintaining sustainable operations.

For more information on energy management at SDP, scan the QR code below.

SDP's website – Climate Action

Water Management

The Group monitors the amount of water used and usage intensity in all our upstream operations. In 2022, SDP consumed a total of 28,353,614 cubic metres (m^3) of water.

Each region primarily determines its water management and monitoring approaches according to regulatory requirements. Water data is collected at the site level and may vary from operation to operation. SDP is currently reviewing our internal processes to collect this data at the Group level, as doing so will ensure consistency and comparability. Whilst previously, the Group-level water-usage-intensity reduction target was reported, SDP will revisit this approach once our collection processes are streamlined.

In 2022, the Group appointed external consultants to conduct a study on our water footprint and water business risks across the upstream and downstream operations. The study will be carried out in 2023 together with SDP's R&D department.

The study will be carried out with the Water Footprint Network methodology, and a life cycle assessment in line with the ISO 14046: 2014 Water Footprint standard.

Water withdrawal (m^3)

	FY2020	FY2021	FY2022
Malaysia	8,813,536	8,396,697	6,735,850
Indonesia	12,491,108	12,556,959	12,642,970
PNG and SI	12,827,368	8,230,067	8,974,794
Total	**34,132,012**	**29,183,723**	**28,353,614**

Average water usage per metric ton (MT) of FFB processed (m^3/MT FFB)

	FY2020	FY2021	FY2022
Malaysia	1.45	1.38	1.28
Indonesia	1.75	1.60	1.24
PNG and SI	1.16	1.16	1.32

Effluents Management

SDP's operations at palm oil mills and refineries produces effluents in the form of wastewater. As SDP operates near waterways, we have a responsibility to protect water sources within and around the boundaries of our operations from contamination by effluents.

Palm oil mill effluent (POME) is wastewater produced from the processing of Fresh Fruit Bunches (FFB). It is organic and biologically treated through anaerobic digestion and recycled for use as fertiliser in the Group's plantations. The remaining wastewater is then treated before being discharged into waterways in accordance with requirements prescribed by applicable laws and regulations.

Palm oil refinery effluent (PORE) is wastewater from refining crude palm oil. PORE is treated with a chemical process to remove oil, grease and inorganic substances before further biological treatment, prior to its discharge. The Group's robust management systems ensure that all our mills and refineries are fitted with Palm Oil Mill Effluent Treatment Systems and Industrial Effluent Treatment Systems that support the management of waste and comply with national environmental standards.

The Group continuously monitors the quality of discharged wastewater and wastewater treatment performance at our upstream operations. The Group also ensures that biological oxygen demand remains below regulatory thresholds. We have set targets for effluent intensity for each of the regions where we operate. These are 0.65 cubic metres m^3 POME per MT of FFB processed (m^3/MT FFB) for Malaysia, 0.5m^3/MT FFB in Indonesia, and 0.7 m^3/MT FFB for Papua New Guinea and Solomon Islands. SDP's effluent intensity levels remained below these thresholds in 2022 for Indonesia (0.42 m^3/MT FFB) and Papua New Guinea and Solomon Islands (0.54 m^3/MT FFB) but exceeded the set target in Malaysia (0.82 m^3/MT FFB).

Providing access to safe drinking water and sanitation for employees is a top priority. We test water samples at regular intervals, and samples taken from river systems have shown no significant water quality deterioration throughout 2022.

OUR COMMITMENT TO PEOPLE

As the world's largest producer of certified sustainable palm oil, Sime Darby Plantation has made a strong commitment to respect, support and uphold fundamental human rights as outlined in the Group's Human Rights Charter.

Our people are our most important assets and they are the main contributors to the success of our businesses.

The Human Rights Charter applies to all SDP's employees, workers in our operations and supply chain, and members of communities within and surrounding the Group's operations. It is aligned to internationally recognised human rights principles and standards such as the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights (UNGP) as well as the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria for Sustainable Palm Oil Production.

SDP's commitment to people encompasses three focus areas:

- Uplifting Our People
- Creating a Zero Harm Culture
- Engaging and Empowering Communities

UPLIFTING OUR PEOPLE

SDP's workforce in numbers

SDP's multinational workforce of close to 83,000 is spread across 13 countries in the Asia Pacific, Europe, Africa and the Americas. The bulk of our workforce is at plantations, mills and refineries accounting for 66,453 or 80% of total employees. The vast majority of them work at estates and mills in Malaysia, Indonesia, as well as Papua New Guinea (PNG) and Solomon Islands (SI).

A snapshot of the Group's workforce is as follows:

Total Staff Strength 82,841

3,450	12,938	66,453
Executives	Non-Executives	Workers

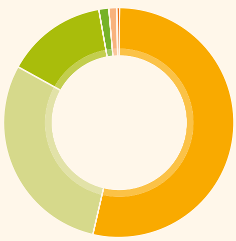
Country Staff Strength

Malaysia	Indonesia	Papua New Guinea	Solomon Islands	Thailand
32,581	25,620	22,432	1,372	459

Netherlands	South Africa	United Kingdom	Singapore	Americas	China
171	126	69	7	3	1

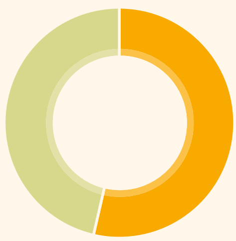
Malaysia Upstream Operations

WORKERS BY NATIONALITY



Malaysian	53.80%
Indonesian	29.53%
Indian & Bangladeshi	13.93%
Nepalese	1.41%
Filipino	1.19%
Others	0.14%

LOCAL VS FOREIGN WORKERS



Foreign Workers	53.80%
Local Workers	46.20%

IMPLEMENTING A MARKET-LEADING APPROACH ON RESPONSIBLE RECRUITMENT, AND WORKER WELFARE & WELL-BEING IN OUR MALAYSIA OPERATIONS

Update on the Findings of the United States Customs and Border Protection

In February 2023, the United States Customs and Border Protection (USCBP) modified (uplifted) its forced labour finding against Sime Darby Plantation (SDP), permitting the resumption of palm oil imports from SDP into the United States. This makes SDP the first palm oil company to be independently cleared of the existence of any systemic forced labour indicators in its Malaysian operations.

Our initiatives, scan the QR codes below.

SDP's Annual Report 2021

SDP's Digital Sustainability Report 2021

SDP's Website – Our Commitment to People (Our Employees)

Press Release – SDP's palm oil exports to United States given greenlight after review by US Customs.

With the enhanced measures in place, the Group has shifted our focus towards implementing and sustaining these measures in our upstream operations in Malaysia. Therefore, in 2022, the Group focussed on three key areas:

- giving workers a voice;
- further key enhancements to a worker's experience at SDP; and
- sustaining change.

Giving workers a voice

SDP provides multiple channels for workers to raise concerns. These include three grievance channels, a social dialogue platform and a mobile application to report housing maintenance and repair issues. SDP tracks all grievances raised, ensures that prompt investigations are carried out and that appropriate remedies are made to address workers' concerns. SDP's Grievance Unit also escalates grievance matters for Management's attention and provides regular reports to the Board Sustainability Committee.

In 2022, the Group strengthened our focus on communicating with workers on the availability of the grievance channels. Through training sessions and briefings as well as multi-lingual posters, flyers, and stickers, the workers were reminded on how to access the channels and other salient information such as their right to anonymity and the protection against retaliation.

GRIEVANCE CHANNELS IN 2022

898
cases

230%
(compared to 2021)

Top three issues

- reimbursement of recruitment fees workers may have paid
- inquiries about wages
- requests for general assistance

In addition to the three main grievance channels, in October 2021, the Group piloted the Social Dialogue process. An "industry first", the Social Dialogue is an inclusive platform for worker representatives and management representatives at SDP's estates and mills to sit down together fortnightly to raise and resolve issues through constructive and open discussion. Workers have elected over 1,500 representatives among themselves covering all nationalities and genders. The representatives – from both workers and SDP – undergo training to conduct, manage and facilitate the dialogue sessions. The sessions are monitored to ensure governance and oversight of issues by Management.

SOCIAL DIALOGUES SINCE INCEPTION

>13,846
issues discussed

96%
issues resolved

SDP also rolled out a mobile app known as the 'Oil Palm Pal' in December 2021 which enables workers to report housing maintenance and repair issues by scanning a QR code that is displayed at the entrance of their housing quarters. They can then request for repairs or lodge complaints relating to their housing, and also receive updates on the remedial work that is taken to address any issues. SDP monitors the repairs centrally to ensure that the deadlines set for each category of repairs is adhered to strictly.

OIL PALM PAL

39,879
housing issues highlighted

99.87%
resolved

The increased usage of the grievance channels indicates a greater awareness among workers of the availability of the grievance channels as well as greater trust among workers in the integrity of the system and its effectiveness in resolving their issues.

Further key enhancements to a worker's experience at SDP

SDP employs a significant number of migrant workers in Malaysia, with 15,048 migrant workers accounting for 59% of upstream workers in Malaysia. As migrant workers may be vulnerable to exploitation, SDP has taken measures to protect their rights and provide them with a positive working experience. A worker's experience at SDP begins at the recruitment stage and continues throughout the worker's employment at SDP.

Responsible Recruitment

Enhanced Migrant Worker Responsible Recruitment Procedure:
The Group ensures that workers are hired ethically and responsibly by adopting labour practices that respect their rights. SDP published our enhanced Migrant Worker Responsible Recruitment Procedure in 2021. The Group began implementing the enhanced procedure in 2022 when it resumed the recruitment of foreign workers for Upstream Malaysia operations following the lifting of the government's restriction on hiring foreign workers during the pandemic.

Key features of SDP's responsible recruitment:

- No charging of recruitment fees and related costs
- Clear and transparent terms and conditions of employment
- No withholding of passports or personal documents
- Non-discrimination hiring practice

OUR COMMITMENT TO PEOPLE

ENHANCED MIGRANT WORKERS RESPONSIBLE RECRUITMENT PROCEDURE

10,588
new migrant workers interviewed

2,841
workers have been assessed during pre-departure and post-arrival, by both internal and third-party monitoring teams as of December 2022

For more information on SDP's responsible recruitment practices, scan the QR codes below.

Modern Slavery and Human Trafficking Statement 2022

Reimbursement of recruitment fees: In February 2022, SDP announced our intention to reimburse recruitment fees that may have been incurred by more than 34,000 current and former workers who have been employed on or after 1 November 2018. The recruitment fees, which were a contravention of SDP's zero-recruitment fee policy, included unreported payments that had been charged by agents, sub-agents or other third parties to SDP's foreign workers in their countries of origin.

REIMBURSEMENT OF RECRUITMENT FEES

>34,000
current and former workers involved

RM82 mil
allocated for reimbursement

>20,000
received reimbursements (as at end-2022)

For more information on our reimbursement of recruitment fees, scan the QR code below.

Press Release – SDP institute sweeping changes in governance and operations

Fair wages and decent living environment

Providing fair wages and a decent living environment to workers is important to SDP as these basic requirements are central to their well-being and to improving their lives and livelihoods. This also gives SDP a competitive edge in recruiting workers.

Paying fair wages: SDP is committed to pay all workers decent and fair wages, comprising at the minimum, statutory wages based on national labour laws in the countries of operation, together with in-kind benefits (as stated below) that enable the workers to enjoy a decent standard of living. In addition, the Group sets reasonable working hours with adequate rest, achievable productivity targets and offers payment for voluntary overtime work and adequate housing with access to basic needs. Productivity rates, work hours and voluntary overtime premiums are also guided by the relevant collective bargaining agreements and national labour laws and regulations.

Decent living environment: The in-kind benefits that workers receive are based on the provisions of applicable collective bargaining agreements for the sector. Typically, in-kind benefits include adequate free housing with access to basic needs such as transport to work, childcare facilities, as well as bi-monthly supply of rice, and subsidised clean water. For example in Malaysia, electricity is charged according to usage based on applicable domestic rates. SDP also provides sports and recreational facilities and medical facilities on-site.

With the added value of the benefits provided, workers' take-home pay is higher than legally required. The wage structures are also aligned with RSPO guidance on decent living wage provisions.

To give workers a better understanding of their terms of employment, SDP provides them with a copy of their employment contracts in their native languages.

For more information on our fair wages and decent living environment, scan the QR code below.

SDP's website – Human Rights

Changing behaviours in Management-Worker dynamics

SDP places importance on the mindset change needed to ensure that our commitment to provide a positive working environment is followed through at all levels of the organisation. In particular, the Group ensures that our management staff in the upstream operations are reminded of acceptable and unacceptable behaviours in line with the Group's Human Rights Charter. This is a regular feature during the toolbox sessions before the start of the work day in our estates and mills in Malaysia.

Sustaining change

To sustain the enhancements, SDP has put in place several measures. This includes the introduction of an environmental, social and governance (ESG) Scorecard with performance indicators based on the implementation of the initiatives described above, for example worker satisfaction, resolution of grievances and effectiveness of the Social Dialogue sessions.

In addition, the Group introduced structural enhancements and directed additional resources towards supporting worker welfare, which involved the establishment of a Social Welfare and Services department. The Group also appointed a Chief Medical Officer, a newly created position in 2022, whose responsibilities include managing and leading the medical and related staff at clinics located in the operating units. 40 Site Safety and Sustainability Officers who support the new initiatives on the ground also commenced employment in 2022, while handymen have been recruited at every operating unit to expedite repairs and maintenance work at workers' quarters.

Reinforcing commitment to uphold human rights

Moving forward, the Group is steadfast in our commitment to upholding human rights, and will seek to review and strengthen the processes which are currently in place. In 2023, the Group will review the current processes as well as seek feedback from workers through independent third parties. Internally, The Group will continue to monitor and audit the implementation of the enhanced measures, while building trust in the use of the grievance channels and Social Dialogue sessions as the voice of our workers. We will also seek accountability from line managers and other employees for any lapses and will take stern and swift action against those who breached the company's policies.

We strive to foster an inclusive and enabling culture that promotes mutual respect and gender equality throughout our operations.

Gender Equality

SDP promotes gender equality at all levels of employment by implementing clear no-gender discrimination policies, focussing on promoting a safe work environment, ensuring an environment that is free from violence and harassment and inculcating an inclusive culture by ensuring that women are part of the decision-making process. To amplify the provisions of the Human Rights Charter, SDP also has in place a sexual harassment policy that sets out robust reporting procedures and prescribed courses of remedial action to protect women in the workplace.

As a result of the Group's policies on gender equality, our female employees have gained ground in a traditionally male-dominated industry. This includes, in recent years, the appointment of women to leadership positions in upstream operations. SDP has a woman estate manager, a mill manager and a regional CEO. There are several others at middle management level in upstream operations who are steadily climbing the ranks.

WOMEN AT SDP

30%
of the Board of Directors are women

11,747
women employees

20%
of the Group's total workforce

27%
of senior management* posts

* Vice President 1 and Senior Vice President.

Freedom of Association

SDP respects freedom of association as a fundamental human right as it forms the foundation for strong labour relations between the Group and our workers. Workers are free to form and join trade unions who will give them an opportunity to have a voice, to be represented and heard, and to participate in collective bargaining agreements.

47,776
unionised employees (>50% of total employees)

34
Collective Agreements

For more information on the freedom of association in SDP, scan the QR code below.

SDP's website – Human Rights

OUR COMMITMENT TO PEOPLE

CREATING A ZERO HARM CULTURE

Protecting the health and safety of the workforce is a top priority for SDP as people are the bedrock of the Group's success. The Group is uncompromising in our aim to embed a safety focussed culture throughout the organisation with the goal of ensuring that employees work in a zero harm environment.

The Group has relevant systems in place to identify hazards, assess risks and investigate incidents across all operations, in line with the applicable national standards. Health and Safety Committees and Safety and Health Management Representatives are present across the Group's operations to empower operating units to self-assess the adequacy of controls in key operational risk areas.

Safety Performance

We regret to report five workplace-related fatalities in 2022. Three of these occurred at Upstream Malaysia operations while two occurred at Upstream Indonesia operations. Out of the five fatalities, three involved vehicle and machinery use, while the remaining two involved a lightning strike and a crocodile attack.

There were seven permanent disabilities recorded; four incidents were recorded in Upstream Malaysia operations, two were recorded in New Britain Palm Oil Limited (NBPOL) while one incident was recorded at Sime Darby Plantation Research. Five of the incidents involved machinery at the workplace, one incident involved an eye injury caused by a foreign object while another incident caused loss of hearing.

The overall severity of accidents at Group level has increased by 7% since 2021, from 4.26 lost days per accident to 4.72 lost days per accident in 2022. The Group-wide accident rate which is measured by the lost-time injury frequency rate (LTIFR) rose from 7.3 injuries per one million hours worked in 2021 to 8.9 in 2022.

The LTIFR has risen in line with increased on-ground awareness on the importance of incident reporting, coupled with enhancements of internal procedures and strict enforcement. This has produced more accurate reporting while improving the safety culture as the Group moves towards reducing our accident rate. On a longer-term basis, the LTIFR has improved significantly since 2017, during which the Group recorded 16 injuries per one million hours worked.

The SDP health and safety teams take these concerning numbers seriously. The Group has taken corrective actions and implemented stricter safety measures for high-risk tasks. These include assessing and improving the condition of equipment and work areas relating to these incidents and updating workplace SOPs to address maintenance safety. Training on safety measures has also been conducted to address the use of equipment.

All major incident cases which involve a fatality or total permanent disability are escalated to a Group-level review chaired by the Group Managing Director. The Group-level review assesses the adequacy of the investigation reports and the corrective and preventive actions taken as a result of the major incident, and recommends improvements where necessary. The review also assesses if any disciplinary action should be taken in respect of the major incident based on the Group's HR policies. A detailed Investigation Report with the final findings of the investigation is then presented in-person by the head of the relevant operating unit and supported by the Regional CEO to the Board Sustainability Committee.

Preventive Measures

Taking a proactive approach to achieving a zero harm environment in the workplace, SDP has implemented a range of programmes. This includes safety training to increase awareness on occupational health and safety issues such ergonomic risks, use of personal protective equipment, as well as occupational first aid and driving courses. The Group also empowers employees to highlight and report unsafe acts and conditions observed at the workplace.

In addition to providing access to medical care, we employed a Chief Medical Officer in 2022 whose primary role is to assess and upgrade the Group's existing medical care standards.

For more information on our preventive measures and initiatives in promoting health in the workplace, scan the QR code below.

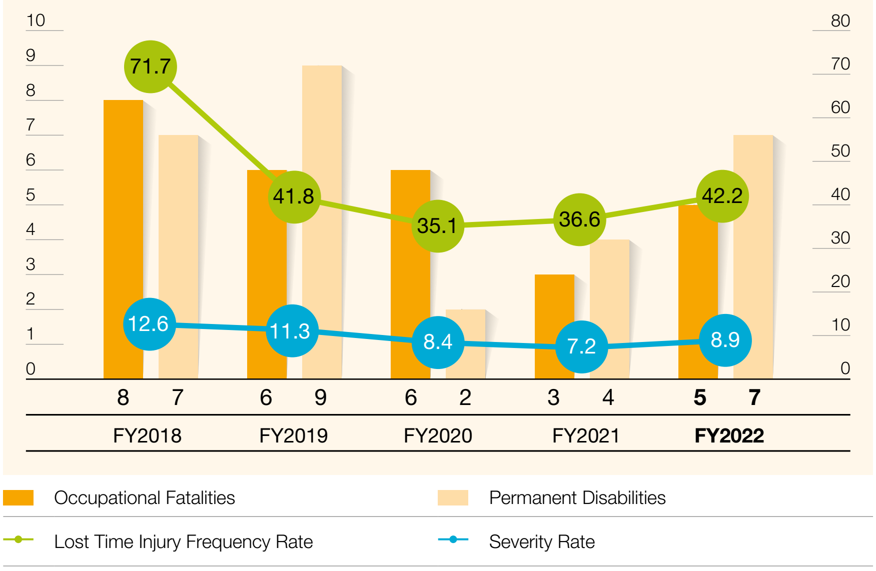
SDP's website – Human Rights

Occupational Safety and Health snapshot – 2022

	Upstream Malaysia	Minamas	NBPOL	Sime Darby Oils	Sime Darby Research	Total
Occupational fatalities	3	2	0	0	0	5
Permanent disabilities	2	1	3	0	1	7
LTIFR*	13.2	4.8	10.4	3.6	5.0	8.9
Severity Rate	82.6	12.9	30.8	32.0	102.3	42.2

*LTIFR (Lost-Time Injury Frequency Rate) measures productivity lost due to accidents and is calculated as follows: number of accidents divided by total hours worked, multiplied by 1,000,000

WORKPLACE SAFETY INDICATORS 2018-2022



Access to medical care is a basic human right. We ensure that adequate facilities and qualified medical personnel are accessible for the well-being of our workers.

ENGAGING AND EMPOWERING COMMUNITIES

SDP also aims to contribute to a better society particularly in the areas surrounding our operations. The Group supports local communities living around our operations by providing job opportunities, economic growth and improving infrastructure. The Group also allocates significant resources for local community engagement and partnerships.

In addition to developing programmes in each country where the Group has upstream operations, community development programmes are also undertaken by Yayasan Sime Darby (Sime Darby Foundation), the joint philanthropic arm of SDP, Sime Darby Berhad and Sime Darby Property. SDP's Group Managing Director sits on the Governing Council of Yayasan Sime Darby.

For more information on our support for local communities and Yayasan Sime Darby's activities in 2022, scan the QR codes below.

SDP's website – Sustainability

Yayasan Sime Darby Annual Report 2022

RESPONSIBLE SOURCING

Sime Darby Plantation's main product, palm oil, is one of the world's most widely used commodities. Demand for palm oil is projected to expand as the world's population grows.

Oil palm fresh fruit bunches produce palm oil, one of the world's most widely used commodities.

With the global scarcity of land for agriculture, there are genuine concerns that the increase in the production of agricultural commodities is driving deforestation.

As the leading producer of sustainable palm oil, we also share this concern. SDP's Responsible Agriculture Charter (RAC) and Human Rights Charter (HRC) outline the Group's firm commitments to No Deforestation, No Peat and No Exploitation (NDPE). Throughout our operations, we strive to ensure that our standards meet or exceed these commitments.

However, in addition to producing our own sustainable palm oil, SDP also sources raw materials from third parties for both the upstream and downstream businesses. In this regard, the Group has introduced Responsible Sourcing Guidelines (RSG) which require every actor in the supply chain to commit to the same NDPE standards. This means that SDP expects all suppliers of fresh fruit bunches (FFB), crude palm oil (CPO), and its derivatives to abide by our RSG.

In this regard, SDP focusses on two key areas:

- monitoring our ecosystem, and
- engaging our supply chain.

OVERVIEW OF SDP'S SUPPLY CHAIN

The Group's primary sourcing region is Malaysia, accounting for 48.7% of total raw material volumes sourced in 2022, followed by Indonesia (22.1%), and Papua New Guinea (PNG) and Solomon Islands (SI) (14.4%). The balance of less than 14.9% comes from Thailand, countries in Central & South America, Africa, and East Asia.

UPSTREAM

Out of 67 mills processing FFB:

41 SDP mills
source FFB only from our own plantations, representing 76% of the Group's 2022 FFB supply volume

26 mills
additionally buy FFB from external sources such as dealers, smallholders, cooperatives and other plantations. In 2022, they contributed to 15% of SDP's total supply volume

DOWNSTREAM (SIME DARBY OILS)

The Group's downstream operations under Sime Darby Oils process palm-based raw materials – CPO, palm kernel (PK), crude palm kernel oil (CPKO), and refined palm product, of which:

63.7%
originated from SDP's own mills

36.3%
was sourced from third parties (1,123 mills under 585 parent companies):

25.7% was sourced directly from supplying mills

8.5% was sourced indirectly from intermediaries and traders

MONITORING OUR ECOSYSTEM

Active monitoring of the Group's ecosystem is important because it enables SDP to gain better visibility and transparency to identify risk areas, diagnose problems and resolve issues within our supply chains. SDP's monitoring efforts are focussed on two main areas:

- Traceability of raw material and product
- Deforestation and peat clearing

In addition, the Group also screens for social issues within the community as social grievances may be an underlying cause of deforestation and peat clearing.

Traceability

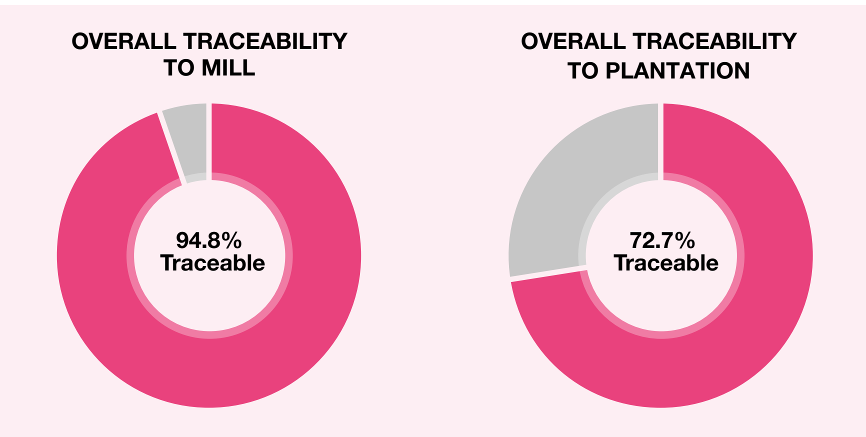
A traceable and sustainable supply chain is crucial for us to meet and exceed our NDPE commitments. This traceable and sustainable supply chain is the only way we can ensure that the raw materials we use, including from third-party suppliers, comply with our NDPE commitments and standards. Traceability helps SDP to understand the supply chain better and allows us to draw up and implement effective action plans to work towards a fully traceable supply chain with visibility to mills and plantations, as stipulated in our Responsible Agriculture Charter (RAC) and amplified in the RSG.

In this regard, SDP adopts a two-pronged approach to firstly, identify and map our supply chain and secondly, to leverage satellite monitoring to identify potential deforestation and peat clearing for further investigation and engagement.

The Group has set a target of achieving 100% overall traceability to mill and plantation by 2025 and engages independent third-party assurance to verify traceability data. In 2022, the traceability of SDP's supply chain was as follows:

- Traceability to mill of CPO, PK, CPKO, and refined palm supply: overall 94.8% of all raw materials processed at SDP's refineries and kernel crushers globally are traceable to mills, a percentage that has hovered at that level for a number of years. The Group continues to face challenges tracing the remaining 5.2% to mill because these are typically spot market purchases which are sourced from indirect suppliers who may not have ready information about their supplying mills. Nevertheless, the Group continues to pursue full traceability.
- Traceability to plantation of FFB: 96% of FFB are traceable to plantation for SDP mills and 40% for third-party mills, resulting in an overall traceability of 72.7% to plantation. Compared to 2021, this is an increase of 4.6%, as SDP continues to focus on retrieving and mapping plantation data from third-party suppliers. SDP's attention continues to be placed on Malaysia and Indonesia because FFB from PNG and SI are already fully traceable to plantation.

Note that in respect of raw materials supplied in 2022, SDP may receive additional traceability data from our suppliers after the agreed cut-off date which, although not significant, may affect the traceability percentage. The traceability information provided in this report reflects the data received by SDP until 31 March 2023.



Monitoring deforestation

As SDP's firm commitment to NDPE extends throughout our supply chain, we are vigilant about monitoring our ecosystem, particularly suppliers in sensitive landscapes, as this can help prevent deforestation and protect biodiversity.

For example, SDP is alerted on any potential deforestation through satellite monitoring detection systems, such as the AidEnvironment platform which uses their proprietary database of oil palm mills and plantations on maps of natural forests. The database covers 20 million hectares in Malaysia, Indonesia and PNG, where the bulk of SDP's supply of raw materials originates. AidEnvironment provides SDP with bi-monthly internal reports on potential occurrences of deforestation and peat clearance.

Nevertheless, given the vastness of the geographical area to be covered and the complexity of deforestation issues, SDP recognises that this task is best undertaken on a collaborative basis with other industry players, so that collective action can be taken to address the range of issues. As such, SDP has actively reached out and joined forces with like-minded partners to find solutions, leveraging particularly on advances in radar and satellite technology which have enabled the monitoring of sensitive landscapes with accuracy and speed. An example of the results of such collaborative effort is the Radar Alerts for Detecting Deforestation (RADD) which was funded by 10 major palm oil players, including SDP.

For more information on SDP's traceability efforts, scan the QR code below.

SDP's SMART Geo-portal

RESPONSIBLE SOURCING

It is critical for SDP to continuously engage and educate our extensive and dispersed network of suppliers.

ENGAGING OUR SUPPLY CHAIN

SDP's supply chain is made up of many suppliers and smallholders, and engaging with them is important to us. SDP's NDPE commitments require suppliers to play a vital role in adhering to certain standards set by us. This will only be possible if we engage with them regularly to ensure that suppliers and smallholders understand the importance of the Group's goals in building a sustainable business that creates long-term value for all stakeholders.

Working with suppliers

SDP has an extensive and dispersed network of suppliers. It is critical to continuously engage with them to educate and also to hold them accountable, while at the same time, supporting their efforts to meet our standards and requirements.

In working with suppliers, the Group is guided by policies and guidelines which add transparency to our dealing with them. Among the key guiding documents are the following:

- **Policy Statement on Working with Suppliers to Draw the Line on Deforestation:** This policy statement spells out SDP's ambition to draw the line on deforestation, clearly outlining our NDPE standards and our expectation that suppliers adhere to those same standards. The policy also clearly defines the consequences of violating NDPE standards, and the remedial measures expected in case of any non-compliance. This includes the requirement to improve practices to meet our NDPE standards as a path towards re-engagement.

- **Responsible Sourcing Guidelines:** The RSC cover the sourcing of FFB, palm oil, palm kernel and their derivatives, and other agricultural commodity crops. It lays out the terms of engagement between SDP and our suppliers in obtaining their commitment that all products supplied come from legally compliant, environmentally sustainable, and socially responsible sources. It clearly outlines SDP's expectations of our suppliers, as expressed in the Group's RAC, HRC and Code of Business Conduct. The Guidelines also complement SDP's Policy Statement on Working with Suppliers to Draw the Line on Deforestation.

- **Grievance management:** SDP's grievance management system addresses grievances from various stakeholders, including individuals, government organisations and non-governmental organisations, relating to non-compliance with our NDPE commitments. We verify all allegations received and publish updates on the investigations in our Supplier Grievance Register, which is updated quarterly.

  SDP engages with our key suppliers on a monthly basis, both to ensure compliance and to investigate non-conformance. Whilst investigations take place, SDP remains in regular communication with all stakeholders and grievance raisers to address their concerns and commit to addressing all concerns with full transparency and accountability.

- **Supplier risk assessment:** SDP regularly screens and evaluates suppliers as part our sourcing processes. Suppliers are screened for reports of legal, community, labour, environment and liability issues. In addition, using GFW Pro, SDP is able to analyse forest cover, peat areas, protected areas, and the extent of land clearing in a supplier's sourcing zone.

  In addition to screening, SDP also provides guidance and support to suppliers, to strengthen their sustainability practices. This includes the development of customised action plans to address priority areas for key suppliers as well as the creation of a knowledge-sharing webinar series on a variety of topics. In 2022, we held nine webinars on NDPE requirements, which were attended by 229 participants from 35 supplier groups.

Empowering Smallholders

Smallholders are an important stakeholder group for SDP as they make up 22% of SDP's supply base. In 2022, SDP sourced almost 1.7 million metric ton of FFB from approximately 60,000 scheme and independent smallholders across Malaysia, Indonesia, PNG and SI. This volume includes direct supply from smallholders and indirect supply from traders, particularly in Malaysia. As such, SDP actively supports the inclusion of smallholders as part of a fully sustainable and responsible supply chain.

Building smallholder capacity

In most cases, smallholders rely on oil palm cultivation for their livelihoods, yet they face numerous challenges such as access to cost-efficient materials and technological advancements to improve yields. SDP understands that working with smallholders requires a different approach and dedicated programmes to help them build capacity. To this end, the Group works actively in partnership with governments and NGOs to lift smallholders to a certifiable standard of sustainability, so that they can make their living in a way that meets NDPE standards.

We are guided by our RSC and Policy Statement on Working with Suppliers to Draw the Line on Deforestation when sourcing for external FFB from smallholders. Although we do not compromise on our NDPE commitments, it is nevertheless not our policy to suspend smallholders. Therefore, if a smallholder breaches the NDPE standards, SDP will work with them and our business partners to find innovative solutions for a balanced outcome and prevent future breaches.

The Group also helps them build capacity and knowledge in sustainable practices through dedicated programmes.

In this regard, SDP works actively in partnership with sustainability consultants and NGOs to lift smallholders to a certifiable standard of sustainability, so they can make their living in a way that does not damage the forest.

In Malaysia, we work together with government agencies and organisations to help tackle the barriers that smallholders face when trying to get certified, most notably, capital for replanting and assistance with registering land titles. As of 2022, some 2,168 smallholders, representing 14% of the smallholders that supply to our Malaysian mills, are MSPO certified, independently or through programmes supported by SDP.

Our smallholder performance

Country	Total number of smallholders by region	Number of direct smallholders	Number of indirect smallholders via traders	Smallholder FFB supply by region	RSPO Certification status of smallholders
Malaysia	15,735	108	15,627	529,034 MT	383
Indonesia	26,843	22,045 (scheme)	4,798	555,656 MT	11,995
PNG and SI	17,318	17,318 (independent)	N/A	587,697 MT	17,318

In 2022, SDP sourced almost 1.7 million MT of FFB from approximately 60,000 scheme and independent smallholders across Malaysia, Indonesia, PNG and SI.

BOARD OF DIRECTORS

Board Committees

- G Governance & Audit Committee
- N Nomination & Remuneration Committee
- R Risk Management Committee
- S Sustainability Committee
- B Board Tender Committee
- Denotes Committee Chairman

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

Chairman, Non-Independent Non-Executive Director

DATE OF APPOINTMENT:
1 July 2020

NATIONALITY:
Malaysian

AGE:
78

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Chairman of Asian Pac Holdings Berhad
Chairman of SEG International Bhd
Chairman of Farm Fresh Berhad

Public Companies:
President of Federation of Public Listed Companies Berhad

AREAS OF EXPERTISE:
Legal and Governance

RELEVANT EXPERIENCE:
Tan Sri Megat brings with him a wealth of experience in both the private and public sectors which spans five decades. He was formerly a director of PETRONAS, Chairman of Tradewinds Corporation Berhad, member of the National Economic Consultative Council 2 and President of the Malaysian Institute of Corporate Governance.

Through his extensive knowledge and understanding of national policy as well as social, legislative and governance frameworks, Tan Sri Megat provides leadership in setting high governance standards across the Group.

INDUSTRY BACKGROUND

- Property development
- Public administration
- Banking
- Plantation

ENCIK MOHAMAD HELMY OTHMAN BASHA

Group Managing Director

DATE OF APPOINTMENT:
1 July 2019

NATIONALITY:
Malaysian

AGE:
56

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies: None

AREAS OF EXPERTISE:
Plantation, Management and Finance

RELEVANT EXPERIENCE:
Encik Mohamad Helmy was formerly Chief Executive Officer of Highlands & Lowlands Berhad and Guthrie Ropel Berhad. He also held various senior leadership positions in Sime Darby Plantation Berhad's (SDP) upstream business and Kumpulan Guthrie Berhad. Encik Helmy's multidisciplinary experience and knowledge are invaluable to the Group as he steers SDP's global business towards becoming an industry leader in environmental, social and governance (ESG) and innovation.

On 17 March 2023, Encik Helmy was appointed as Chairman of the Malaysian Palm Oil Board (MPOB), making him the third corporate leader to be appointed Chairman in the MPOB's 23 year history.

INDUSTRY BACKGROUND

- Plantation
- Property development
- Oil & Gas

DATO' HALIPAH ESA
Senior Independent
Non-Executive Director

N S B

DATE OF APPOINTMENT:
1 September 2020

NATIONALITY:
Malaysian

AGE:
73

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
S P Setia Berhad

Others:
Lecturer, University of Malaya

Public Companies: None

AREAS OF EXPERTISE:
Economics and Public Administration

RELEVANT EXPERIENCE:
Dato' Halipah has served as a consultant to the World Bank and United Nations Development Programme. She has also held various senior public administration roles in the Economic Planning Unit (EPU) of the Prime Minister's Department and the Ministry of Finance. She was the Director General of EPU prior to her retirement. One of the priority areas in economic planning and management she was involved in was establishing national policies, programmes and projects to tackle environment and sustainability issues.

Dato' Halipah contributes a dynamic and wide-lens view of public policy which helps to broaden SDP's strategic perspectives on social issues.

INDUSTRY BACKGROUND
- Economic development planning & budgeting
- Public administration & Intergovernmental institutions
- Property development
- Port & Shipping
- Education & Training

DATO' IDRIS KECHOT
Independent Non-Executive Director

G R S

DATE OF APPOINTMENT:
29 December 2022

NATIONALITY:
Malaysian

AGE:
68

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Kumpulan Fima Berhad

Public Companies: None

AREAS OF EXPERTISE:
Accounting, Investment & Financial Management and Banking

RELEVANT EXPERIENCE:
Dato' Idris has more than 35 years of experience and expertise in the unit trust and investment management business. He started his career as a research analyst with Permodalan Nasional Berhad (PNB) in 1983, focussing on industry and sectorial research. He has an impressive track record of successfully leading PNB, one of the largest fund management companies in Malaysia, in the unit trust and investment management operations until his retirement in 2018 as Deputy President and Group Chief Operating Officer of PNB. He currently serves as Chairman of Kumpulan Fima Berhad.

Dato' Idris' diverse business experience and expertise in various industries including plantation make him a valuable asset as he provides unique insights into both upstream and downstream businesses.

INDUSTRY BACKGROUND
- Fund management
- Plantation
- Automotive
- Electronics
- Property

DATUK MOHD ANWAR YAHYA
Independent Non-Executive Director

R G N

DATE OF APPOINTMENT:
10 May 2021

NATIONALITY:
Malaysian

AGE:
68

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Fraser & Neave Holdings Berhad

Public Companies:
Amanah Saham Nasional Berhad
PADU Corporation (Limited by Guarantee)

AREAS OF EXPERTISE:
Strategy and Corporate Finance

RELEVANT EXPERIENCE:
Datuk Mohd Anwar has more than 40 years of experience in accounting and finance. He also held various financial and business advisory roles in PricewaterhouseCoopers that span a wide range of industries. With his extensive industry experience ranging from real estate to utilities and financial services, he contributes his expertise to the Group in the establishment of a strong framework and best practices for robust financial governance as well as effective financial and risk management.

INDUSTRY BACKGROUND
- Accounting and Finance
- Corporate Finance, Merger & Acquisition and Specialist Valuation
- Policy & Strategy

BOARD OF DIRECTORS

DATUK SERI DR NIK NORZRUL THANI NIK HASSAN THANI

Non-Independent
Non-Executive Director

B R S

DATE OF APPOINTMENT:
16 June 2022

NATIONALITY:
Malaysian

AGE:
62

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
T7 Global Berhad
Pertama Digital Berhad

Public Companies:
Malaysian Rating Corporation Berhad
Cagamas Holdings Berhad
Amanah Saham Nasional Berhad

AREAS OF EXPERTISE:
Legal, Business and Regulatory Affairs

RELEVANT EXPERIENCE:
Datuk Seri Dr Nik Norzrul Thani began his early years of legal practice with an international law firm, Baker & McKenzie, Singapore. In 2017, he was appointed Chairman of the Malaysia-Singapore Business Council by the Ministry of International Trade and Industry of Malaysia. He is currently practising with Malaysia's largest law firm, Zaid Ibrahim & Co. (in association with KPMG Law). His areas of expertise include providing legal advice on Islamic finance, banking, offshore finance, debt restructuring, as well as international, corporate, and commercial law. Datuk Seri Dr Nik Norzrul Thani also oversees debt and corporate restructuring transactions and the issuance of private debt securities, which includes Islamic financial instruments for both domestic and international clients. His extensive experience in corporate and commercial law provides valuable insights in establishing a robust governance framework for the Group.

INDUSTRY BACKGROUND
- Legal services
- Plantation
- Rating agency

DATUK SERI AMIR HAMZAH AZIZAN

Non-Independent
Non-Executive Director

S

DATE OF APPOINTMENT:
17 February 2023

NATIONALITY:
Malaysian

AGE:
56

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Malaysian Resources Corporation Berhad

Public Companies: None

AREAS OF EXPERTISE:
Finance, Strategy and Investment Management

RELEVANT EXPERIENCE:
Datuk Seri Amir Hamzah is the Chief Executive Officer of the Employees Provident Fund of Malaysia (EPF) and has held a number of leadership positions over the past 25 years. Datuk Seri Amir Hamzah began his career with the Shell Group of Companies, where he served for 10 years in various capacities in Malaysia, Singapore, and the United Kingdom. He then moved to Petronas and served the Group for 18 years, in various capacities in shipping and marketing. Prior to joining EPF, he was President and Chief Executive Officer of Tenaga Nasional Berhad.

With his extensive experience ranging from oil & gas to retail and services industries, Datuk Seri Amir Hamzah provides invaluable insights on strategic planning relating to sustainability issues.

INDUSTRY BACKGROUND
- Oil & Gas
- Shipping
- Retail & Services
- Utilities

DATO' SRI SHARIFAH SOFIANNY SYED HUSSAIN

Independent Non-Executive Director

N B

DATE OF APPOINTMENT:
29 December 2022

NATIONALITY:
Malaysian

AGE:
61

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies:
Maybank Investment Bank Berhad
Maybank IBG Holdings Limited
Maybank Capital, Inc
Maybank Securities, Inc
Andaman Capital Investment Limited

AREAS OF EXPERTISE:
General Management, Accounting/Financial Management, Banking and Finance

RELEVANT EXPERIENCE:
Dato' Sri Sharifah Sofianny has more than 18 years of experience, holding various leadership roles in stockbroking and wholesale banking businesses. She started her career with Shell Malaysia for 11 distinguished years before moving to K&N Kenanga Berhad.

Dato' Sri Sharifah Sofianny joined Maybank Investment Bank Berhad as Deputy Managing Director, Equities, and rose to the position of Managing Director, Client Coverage at Maybank in early 2014.

The appointment of Dato' Sri Sharifah Sofianny will bring additional financial and banking expertise to the Company providing valuable insights and perspectives in the Board's deliberations.

INDUSTRY BACKGROUND
- Oil & Gas
- Securities investment
- Banking
- Fund management

DATO' MOHD NIZAM ZAINORDIN

Non-Independent
Non-Executive Director

G N

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
59

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None

Public Companies:
Pengurusan Pelaburan ASN Berhad

AREAS OF EXPERTISE:
Finance and Investment Management

RELEVANT EXPERIENCE:
Dato' Mohd Nizam has over 26 years of regional fund management experience across various senior roles in Permodalan Nasional Berhad (PNB). He is currently the Deputy President and Group Chief Financial Officer of PNB. He contributes invaluable financial expertise to the Group in implementing strong financial governance as well as ensuring a consistent enterprise-wide approach to the Group's investment and capital allocation strategy.

INDUSTRY BACKGROUND

- Fund management

TAN TING MIN

Independent Non-Executive Director

G R

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
54

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
IJM Corporation Berhad

Public Companies: None

AREAS OF EXPERTISE:
Equity Research and Investment Analysis

RELEVANT EXPERIENCE:
Ms Tan Ting Min has close to 25 years of experience in equity research and investment with specific focus on the regional plantation sector and Malaysia-focussed investment strategy. Ms Tan brings a comprehensive depth of sector-specific expertise and macroeconomic insights to the leadership team on investment strategy, asset allocation, investor engagement and assessment of key risks related to operations and business transactions.

INDUSTRY BACKGROUND

- Equity research
- Securities investment
- Plantation

Board Committees

- G Governance & Audit Committee
- N Nomination & Remuneration Committee
- R Risk Management Committee
- S Sustainability Committee
- B Board Tender Committee
- ◯ Denotes Committee Chairman

Additional Information

1. Save as disclosed below, none of the Directors has any family relationship with and is not related to any director and/or major shareholder of SDP, nor has any personal pecuniary interest in any business arrangement involving the Company:
   (i) The nominee Directors of Permodalan Nasional Berhad are as follows:
   - Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas;
   - Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani; and
   - Dato' Mohd Nizam Zainordin.

   (ii) Datuk Seri Amir Hamzah Azizan, a nominee Director of Employees Provident Fund.
   (iii) Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas is a shareholder of SDP holding 20,025 ordinary shares.
2. None of the Directors has any conviction for offences within the past five years, nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year other than traffic offences, if any.
3. None of the Directors has any conflict of interest with SDP.
4. None of the Directors hold more than five directorships in listed issuers.
5. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2022 are set out in the Corporate Governance Overview Statement on page 98.

For more information on the Director's qualifications and past experiences, refer to the Our Leaders section on SDP's website at www.simedarbyplantation.com

LEADERSHIP TEAM

DR SHARIMAN ALWANI MOHAMED NORDIN
Chief Strategy & Innovation Officer

RENAKA RAMACHANDRAN
Chief Financial Officer

MOHD HARIS MOHD ARSHAD
Managing Director, Sime Darby Oils

SUHAILAH MOHAMED ABDULLA
Chief Integrity & Assurance Officer

ADITYA TULI
Chief Digital Officer

RASHYID REDZA ANWARUDIN
Chief Sustainability Officer

LEE AI LENG
Group General Counsel

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

The profiles of the Leadership Team are available online in the Our Leaders section at www.simedarbyplantation.com

DR HARIKRISHNA KULAVEERASINGAM
Chief Research & Development Officer

LEELA BARROCK
Chief Communications Officer

ZULKIFLI ZAINAL ABIDIN
Chief Human Resources Officer

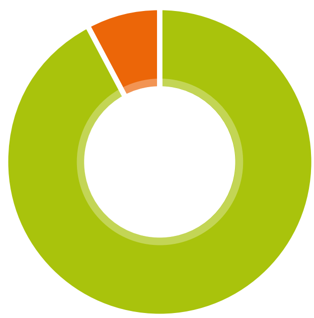
AZRIN NASHIHA ABDUL AZIZ
Group Secretary

GAJANI NAYAGI SEEVENESERAJAH
Chief Risk Officer

GENDER

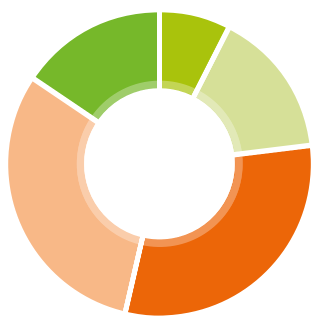
Male	**54%**
Female	**46%**

NATIONALITY



Malaysian	**12**
British	**1**

AGE



40-44 years	**1**
45-49 years	**2**
50-54 years	**4**
55-59 years	**4**
60-64 years	**2**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In 2022, we reaffirmed our commitment to respect and uphold human rights and implement industry-leading responsible business practices. This was made possible by strong corporate governance and a commitment from the Board to protect shareholder value and focus on the sustainable growth of the Group. However, we recognise that the journey towards a sustainable future and long-term value creation is one that we need to make together with our stakeholders. As such, we thank our stakeholders for their support, commitment and contribution towards our effort in building a sustainable business on a bedrock of good governance that will stand the test of time.

INTRODUCTION

Corporate governance plays a critical role in the Company. As a market leader with operations in 13 countries and serving global customers, the Group operates in a fast-paced and dynamic environment. In addition, global megatrends have demonstrated the increasing importance of environmental, social and governance (ESG) considerations in decision-making by stakeholders of the Group.

In the palm oil industry, in particular, this has given rise to calls for greater transparency and stronger commitments to sustainability by corporations such as ours and the integration of ESG considerations in the Group's strategy and operations. As such, this requires for more focus on good governance as it forms the foundation on which we will be able to drive responsible and sustainable business practices that create long-term value for our stakeholders.

Good corporate governance also acts as an extension of our core values – integrity, respect & responsibility, enterprise and excellence. Therefore, governance must never be just about the adherence to a set of recommendations; instead, it must be at the heart of everything we do and forms the underlying foundation of our business.

In this regard, governance holds the key to building a sustainable business that creates long-term value for stakeholders. The Board is confident that the corporate governance framework and policies together with the Group's commitment to uphold our core values will enable us to continue to break new grounds.

Key Governance Highlights

In 2022, we demonstrated our leadership in corporate governance with several industry firsts. Among the year's highlights are:

- Completing the comprehensive process, under the supervision of the Board Sustainability Committee, to review, revise and – where necessary – upgrade the Group's protocols for recruiting, managing and working with our workers which led to the United States Customs and Border Protection recognising that our palm oil products are not produced with forced labour;
- Overseeing the implementation of the enhanced policy on Migrant Workers Responsible Recruitment Procedure which key features include, among others, a prohibition on the charging of recruitment fees and related costs to the workers;
- Formulating and launching our commitment to net-zero emissions by 2050 together with a clear roadmap; and
- Discussing and formulating a Strategy Charter that leverages sustainability, operational excellence and innovation to drive growth over the next five years.

Disclosure Framework

Our Board has aligned the Group's corporate governance disclosures with the enhanced provisions on corporate governance as set out in the following:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the Listing Requirements);
- Companies Act 2016 of Malaysia;
- Corporate Governance Guide – 4th Edition issued by Bursa Malaysia Berhad; and
- Malaysian Code on Corporate Governance (MCCG) 2021.

We complied substantially with the practices outlined in the MCCG 2021 for the period under review.

The overall status of the application of the MCCG 2021 is disclosed in the Group's Corporate Governance Report 2022, which is also available on our website under the Corporate Governance section at www.simedarbyplantation.com

This statement is made in accordance with a resolution of the Board of Directors dated 19 April 2023.

Changes to Board Composition

In 2022, four members of the Board retired/resigned, namely Datuk Zaiton Mohd Hassan, who was previously the Group's Senior Independent Non-Executive Director, Encik Zainal Abidin Jamal, the Group's former Non-Independent and Non-Executive Director, and former Independent Non-Executive Directors, Dato' Henry Sackville Barlow and Mr. Lou Leong Kok.

The Board welcomed Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani, who was appointed as Non-Independent Non-Executive Director on 16 June 2022, as well as Dato' Idris Kechot and Dato' Sri Sharifah Sofianny Syed Hussain, both of whom were appointed to the Board as Independent Non-Executive Directors on 29 December 2022.

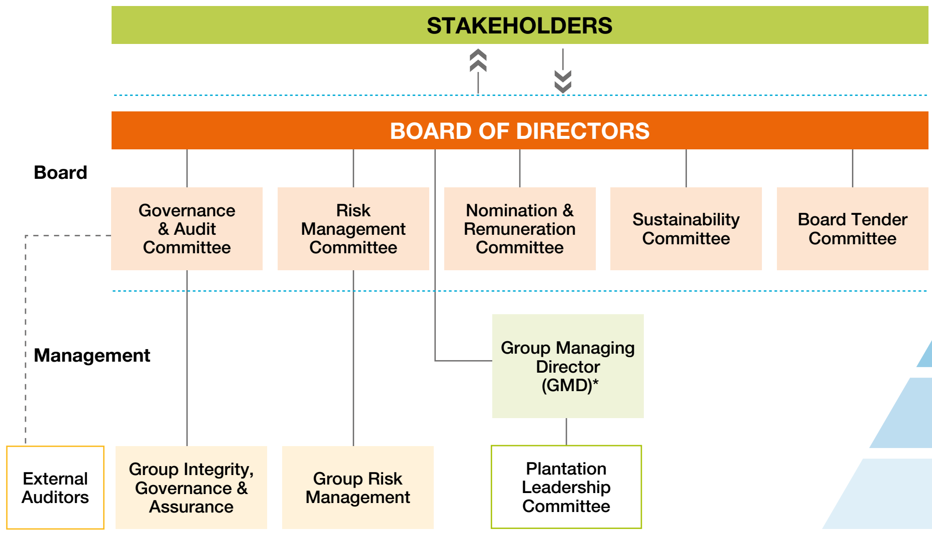
In February 2023, there were further changes to the Board with Tunku Alizakri Raja Muhammad Alias, former Non-Independent Non-Executive Director who was a nominee of Malaysia's Employees Provident Fund (EPF) to the Board, stepping down from the Board. In his place, the Board welcomed Datuk Seri Amir Hamzah Azizan, Chief Executive Officer of EPF, who was appointed Non-Independent Non-Executive Director, with effect from 17 February 2023.

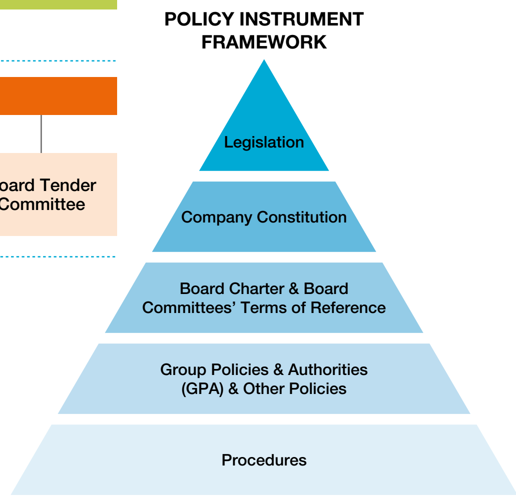
CORPORATE GOVERNANCE FRAMEWORK

The Group's CG framework is based on the following principles:

- To promote greater transparency, accountability and responsiveness.
- To balance the operating autonomy of the various Group Companies with appropriate checks and balances and performance benchmarks.
- To cultivate ethical business conduct and instil desired behaviour based on the Group's espoused Core Values and Business Principles as set out in the Code of Business Conduct (COBC).

The diagram below illustrates the Group's governance structure:





* The GMD is also an Executive Director of the Board

The primary role of the Board is to promote and protect the interests of the Group comprising the shareholders and stakeholders of each member of the Group. It is ultimately responsible in determining the direction of the Group, thereby ensuring our long term success and the delivery of sustainable value to our stakeholders. To that end, the Board provides thought leadership and advice in fine-tuning corporate strategies, and ensures the effective execution of these strategies while championing good governance and ethical practices.

The Board also believes in the alignment between shareholder value and the wider interest of other stakeholders, and to ensure appropriate checks and balances in our sustainable development journey. The Board commits to providing credible and comprehensive reporting, as part of our commitment to engage and effectively communicate with stakeholders on the direction and strategy of the Group as well as its activities and outcomes.

Five Board Committees have been established to assist the Board in discharging its statutory and fiduciary responsibilities. These include ensuring independent oversight of risk management and internal controls. The Board Committees remain up to date and focussed on their relevant areas, thus enabling the Board to take a broader perspective, looking at enterprise-level issues such as strategy and governance.

The Terms of Reference of each Board Committee are available on our website under the Corporate Governance section at www.simedarbyplantation.com

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES

The Board Charter sets out the Board's strategic intent and outlines the roles and powers that the Board reserves explicitly for itself, and those which it delegates to Management. The Charter also provides for the delegation of some of the Board's powers and functions to Board Committees to assist the Board in carrying out its responsibilities.

The roles and responsibilities of the Board, the Chairman, Directors, Senior Independent Non-Executive Director and the GMD are provided in the Board Charter which is available on our website under the Corporate Governance section at www.simedarbyplantation.com.

BOARD MEETINGS AND ATTENDANCE

Board and Board Committee Meetings

157 total hours

83	18	10	11	31	4
Board (including Board Retreat)	GAC	NRC	RMC	SC	BTC

Notes:
GAC – Governance & Audit Committee
NRC – Nomination & Remuneration Committee
RMC – Risk Management Committee
SC – Sustainability Committee
BTC – Board Tender Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The breakdown of Directors' attendance at the Board and Board Committee Meetings during FY2022 is set out below:

Directors	Designation/Independence	Meeting Attendance[#] Board	GAC	NRC	RMC	SC	BTC
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	Chairman, Non-Independent	11/11					
Dato' Halipah Esa	Senior Independent	11/11		7/7	2/2	12/13	5/5
Dato' Idris Kechot[1]	Independent	Not Applicable					
Datuk Mohd Anwar Yahya	Independent	11/11	6/6	1/1	5/5		3/3
Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani	Non-Independent	7/7			2/2	5/5	3/3
Datuk Seri Amir Hamzah Azizan[3]	Non-Independent	Not Applicable					
Dato' Sri Sharifah Sofianny Syed Hussain[2]	Independent	Not Applicable					
Dato' Mohd Nizam Zainordin	Non-Independent	11/11	6/6	7/7			
Tan Ting Min	Independent	11/11	6/6		5/5		2/2
Mohamad Helmy Othman Basha	Group Managing Director	10/11					
Former Director							
Zainal Abidin Jamal	Non-Independent	4/4			3/4	7/8	2/2
Datuk Zaiton Mohd Hassan	Senior Independent	8/9	6/6	5/6		10/13	
Dato' Henry Sackville Barlow	Independent	10/10		6/6		13/13	
Lou Leong Kok	Independent	4/4			3/4		
Tunku Alizakri Raja Muhammad Alias[3]	Non-Independent	10/11				12/13	

Notes:

Reflects the number of meetings held during the time the Director held office.

1 An Independent Director, Dato' Idris Kechot, was appointed on 29 December 2022. Dato' Idris Kechot was also appointed as member of the GAC, SC and RMC on 29 December 2022.

2 An Independent Director, Dato' Sri Sharifah Sofianny Syed Hussain, was appointed on 29 December 2022. Dato' Sri Sharifah Sofianny Syed Hussain was also appointed as member of the NRC and BTC on 29 December 2022.

3 A Non-Independent Non-Executive Director, Datuk Seri Amir Hamzah Azizan, was appointed on 17 February 2023 in place of Tunku Alizakri Raja Muhammad Alias, Non-Independent Non-Executive Director, who resigned on 16 February 2023.

Key Deliberations by the Board

Strategy

The Board, together with the Plantation Leadership Committee members, discussed the strategic direction of the Company in the Board Retreats held in March 2022 and September 2022. The retreat focussed on the future of our major subsidiary companies, human resources, the roadmap to net-zero as well as the proposed Group's 5-Year Strategy Blueprint and our strategic pillars.

Feedback received during the Board Retreats was incorporated and the Board approved the 5-Year Strategy Blueprint (FY2023-2027) in November 2022. The approved Strategy Blueprint encompasses the strategies across key operations and functions.

For more information on our Strategy Blueprint, refer to pages 38 to 39.

A session by the GMD on strategy and business plan was held at the start of each quarterly Board meeting to provide an overview of the Group's strategic progress and current operating environment.

Respecting Human Rights and Net-Zero

The Board has made strong commitments to human rights and has increased its oversight in the area in FY2021. These, including efforts to resolve the United States Customs and Border Protection's (USCBP) finding against us, continued in FY2022.

The Board convened a special meeting to extensively deliberate on the submission documents to the USCBP. Following the submission, Board members continued to enquire and receive updates on the matter. The comprehensive process undertaken by us has led to the USCBP modifying its forced labour finding against the Group, which means, effective immediately, the USCBP has also permitted the resumption of importing our palm oil into the United States.

In February 2023, the Company welcomed a delegation from the United States to better understand the plantation industry's labour practices and operations. The delegation comprised representatives of the USCBP, the Department of Labour, Immigration & Customs Enforcement, Homeland Security Investigations and officials from the US Embassy in Kuala Lumpur.

For more information on the efforts and commitments made by SDP, refer to the Press Releases and Public Updates section on our website at www.simedarbyplantation.com

In line with the commitment of the Board to human rights, the Group has commenced assessments and enhancements around labour practices in other jurisdictions, including Indonesia, Papua New Guinea and Solomon Islands. The Board, through the Sustainability Committee, monitors these assessments regularly.

The Board has detailed deliberation on the Group's climate ambitions and strategy, including a roadmap to achieve net-zero emissions across our entire value chain by 2050. Following endorsement by the Board, the Company has announced our 2050 net-zero emissions commitment and the roadmap summary in December 2022.

The SC monitors the progress of key strategies in decarbonising our operations, which included the progress of the renewables business, and reforestation efforts being implemented across the Group.

For more information on SDP's climate ambition and progress in decarbonisation, refer to pages 70 to 79.

Key Deliberations by the Board	
Finance and Business Performance	The Board had in-depth deliberations on the financial and business performance of the Group. The Group's financial report is circulated on a monthly basis in addition to the quarterly reporting at Board meetings. The reports tracked the business performance against targets.
Governance, Risk and Compliance	To ensure accountability and drive better decision making, while providing a system of checks and balances and creating long-term sustainable value for our stakeholders, the Board has approved a governance structure where the major subsidiary companies will have increased autonomy and accountability. To work towards this, revisions to the Group Policies & Authorities (GPA) were reviewed and approved by Board. Revisions to key policies and procedures were also undertaken to ensure that they remain relevant to the current operating environment and reflect better intended practices. *For more information on Governance, Risk and Compliance, refer to the Governance & Audit Committee Report on pages 103 to 107, the Risk Management Committee Report on page 115, and the Statement on Risk Management and Internal Control on pages 116 to 121.*

BOARD COMPOSITION, DYNAMICS AND EFFECTIVENESS

Board Composition and Dynamics

Age Diversity

54 years — 64 Board's average age — 78 years

Gender Diversity

70% Male

30% Female

Balance of Independent and Non-Independent Directors

5 Independent Non-Executive Director

4 Non-Independent Non-Executive Director

1 Executive Director

The profiles of the Board of Directors are on pages 90 to 93.

BOARD & DIRECTORS' EFFECTIVENESS EVALUATION

The Nomination & Remuneration Committee (NRC) carries out the Board & Directors' Effectiveness Evaluation (BDEE) exercise on an annual basis. For FY2022, the NRC has reviewed the actions taken based on the results of the BDEE 2021 which included private discussions with the Chairman and the appointment of consultants. Following that, the assessment criteria for the BDEE 2022 as well as the exercise to undertake BDEE 2022 through an internal questionnaire-based evaluation was agreed upon.

The findings of the BDEE 2022 were presented to the Board in April 2023 for review. The results of the BDEE 2022 reflected a generally satisfactory performance by the Board and Board Committees. All Directors have responded that they are fit and proper. The Board had also agreed on appropriate action plans to address the key findings of the BDEE 2022 in FY2023 to further enhance the Board's effectiveness.

For more information on the BDEE 2022 including the assessment criteria and findings which are disclosed in Practice 6.1 of the Corporate Governance Report, refer to SDP's website under the Corporate Governance section at www.simedarbyplantation.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMMITTEES' EFFECTIVENESS IN ACCORDANCE WITH ITS TERMS OF REFERENCE

The Board has reviewed the effectiveness of all Board Committees in carrying out their duties as set out in the respective Committees' Terms of Reference. The Board is satisfied that all Board Committees have effectively discharged their duties in accordance with their Terms of Reference.

CORPORATE CULTURE AND VALUES

The Group's corporate culture and values are embodied in the Group's Core Values and Business Principles. Internally, we have in place policies, procedures and guidelines which serve as a backbone for achieving best practices and streamlining internal processes. Key among these is the GPAs which define the lines of responsibility, accountability, and authority limits and represent a formal delegation of the Board's powers and functions to Management. The GPAs are designed to empower Management to achieve business objectives within the boundaries of business ethics and governance. Thereafter, policies, procedures and guidelines are developed to support the achievement of the principles stipulated in the GPAs, all of which, are mandatory to be complied with by Directors and employees of the Group.

In dealings between the Group and stakeholders, the expected standards of behaviour are stated in several key policies and are operationalised in the Group's processes and procedures. The written policies are documented and circulated to employees and other stakeholders and are available on the Group's website. The Group views any breaches of our standards seriously and provides grievance and whistleblowing channels for reporting of genuine concerns without fear of retaliation or reprisals.

Among these policies and measures are as follows:

- The Code of Business Conduct which guides the standards of behaviour expected of all Directors and employees of the Group, and where applicable, Counterparties and Business Partners.
- The Vendor Code of Business Conduct which mirrors the Group's Core Values and Business Principles, and guides our vendors on the required standards of behaviour when conducting work for the Group. By signing the Vendor Integrity Pledge, vendors agree to comply with our standards of behaviour, including but not limited to labour and human rights, sustainability, health, safety and environment, and ethics and management practices (including regulations on anti-bribery, fraud and corruption).
- The Group's Anti-Corruption Management System is a manifestation of the Group's zero-tolerance policy against all forms of bribery and corruption and demonstrates the Group's commitment to uphold integrity and combat corruption in furtherance of our Core Values and Business Principles.
- Our grievance and whistleblowing channels provide an avenue for the reporting of genuine concerns without fear of retaliation and reprisals. Any employee, stakeholder or member of the public can lodge their concerns via the Company's internally managed Whistleblowing Channel or externally managed grievance helplines. To facilitate reporting of whistleblowing complaints, complaints can be lodged via various channels (website, e-mail, telephone, WhatsApp, postal box) throughout our global operations.

For more information on these measures, refer to our website under the Corporate Governance section at www.simedarbyplantation.com

PROFESSIONAL DEVELOPMENT AND CONTINUOUS EDUCATION

The Group conducts onboarding sessions for newly appointed Directors that are designed to familiarise them with the Group's strategies and businesses, operational and financial performances, challenges, and organisational structure. They also participate in field visits and on-ground briefings for a better understanding of the Group's operations.

Following the Directors' Training Needs Assessment conducted in FY2021, training areas that were relevant to the identified focus areas for FY2022 were shared with the Board. All Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge, and to ensure that they keep abreast of new developments and legislations affecting the business. Our Directors regularly undertake professional development and upskilling programmes to enable them to perform their duties effectively. All Directors have completed the Mandatory Accreditation Programme.

The NRC has also identified areas of interest from the Directors' Training Needs Assessment for FY2023 which cover a broad range of topics relevant to the Group's business, the Directors' responsibilities and current topics of concern. For more information, refer to the NRC report on pages 108 to 110.

For more information on the Directors' Training and Continuous Education Programme, refer to the profiles of the Board of Directors on our website under the Our Leaders section at www.simedarbyplantation.com

BOARD REMUNERATION

The Directors' remuneration policy is reviewed regularly to ensure that the remuneration framework is benchmarked against companies comparable to the Group in size and nature of business. This is to also ensure that the compensation of the Chairman and Directors are at least in the 75th percentile and 50th percentile of appropriate peer groups, respectively.

It is imperative that the Directors are remunerated competitively based on their roles and responsibilities to attract the right talent and calibre, taking into account the performance of the Company, business direction, growth and aspirations.

The salient elements of the Directors' remuneration policy and a summary of the Executive Director's remuneration package are described in Practice 8.1 of the Corporate Governance Report 2022, available on our website under the Corporate Governance section at www.simedarbyplantation.com

Remuneration for the Non-Executive Directors of the Board and as members of the Board Committees in the form of fees for FY2022 is shown below:

Board/Board Committee	Chairman (RM/Year)	Member (RM/Year)	Meeting Allowance (RM/Meeting)
Board	600,000	240,000	1,500
Governance & Audit Committee	80,000	50,000	1,000
Nomination & Remuneration Committee	60,000	35,000	1,000
Risk Management Committee	60,000	35,000	1,000
Sustainability Committee	60,000	35,000	1,000
Board Tender Committee	60,000	35,000	1,000

Remuneration and Material Benefits of Directors

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Group level for FY2022 are as follows:

(RM'000)	Salary & Other Remuneration	Directors' Fees		Meeting Allowance		Benefits-in-kind[3]	Grand Total
		Company[1]	Subsidiaries[2]	Company[1]	Subsidiaries[2]		
Executive Director							
Mohamad Helmy Othman Basha	8,928	N/A[7]	N/A[7]	N/A[7]	N/A[7]	24	8,952
Non-Executive Directors							
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	N/A[7]	600	0	16.5	0	102[4]	718.5
Dato' Halipah Esa	N/A[7]	389	0	42.5	0	8	439.5
Dato' Idris Kechot	N/A[7]	3	0	0	0	0	3
Datuk Mohd Anwar Yahya	N/A[7]	361	27	31.5	3	2	424.5
Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani	N/A[7]	202	48	20.5	3	4	277.5
Datuk Seri Amir Hamzah Azizan[5]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]
Dato' Sri Sharifah Sofianny Syed Hussain	N/A[7]	3	0	0	0	0	3
Dato' Mohd Nizam Zainordin	N/A[7]	325	62	29.5	6	1	423.5
Tunku Alizakri Raja Muhammad Alias[6]	N/A[7]	271	48	27	2	1	349
Tan Ting Min	N/A[7]	341	128	29.5	6	16	520.5
Total for Non-Executive Directors	N/A[7]	2,495	313	197	20	134	3,159
Grand Total	**8,928**	**2,495**	**313**	**197**	**20**	**158**	**12,111**

Notes:
1 Paid by SDP
2 Paid by Subsidiary Companies of SDP
3 Benefits-in-kind include healthcare, insurance and telecommunication devices/facilities
4 Benefits-in-kind include healthcare, insurance and telecommunication devices/facilities, company car, petrol and driver for Non-Executive Chairman
5 Appointed with effect from 17 February 2023
6 Resigned with effect from 16 February 2023
7 N/A – Not Applicable

Additionally, details of remuneration (including benefits-in-kind) for Directors who had retired or resigned during FY2022 are as follows:

(RM'000)	Salary & Other Remuneration	Directors' Fees		Meeting Allowance		Benefits-in-kind[3]	Grand Total
		Company[1]	Subsidiaries[2]	Company[1]	Subsidiaries[2]		
Non-Executive Directors							
Datuk Zaiton Mohd Hassan	N/A[5]	342	0	33	0	2	377
Zainal Abidin Jamal	N/A[5]	181	40	18	3	6	248
Dato' Henry Sackville Barlow	N/A[5]	299	112	34	3	5	453
John Lou Leong Kok[4]	N/A[5]	126	0	9	0	2	137
Grand Total		**948**	**152**	**94**	**6**	**15**	**1,215**

Notes:
1 Paid by SDP
2 Paid by Subsidiary Companies of SDP
3 Benefits-in-kind include healthcare, insurance and telecommunication devices/facilities
4 Non-resident Director
5 N/A – Not Applicable

CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION OF SENIOR MANAGEMENT

The NRC reviewed the performance of the GMD and recommended to the Board, for approval, the salary increment and bonus proposal for the GMD. In addition, the NRC also recommended to the Board, for approval, the salary increment and bonus proposals as well as contract renewals for the Direct Reports to the GMD. A total rewards review was also conducted for executives in Malaysia and an incentive programme pool for Sime Darby Oils was recommended.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

GOVERNANCE & AUDIT COMMITTEE

The Company's Senior Independent Non-Executive Director, Datuk Zaiton Mohd Hassan, chaired the GAC until she relinquished her position in the GAC on 16 November 2022, following which Dato' Idris Kechot was appointed as the Chairman of the GAC on 29 December 2022. The GAC comprises three Independent Non-Executive Directors and one Non-Independent Director.

The GAC's TOR encapsulates its mandate which, among others, defines its purpose, composition, appointment, authority, functions and duties. In FY2022, the GAC convened six meetings, during which, key governance matters, audit initiatives and issues across the Group were discussed. The GAC also reviewed significant matters including financial reporting issues, significant judgements made by Management, material and unusual events or transactions, and how these matters were addressed.

In effectively discharging its oversight roles on governance and internal controls, the GAC is assisted by the Chief Integrity & Assurance Officer (CIAO) who leads the Group's in-house internal audit (assurance), and integrity and governance functions.

The activities of the GAC as well as its roles are provided in the Governance & Audit Committee Report on pages 103 to 107 of this Annual Report, and Section A of the Corporate Governance Report 2022 available on our website under the Corporate Governance section at www.simedarbyplantation.com.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is responsible for identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. The Board recognises that business decisions involve taking appropriate risks and the Board's understanding of risks and how risks are addressed have been fundamental in achieving the right balance of risks and controls in the Group.

To achieve this, the Board sets the Group's risk appetite and expects Management to operate and ensure that there is a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Board is also responsible to review the adequacy and integrity of the Group's management information and internal control systems by ensuring that, among other matters, there is a sound framework of reporting on internal controls and regulatory compliance.

The Board has delegated these responsibilities to the GAC and the RMC, to ensure independent oversight over risk and internal control matters in the Group.

Details of the Risk Management and Internal Control Framework are disclosed in the Statement on Risk Management and Internal Control on pages 116 to 121 of this Annual Report, and Section A of the Corporate Governance Report 2021 available on our website under the Corporate Governance section at www.simedarbyplantation.com.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

The Board believes in maintaining effective, transparent and regular communication with its stakeholders to build trust and facilitate mutual understanding of each other's objectives and expectations.

Timely and Quality Disclosure

The Board is committed to ensuring that all communications to the investing public regarding our business, operations and financial performance are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements. The Annual General Meeting (AGM) offers an opportunity for the Group's shareholders to raise questions pertaining to the Group's performance directly to the Board, GMD and Senior Leaders.

The Group's website is a key communication channel for us to reach our shareholders, the investment community, and the public. Relevant information on the Group's governance framework, including our values, code of conduct, whistleblowing and other initiatives including human rights are available on the Group's website. Financial results, announcements made to Bursa Malaysia Securities Berhad and corporate presentations are also available on the website at www.simedarbyplantation.com. This facilitates access to information by our shareholders and other stakeholders.

The corporate website is updated periodically to provide current, informative and comprehensive information about the Group. In January 2022, we launched our revamped corporate website.

Integrated Reporting

The Group's Annual Report for FY2022 is prepared with reference to GRI Standards and the International <IR> Framework. All financial statements have been prepared according to the requirements of the Companies Act 2016 of Malaysia and the Malaysian Financial Reporting Standards (MFRS), and audited by the Group's external auditors, PricewaterhouseCoopers PLT.

CONDUCT OF GENERAL MEETINGS

Notification in writing to shareholders via hardcopy or electronic means of the publication of the Notice of AGM and the Annual Report on the Company's website, will be dispatched to shareholders at least 28 days prior to the AGM. The Notification will include a designated website link where shareholders can download a copy of the Notice of AGM and the Annual Report. Shareholders also have the right to request a hardcopy of the Group's Annual Report through the designated channel.

The AGM 2023 will be held virtually and live-streamed. Voting at the AGM 2023 will be conducted by poll by way of electronic voting (e-voting) via Remote Participation and Voting (RPV) facilities. Questions to the Board can be submitted in advance as well as through the real-time submission of typed texts during the proceedings of the AGM. The AGM provides an opportunity for the Chairman and other members of the Board to share the Company's progress and performance. Directors will be in attendance at the AGM to address any questions from shareholders.

For more information on the AGM, refer to the Investor Relations section on our website at www.simedarbyplantation.com.

GOVERNANCE & AUDIT COMMITTEE REPORT

> **Our independence in rigorously challenging the Company's financial reporting process, internal controls and governance is a key feature of our strong corporate governance culture.**
>
> **DATO' IDRIS KECHOT**
> Chairman of the Governance & Audit Committee

COMPOSITION OF THE COMMITTEE

There were changes in the composition of the Governance & Audit Committee (GAC) in 2022 whereby Datuk Zaiton Mohd Hassan relinquished her position in the GAC on 16 November 2022 and Dato' Idris Kechot was appointed as the Chairman of the GAC on 29 December 2022. Details of the GAC members, their appointment dates and attendance at GAC meetings are provided in the Corporate Governance Overview Statement on pages 96 to 102.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all the GAC members are Non-Executive Directors, with the majority being Independent Directors. Dato' Idris Kechot serves as the Chairman of the GAC, thus satisfying the requirement of the separation of powers between the Chairman of the Board and the Chairman of the GAC as prescribed by the Malaysian Code on Corporate Governance (MCCG) 2021. None of the GAC members are former key audit partners of the Group.

The GAC members bring diversity in knowledge and skills to the Group in the effective discharge of their duties. Among the four members of the GAC, Dato' Mohd Nizam Zainordin and Datuk Mohd Anwar Yahya are qualified accountants whereas Dato' Idris Kechot has vast experience and expertise in investment management. Additionally, Ms Tan Ting Min is an experienced equity strategist who had covered the plantation sector for more than 30 years. All of these professions, combined, satisfy the need for the GAC to be financially literate and have sufficient understanding of the Group's activities.

The Group Managing Director, Chief Financial Officer, Managing Director of Sime Darby Oils, Chief Integrity & Assurance Officer (CIAO), and Chief Risk Officer are invited to attend meetings of the GAC to appropriately brief and furnish members of the GAC with pertinent information and clarification on relevant items on the agenda. The external auditors, PricewaterhouseCoopers PLT (PwC), also attend the meetings to brief the GAC on matters relating to external audits for the current financial year and provide updates on past audit matters.

ROLES OF THE COMMITTEE

Key areas under the purview of the GAC include financial reporting and performance oversight, the Group's in-house internal audit (assurance) and integrity & governance functions, dealings with external auditors, related party transactions, share issuance schemes, as well as controls and governance oversight.

For the detailed Terms of Reference (TOR) of the Committee, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLAN

The GAC received updates on key governance matters, audit initiatives and issues across the Group at each of its quarterly meetings. The GAC also reviewed significant matters including financial reporting issues, significant judgements made by Management, material and unusual events or transactions, and how these matters were addressed. The summary of key matters discussed by the GAC during the year is shown below:

Matters Considered	Outcomes
Impairment assessment on the carrying value of goodwill arising from the New Britain Palm Oil Limited (NBPOL) acquisition	
The carrying value of goodwill arising from the NBPOL acquisition was allocated to two of Sime Darby Plantation's (SDP) cash generating units (CGUs), namely NBPOL Group and Minamas Group, since Minamas Group operations are expected to benefit from the synergies arising from the acquisition namely the high yielding Dami Super Family planting material. Management performed an impairment assessment of the CGUs based on the value-in-use (VIU) determined using the discounted cash flow projection for each CGU. Management also performed a range of sensitivity analyses, the results of which showed that an individual change of the key assumptions provides sufficient headroom on the VIU to recover the carrying value of the net assets (including the allocated goodwill) in NBPOL Group and Minamas Group. PwC reviewed and concurred with Management's assessment.	The GAC agreed with Management's assessment and view that no impairment charge is required for FY2022 as the recoverable amounts for NBPOL Group and Minamas Group exceeded the respective group's carrying value (including the allocated goodwill). The GAC further concurred that appropriate disclosures of key assumptions and sensitivities are made in the Group's financial statements for FY2022.
Application of hedge accounting for downstream operations in Malaysia	
The Group adopts cash flow hedge accounting to hedge our forecasted sales of CPO and bulk refined oils to minimise the volatility of the Group's profit or loss as any unrealised gain or loss arising from the fair value of futures contracts which are effectively hedged will now be recognised within hedging reserve. The amounts within hedging reserve will be released to the profit or loss to match the revenue recognised upon delivery of the goods to the end customers.	The GAC reviewed the effective and ineffective hedges undertaken by the Group and the impact on the Group's profit and loss and noted that PwC reviewed the hedge documentation prepared by Management and checked the accounting treatment on the cash flow hedges applied by Management and did not note any exception.

GOVERNANCE & AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the year under review, the GAC discharged its functions and carried out its duties as set out in its TOR. The summary of key activities undertaken by the GAC during the year under review is provided below:

1. Financial Reporting

- At its quarterly meetings, the GAC reviewed the quarterly financial results and related announcements and press statements, prior to submission to the Board for approval. The GAC also deliberated on significant accounting matters identified by the auditors as well as updates on recurring matters previously reported.
- On 17 April 2023, the GAC reviewed the annual audited financial statements of the Company and the Group, and the accompanying Directors' Report to ensure that the financial statements were drawn up pursuant to the requirements of MFRS and provisions of the Companies Act 2016 of Malaysia, for recommendation to the Board for approval.
- The GAC deliberated on the report from the auditor for FY2022 which focussed on among others, summary of corrected and uncorrected misstatements, key auditing and accounting matters, internal control recommendations and changes to the accounting policies and practices.
- The GAC considered areas of significant audit risks on the Group's consolidated financial statements, including the following:
  - Risk of fraud in revenue recognition
  - Risk of fraud due to management override of control
- The GAC also considered Management's assessments, impact analysis and financial disclosures relating to significant audit matters and transactions during the financial year, including:
  - Adoption and application of new accounting standards and policies
  - Impairment assessment on assets and goodwill
  - Tax and legal matters
  - Changes in regulations and law
  - Subsequent events
- The GAC deliberated on the proposed dividends and recommended them to the Board for approval.

2. External Audit

- The GAC held quarterly private meetings with the external auditors, PwC, without the presence of Management (except for the Group Secretary) during the year under review to discuss any matters PwC may wish to present and to ensure that there were no restrictions in the scope and discharge of their audit activities.
- At its quarterly meetings held throughout FY2022, the GAC reviewed the results and issues reported by PwC, including the Key Audit Matters and the update on Management's responses and resolution actions on issues highlighted in PwC's report.
- On 18 August 2022, the GAC reviewed and approved PwC's Group Audit Plan which outlined the audit strategy and approach for FY2022.
- The GAC had also reviewed and approved the proposed global audit fees payable to the Group's external auditors for FY2022 during its meeting on 15 November 2022.
- The International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (IESBA Code) was revised in April 2021, which among others included the requirement for the auditor to seek the GAC's concurrence on the permissibility and provision of non-audit services prior to undertaking any of the non-audit services to the Group. The GAC had deliberated on the matter and provided its concurrence on 14 February 2023, which also resulted in a revision to the Group Policies & Authorities to incorporate the non-audit services concurrence framework.
- The annual assessment of PwC's performance i.e. suitability, objectivity and independence, was completed on 17 April 2023 and conducted in accordance with the Group's policy on External Auditor Appointment & Selection and in consideration of PwC's presentation of its Transparency Report 2022, PwC and all members of its engagement team have confirmed their independence in accordance with the provisions of the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants in its Report to the GAC. Accordingly, the GAC has recommended the reappointment of PwC to the Board.

3. Internal Audit

- The GAC held quarterly sessions with the CIAO, without the presence of Management (except for the Group Secretary) to discuss any matters the CIAO may wish to present and to ensure that there were no restrictions on the discharge of the Group's internal audit activities. As the Group has a combined internal audit (assurance) and integrity & governance functions under the CIAO's purview, matters relating to integrity & governance activities were also included in the private discussions.
- On 15 February 2023, the GAC was updated on the implementation status of the recommendations arising from the External Quality Assessment Review (QAR) exercise undertaken by Group Corporate Assurance (GCA) in 2021.
- On 16 November 2021, the GAC reviewed the GCA Plan for FY2022 (the Plan) and ensured adequacy of its scope and coverage of the Group's activities based on GCA's risk-based audit methodology and adoption of agile auditing principles. In approving the Plan, the GAC considered the adequacy of GCA's resources and competencies to execute it.
- At every quarterly meeting held throughout FY2022, the GAC reviewed the internal audit reports presented by GCA. GCA also presented the status of audits as compared to the Plan and its resource adequacy in fulfilling the Plan.
- At every quarterly meeting, the GAC also reviewed the minutes of meetings of Minamas' Governance & Audit Committee, Sime Darby Oil's Governance & Audit Committee and NBPOL's Audit Committee for oversight of the state of internal control systems of those key subsidiaries.

- The Group Integrity, Governance & Assurance's (GIGA) Key Performance Indicators (KPI) for FY2022 were approved by the GAC on 16 November 2021. Subsequently, the performance appraisal of the CIAO following GIGA's FY2021 KPI was deliberated and approved by the GAC on 14 February 2023.
- In line with the provisions of the Corporate Assurance Charter, on an annual basis, the GAC assessed the purpose, authority, and responsibility of GCA, to ensure that these remain adequate to enable GCA to accomplish its objectives. Revisions to the Corporate Assurance Charter were also approved by the GAC on 15 November 2022.

4. Integrity & Governance

- The GAC Chairman updated the Board on key matters deliberated at GAC meetings and the activities undertaken by the GAC. This is a standing agenda item at the quarterly meetings of the Board. Minutes of the GAC meetings are circulated to the Board for noting.
- On 16 November 2021, the GAC reviewed and approved the Group Integrity & Governance Plan for FY2022, which outlined the Group's integrity and governance initiatives/key activities and the corresponding resources required to support the achievement of the Group Compliance (GCO) Plan. Revisions to both the Conflict of Interest (COI) Guidelines and the Code of Business Conduct (COBC) handbook were also approved on 15 November 2022.
- On 15 November 2022, the GAC reviewed and recommended the revisions to the Group Policies & Authorities, for the Board's approval.
- On a quarterly basis, the GAC is apprised of the status of the Group's Anti-Corruption Compliance Programme, including a review of the Anti-Corruption Management System (ACMS) on 18 August 2022, in tandem with the certification requirements of the ISO 37001:2006 (Anti-Bribery Management System). The GAC was kept abreast of the ethics awareness programmes carried out across the Group.
- The GAC approved the biannual submission of the "Integrity & Governance Core Function Report" to the Malaysian Anti-Corruption Commission (MACC) on 18 August 2022 and 14 February 2023, for the periods of January to June 2022 and July to December 2022, respectively.
- On 14 February 2023, the GAC approved the submission of information requested by the MACC for the purpose of its corruption risk rating exercise on Government Linked Companies (GLC).
- On 14 February 2023, the GAC approved the revision of the Group Compliance Framework that was revised to align to the new ISO37301:2021 Compliance Management Systems which replaced the ISO19600:2014.
- The GAC reviewed the statistics of whistleblowing complaints received through the Group's various whistleblowing channels and the manner in which the complaints were addressed. Results of whistleblowing investigations were monitored every quarter to ensure that independent investigation of the allegations had been conducted and appropriate follow-up action taken.
- The Group's regulatory compliance across prioritised compliance areas was monitored on a quarterly basis by the GAC, through the GCO Report that included the results of self-attestation by Management to known non-compliance incidents and actions taken to resolve them.
- At every quarterly meeting held throughout FY2022, the GAC reviewed the Whistleblowing and Non-Whistleblowing investigation reports issued by Group Fraud & Corruption Risk Management (GFCRM).
- In line with the provisions of the Integrity & Governance Charter, on an annual basis, the GAC assessed the purpose, authority, and responsibility of the integrity & governance function, to ensure that these remain adequate to enable it to accomplish its objectives.

5. Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs)

- The GAC reviewed the related party disclosures of the Group in compliance with the MFRS 124, the Listing Requirements, the Malaysian Companies Act 2016, and the Group's internal guidelines, on a quarterly basis. The GAC reviewed the RPTs/RRPTs at all quarterly meetings held during FY2022.

6. Annual Report

On 17 April 2023, the GAC reviewed and endorsed the following documents for inclusion in the Group's Annual Report 2022, for the Board's approval:

(a) the Corporate Governance Report;

(b) the Corporate Governance Overview Statement;

(c) the Governance & Audit Committee Report; and

(d) the Statement on Risk Management and Internal Control.

7. Other Matters

On 18 May 2022, the GAC reviewed and recommended amendments to its TOR to the Board for approval. The amended TOR comprised additional duties delegated to the GAC and was approved by the Board on 19 May 2022.

On 18 August 2022, the GAC also approved the Price Risk Framework & Governance Guidelines which defines the overall risk framework and governance to effectively manage and evaluate price risks.

As a standing agenda, the following reports are presented to the GAC on a quarterly basis for noting purposes:

(a) report on hedges and open positions;

(b) appointments of financial advisors for non-audit services; and

(c) Investment Tracking Report.

GOVERNANCE & AUDIT COMMITTEE REPORT

GROUP INTEGRITY, GOVERNANCE & ASSURANCE

1. Overview

The GIGA function comprises GCA and Group Integrity & Governance (GIG[1]). GIGA is an independent function, headed by the CIAO, Suhailah Mohamed Abdulla, and reports directly and functionally to the GAC and administratively to the Group Managing Director. Suhailah is a Certified Fraud Examiner, a Certified Integrity Officer, a Certified Internal Auditor by the Global Institute of Internal Auditors and holds a Certification in Control Self-Assessment conferred by the same Institute. She is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants, and a Chartered Member of the Institute of Internal Auditors. Suhailah has more than 25 years of experience in audit, governance, risk, and compliance within a wide array of industries.

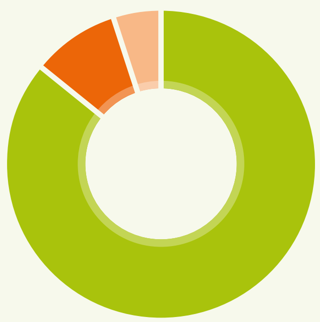
GIGA is manned by 88 personnel as detailed out below:

Offices/Regions	Executives	Non-Executives	Total
Malaysia	53*	1	54
Indonesia	29[@]	0	29
Papua New Guinea	4[&]	0	4
Europe and South Africa	1[^]	0	1
Total	**87**	**1**	**88**

Notes:
- * CIAO, 2 Practice Management, 28 GCA, 7 GCO and 15 GFCRM personnel
- @ 28 GCA and 1 GCO personnel
- & 4 GCA personnel
- ^ 1 GCA personnel

Types of Certificates	With	Without
Degree or Higher	76	-
Diploma	4	-
Professional Certificate – (*including in progress & excluding Non-Executive*)	45	43

EDUCATION LEVEL



- Degree Holder **86%**
- Masters Degree Holder or higher **9%**
- Diploma Holder **5%**

PROFESSIONAL CERTIFICATION - EXCLUDING NON-EXECUTIVE

- With Professional Certificate **51%**
- Without Professional Certificate **49%**

Out of 49% of GIGA members without professional certificates, **39% are currently pursuing various professional certifications**, mainly the Certified Internal Auditor (CIA) certification.

2. Group Corporate Assurance

GCA's principal responsibility is to undertake regular and systematic reviews for the Group to evaluate and improve the effectiveness of risk management, control and governance processes as defined in the Corporate Assurance Charter.

GCA activities are governed by the Global Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and the International Professional Practices Framework (IPPF). Periodic internal quality assurance programmes were undertaken by GCA on a bi-annual basis, in addition to the periodic External QAR which was last performed in 2021, to ensure that the assurance activities are performed as per the IPPF. In maintaining independence and objectivity, GCA ensures that its internal auditors are free from any relationship or conflict of interest when performing their duties.

The independent internal audit and advisory services for the Group during FY2022 were conducted by GCA and certain audits were assisted via co-sourcing arrangements with external service providers. In ascertaining adequate internal audit coverage throughout the Group's operations, GCA is supported by Regional Heads in GCA Malaysia, GCA Indonesia and GCA Papua New Guinea and a Head of GCA IT & Analytics, who all report to the CIAO. GCA IT & Analytics runs an in-house data analytics unit to further optimise the use of analytics throughout the audit lifecycle. Operational costs incurred by GCA for FY2022 amounted to approximately RM12.3 million, which consisted mainly of staff costs and professional fees.

[1] GIG comprises GCO and GFCRM as its sub-functions.

In line with the Group's Strategic Plan, GCA supports the Group by providing assurance within the following key focus areas:

GCA's Key Audit Coverage

- Procurement
- Inventory management
- Project management
- Post investment review
- Sales and marketing
- Estate and mill operations
- CAPEX management
- Logistics management
- Credit management
- Financial controls
- Replanting
- Trading
- Workers management
- Seed production and breeding
- IT General and Application Controls
- IT Project Governance & Management
- Cyber security

Apart from the above assurance coverage, GCA regularly monitors the implementation progress of recommended action plans by Management to ensure timely resolution of audit findings/issues in addressing any risk and control gaps.

3. Group Integrity & Governance

GIG oversees the functions of whistleblowing (complaints management), investigations (detection & verification), integrity enhancement, and governance for the Group.

- **Group Compliance**

  GCO provides compliance assurance and advisory support to ensure that the Group's operations are conducted in accordance with regulatory requirements, internal policies, and procedures, COBC and standards of good business practice. Following the replacement of ISO19600:2014 Compliance Management Systems with ISO37301:2021 in 2021, the Framework was revised in February 2023 to align with the new standards. The framework sets out the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving compliance management throughout the Group.

For more information on the key activities undertaken by GCO pertaining to policy instruments, COBC, Control Self-Assessment, Anti-Corruption Compliance and Whistleblowing, refer to the Statement on Risk Management and Internal Control on pages 116 to 121.

- **Group Fraud & Corruption Risk Management**

  GFCRM detects and responds to fraud and corruption incidents/risks by conducting special reviews and investigations of complaints received through the whistleblowing channel at the request of the GAC and Management. During the year under review, GFCRM also initiated a fraud and corruption risk assessment for Upstream Malaysia operations and implemented fraud and corruption detection strategies and mechanisms for the same. In the conduct of its work, GFCRM is guided by the Group Fraud Control Framework which had been mapped against the principles of the Fraud Risk Management Guide 2016 (FRMG) of the Committee of Sponsoring Organization of the Treadway Commission (COSO) and Association of Certified Fraud Examiners (ACFE).

  This Report is made in accordance with the resolution of the Board of Directors dated 19 April 2023.

NOMINATION & REMUNERATION COMMITTEE REPORT

> **2022 was a year of progressive change at the Board of Sime Darby Plantation. The Nomination & Remuneration Committee continues to play a pivotal role in ensuring that the Board remains dynamic and that our remuneration levels are competitive to retain the best talent.**
>
> **DATO' HALIPAH ESA**
> Chairman of the Nomination & Remuneration Committee

COMPOSITION OF THE COMMITTEE

Details of the composition of the Nomination & Remuneration Committee (NRC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on pages 96 to 102.

The NRC comprises Non-Executive Directors (NED) with a majority being Independent Directors and is chaired by the Senior Independent NED. The composition of the NRC complies with the requirements of both the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements) and the Malaysian Code on Corporate Governance (MCCG) 2021.

Meetings of the NRC are attended by the Group Managing Director (GMD). Other members of Senior Management are invited to meetings of the NRC when necessary to support detailed discussion on matters relevant to the agenda of the meeting.

ROLES OF THE COMMITTEE

The NRC assists the Board in reviewing the size and balance of the Board for an appropriate mix of skills, experience, knowledge and responsibilities of Directors, succession planning, human capital development and the remuneration framework for Directors, Management and employees.

The Committee's Terms of Reference (TOR) was last reviewed on 21 November 2022 in line with the amendments to the Listing Requirements.

For the detailed TOR of the Committee, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

FOCUS AND ACTION PLANS

During FY2022, the NRC undertook the following key activities:

Nomination Function

Key Activities	Matters Considered and Outcome
Nomination, appointment and re-election of Directors	The Board had undergone several changes to its composition in FY2022 in line with the encouragement by Bursa Malaysia Securities Berhad for Board renewal. The NRC has deliberated on changes to the composition of the Board and Board Committees, including its major subsidiary companies. The NRC deliberated on potential candidates for appointment as Independent NEDs to the Board. In recommending the most suitable candidates to the Board, the NRC has assessed and considered the overarching fit and proper criteria, and has given consideration to the candidates' knowledge, experience and ability to commit their time, as well as diversity of the Board members in line with the Board Composition Policy. The Board appointed Dato' Idris Kechot and Dato' Sri Sharifah Sofianny Syed Hussain as Independent NEDs of SDP on 29 December 2022. The Board utilised a combination of independent sources and recommendations from existing directors when identifying Independent NED candidates. Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani and Datuk Seri Amir Hamzah Azizan were both appointed as Non-Independent NEDs on 16 June 2022 and 17 February 2023 respectively. Datuk Seri Dr Nik Norzrul Thani is a Nominee Director of Permodalan Nasional Berhad while Datuk Seri Amir Hamzah is a Nominee Director of the Employees Provident Fund. *The profiles of Dato' Idris Kechot, Dato' Sri Sharifah Sofianny, Datuk Seri Dr Nik Norzrul Thani and Datuk Seri Amir Hamzah are on pages 91 to 92.* *Further details on the Nomination and Recruitment Process are provided on page 109.* The NRC recommended the re-election of Directors retiring at the 2022 Annual General Meeting (AGM). *Further details on the re-election of Directors are provided on pages 109 to 110.*
Board & Directors' Effectiveness Evaluation (BDEE)	For FY2022, the NRC has reviewed the actions taken based on the results of the BDEE 2021 which included private discussions with the Chairman and appointment of consultants. The NRC agreed on the assessment criteria for the BDEE 2022 as well as to undertake BDEE 2022 through an internal questionnaire-based evaluation. The findings of the BDEE 2022 were presented to the Board and included areas of strength and areas to focus on for FY2023. *Detailed information on the BDEE 2022 including the assessment criteria and findings which are disclosed in Practice 6.1 of the Corporate Governance Report are available on SDP's website under the Stock and Shareholder Information section at www.simedarbyplantation.com*

Remuneration Function

Key Activities	Matters Considered and Outcome
Board Remuneration	Recommended the remuneration for NEDs of the SDP Group of Companies. *Detailed disclosure on the remuneration of individual Directors of SDP on a named basis is provided in the Corporate Governance Overview Statement on pages 96 to 102.*
GMD Performance Scorecard, Evaluation and Remuneration	Reviewed the performance of the GMD and recommended to the Board, for approval, the salary increment and bonus proposal for the GMD.
Senior Management Remuneration and Renewals	Recommended to the Board, for approval, the salary increment and bonus proposals as well as contract renewals for the Direct Reports to the GMD.
Employees' Remuneration	Conducted a total rewards review for executives in Malaysia and recommended the incentive programme pool for Sime Darby Oils.

NOMINATION AND RECRUITMENT PROCESS

The NRC drives the recruitment process for new Directors. In considering candidates as potential Directors, the NRC applies and considers the following selection criteria:

- Required skills, knowledge, expertise and experience
- Time commitment, character, professionalism and integrity
- Ability to work cohesively with other members of the Board
- Specialist knowledge or technical skills in line with the Group's strategy
- Diversity in age, gender and experience/background
- Number of directorships in companies outside the Group

The Board has approved the Directors' Fit and Proper Policy effective from 1 July 2022 as set out in the Board Charter. The NRC is guided by the Directors' Fit and Proper Policy in their review and assessment of candidates that are to be appointed to the Board. Since the adoption of the Directors' Fit and Proper Policy, all new Directors appointed to the Board have been assessed and the Board is satisfied that they have met the overarching fit and proper criteria.

Overview of the Nomination and Recruitment Process

Nomination	Selection	Deliberation and Approval	Onboarding
Candidates are identified through independent sources and/or recommendations based on the selection criteria Where relevant, the NRC will seek third-party feedback on identified candidates	Candidates are evaluated on the overarching fit and proper criteria NRC discusses and recommends shortlisted candidates to the Board	Shortlisted candidates to attend engagement session with the Board The Board deliberates and approves the appointment of the selected candidates	Selected candidates accept appointment and undergo onboarding programme

The Group Secretary ensures that, upon appointment, all necessary information is obtained from the Directors for the Company's internal records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

RE-ELECTION OF DIRECTORS

The NRC reviews and ensures that Directors retire and are re-elected in accordance with the relevant laws and regulations and the Company's Constitution, including ensuring that the Directors have had a satisfactory evaluation of their performance and contribution to the Board.

The NRC has conducted the fit and proper assessment of the Directors proposed for re-election at the forthcoming AGM. The NRC and Board are satisfied that the Directors have met the overarching fit and proper criteria.

The Board recommends the re-election of the following Directors who will be retiring pursuant to Rules 81.2 and 103 of the Company's Constitution at the forthcoming AGM:

Rule 81.2 of the Constitution
Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani
Dato' Idris Kechot
Dato' Sri Sharifah Sofianny Syed Hussain
Datuk Seri Amir Hamzah Azizan

Rule 103 of the Constitution
Dato' Mohd Nizam Zainordin

The profiles of the above Directors are in the Board of Directors section on pages 91 and 93.

The Board has accepted the intention of Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas not to seek re-election at the forthcoming AGM. Hence Tan Sri Dato' Seri Haji Megat Najmuddin will retain office until the conclusion of the forthcoming AGM in accordance with Rule 103 of the Constitution.

BOARD COMPOSITION AND DIVERSITY

The Board Composition Policy sets the aspirational aims of the Board on the desired level of diversity in the Boardroom that will reflect the diverse nature of the Company's operations and support the achievement of the Company's strategic objectives.

NOMINATION & REMUNERATION COMMITTEE REPORT

The Board's progress towards achieving targets set out in the Policy is as shown below:

- **Gender Diversity**

  The Board will maintain at least two women Directors on the Board and will actively work towards women forming a minimum of 30% of the Board's composition.

  The Board has met its target of 30% women (or three women Directors) on the Board based on the current composition.

- **Age Diversity**

  The Board will work towards having a generationally-diverse Board so as to promote inclusion and have a balance between maturity and experience with an injection of energy and a greater level of flexibility and adaptability. The age diversity of the Board can be found on page 99].

- **Ethnic Diversity**

  The Board will work towards diversifying the ethnic composition of the Board as and when vacancies arise, and suitable candidates are identified.

- **Independence of Directors**

  The Board comprises a balanced number of Independent Directors, with five out of ten Directors being independent. None of the five Independent Directors has served on the Board for a cumulative period of nine years.

  The NRC is highly committed to achieving and maintaining a composition where a majority of its Directors are Independent. The NRC is working on recommending candidates to be nominated as Independent Directors to the Board for its deliberation and approval.

  The Board is of the view that the Independent Directors have brought independent and objective judgment to the Board's deliberations and decisions.

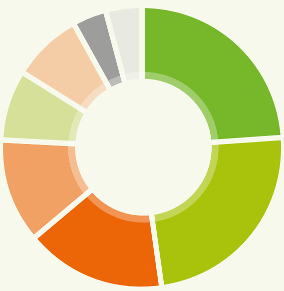
The NRC is responsible for the implementation of the Board Composition Policy and for monitoring progress towards the achievement of the Board's objectives.

The salient features of the Board Composition Policy are available online in the Corporate Governance section at www.simedarbyplantation.com

DIRECTORS' TRAINING NEEDS ASSESSMENT

Following the Directors' Training Needs Assessment conducted in 2021, training areas that were relevant to the identified focus areas for 2022 were shared with the Board with internal training on human capital organised in 2022 for the Board.

The areas of interest identified from the Directors' Training Needs Assessment for FY2023 are as follows:



Board Strategy	**24%**
Environmental, Social and Governance	**24%**
Digitalisation, Cyber Security and IT Strategy	**16%**
Human Capital Governance and Talent Strategy	**12%**
Innovation	**8%**
Merger & Acquisition and Corporate Restructuring	**8%**
Risk Management and Internal Control	**4%**
Accounting, Banking and Finance	**4%**

Training programmes relating to the areas of interest above will continuously be monitored and shared with/ recommended to the Board.

For more information on the training and continuous education programmes attended by each Director, refer to the profiles of the Board of Directors on the Group's website under the Our Leaders section at www.simedarbyplantation.com

PRIORITIES IN 2023

Entering FY2023, the NRC will continue to focus on the following key areas:

Enhancing Board Effectiveness and Dynamics – with the changes to the Board in FY2022, the NRC will need to ensure that all new Board members are well oriented and appraised of the Group's current events and projects.

The NRC will work with appointed consultants to improve the Board's effectiveness and dynamics. An important area is for the NRC to oversee that appropriate actions are taken based on enhancement areas identified in the BDEE 2022 to continuously enhance the Board's overall performance and identify opportunities for improvement.

Strengthening the Major Subsidiary Boards – in line with the SDP Board's approval to increase the autonomy and accountability of the Major Subsidiary Boards, the NRC is already embarking on a review of the composition and skill sets required at the Major Subsidiary Boards as well as appropriate remuneration levels to attract the best talents.

Strengthening Talent Management – the NRC will continue to oversee efforts to enhance SDP's talent bench strength and succession management activities. This is to ensure that SDP can continue to thrive in the future by identifying and developing high-potential employees and filling up areas with critical talent gaps.

Ensuring Pay Competitiveness – with more companies embracing hybrid working arrangements, it is imperative that SDP continues to ensure that its pay package remains competitive. This is achieved through periodic total rewards review exercises for the respective countries in which we operate.

SUSTAINABILITY COMMITTEE REPORT

> **The efforts taken by the Group around climate change and human rights in FY2022 showed our seriousness in tackling these global issues facing the industry. The Sustainability Committee greatly supports the Group's efforts in demonstrating sustainability leadership.**
>
> **DATO' HALIPAH ESA**
> Chairman of the Sustainability Committee

COMPOSITION OF THE COMMITTEE

Details of the composition of the Sustainability Committee (SC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on pages 96 to 102.

The Committee was supported by Dr Simon Lord, Sustainability Advisor, throughout the financial year ended 31 December 2022 (FY2022). Dr Lord assisted the Committee by identifying emerging sustainability trends and their implications for Sime Darby Plantation (SDP), as well as reviewing and advising on the Group's progress towards meeting our sustainability commitments and stakeholders' expectations.

Dr Lord attended all thirteen meetings during the financial year.

ROLES OF THE COMMITTEE

The SC is committed to ensuring that the Group operates in line with our sustainability objectives, which are to contribute to a better society, combat climate change and deliver sustainable development. The review of the Terms of Reference (TOR) of the Committee on 22 August 2022 incorporated mainly an additional scope on stakeholders' engagement in line with the Malaysian Code of Corporate Governance 2021.

For the detailed TOR of the Committee, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

FOCUS AND ACTION PLANS

The SC deliberated in detail on the sustainability performance of SDP and material sustainability issues impacting our operations and its global supply chain. Throughout the reporting period, the Committee received updates on key sustainability initiatives and issues across the Group at each Committee meeting. The Committee's focus was as follows:

Significant Initiatives/Issues	Matters Considered	Outcome
Ensuring the highest respect for human rights within the organisation	• Material matters surrounding human rights, particularly combating forced labour, were deliberated and monitored by the SC. These included: – Monitoring the progress of implementation of enhanced policies, procedures and initiatives in tackling forced labour in Malaysia, particularly efforts to respond to the United States Customs and Border Protection's (USCBP) finding. – Monitoring the progress of assessments and enhancements around labour practices in other jurisdictions, including Indonesia, Papua New Guinea and Solomon Islands. – Recruitment fee remediation payments for active and inactive workers, which included the setting up of the Sinking Fund Governance Committee. – Monitoring the effectiveness of grievance mechanisms implemented to improve workers' voice within the operations.	• The USCBP has modified (uplifted) its finding on SDP in February 2023 after reviewing evidence of the enhancements that SDP had implemented. • Significant improvements have been implemented across the Group's operations in Malaysia, and are being replicated across other territories, where appropriate *For more information on SDP's human rights efforts, refer to pages 80 to 85.*

SUSTAINABILITY COMMITTEE REPORT

<table>
<tr><th>Significant Initiatives/Issues</th><th>Matters Considered</th><th>Outcome</th></tr>
<tr><td>Responding to Climate Change</td><td>• The Committee deliberated in detail on the Group's strategy and progress in responding to the developments around climate change, which included:
– Detailed deliberation of the Group's climate ambitions, strategy and progress in the development of SDP's Net-Zero Roadmap.
– Monitoring the progress of key strategies in decarbonising our operations, which included progress of the renewables business (methane capture and solar projects), and reforestation efforts being implemented across the Group.
– Reviewing and deliberating the Group's public disclosures on climate change, ensuring alignment with globally recognised standards and guidelines, including the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).</td><td>• The Group has announced our net-zero ambition with a detailed roadmap developed to 2050. Near-term and long-term targets have been developed in line with the Science Based Targets initiative (SBTi) Criteria and submitted to SBTi for validation in FY2023.
For more information on SDP's efforts on climate action and decarbonisation, refer to pages 70 to 79.</td></tr>
<tr><td>Enhancing Occupational Safety and Health (OSH) Performance</td><td>• Safety and health remain key concerns that were deliberated extensively during the SC meetings, which included:
– Reviews of all occupational fatality cases occurring within the operations, during which the manager of the Operating Unit was required to physically attend the meeting to present the outcomes of the investigation, as well as the corrective and preventive action taken. All findings and learnings from each case are shared across all other Operating Units across the operations.
– Monitoring of the Group's OSH performance indicators and the mitigation action undertaken by Management to further enhance safety practices in the operations.</td><td>• The Group is progressing towards our overall goal of Zero Harm with on-going enhancements of OSH practices being implemented on the ground.
For more information on SDP's Safety Performance, refer to pages 84 to 85.</td></tr>
<tr><td>Ensuring a Sustainable Supply Chain</td><td>• The Group's progress in managing supply chain sustainability risks was monitored and deliberated during the SC meetings. Key matters covered included:
– Monitoring and reviewing the progress of the Group's efforts to improve the transparency and traceability of our global supply chain.
– Monitoring and reviewing the progress of the Group's efforts in engagements with suppliers to improve the No Deforestation, No Peat and No Exploitation (NDPE) compliance of all suppliers.
– Monitoring and reviewing the Group's progress in smallholder inclusion programmes in our upstream operations.</td><td>• Overall transparency of the Group's supply chain is on an increasing trend, with a 95% traceability to mill and 96% traceability to plantation for the Group's own mills achieved in FY2022.
• On-going efforts are being made by the Group to further engage with suppliers, including smallholders, in adopting responsible agriculture practices.
For more information on SDP's efforts in managing supply chain sustainability, refer to pages 86 to 89.</td></tr>
</table>

PRIORITIES FOR FY2023

Moving forward in FY2023, the Group will continue to accelerate efforts to demonstrate credible progress in implementing responsible agriculture practices across our operations and global supply chain. Key areas of focus will continue to include:

- **Accelerating the implementation of the Group's Net-Zero Roadmap**

  With the development of the Group's roadmap, clear strategies and initiatives have been identified where the Group will focus our resources in meeting our climate ambition. The SC will deliberate and monitor the progress of the Group's Renewables business, the transformation of the Group's approach to land use, and engagement with suppliers around climate change.

- **Demonstrating credible leadership in human rights**

  With the modification (upliftment) of the finding by the USCBP, the Group is in a strong position to demonstrate leadership in tackling the issue of forced labour. The SC will continue to review the Group's labour practices ensuring the sustainability and continuous improvement of the enhancements that have been implemented. Engagements with stakeholders and the wider industry will be enhanced, whilst the learnings from Malaysia will be replicated in other jurisdictions, where appropriate.

- **Ensuring the Group's supply chain risks are effectively managed**

  The SC will continue to monitor and review the progress of the Group's transparency commitments with regards to our supply chain, and compliance with NDPE commitments by our suppliers and smallholders. This is crucial as the Group is well-positioned to work with stakeholders to encourage our suppliers and the wider industry to adopt a broader implementation of responsible agriculture practices.

BOARD TENDER COMMITTEE REPORT

"The Board Tender Committee evaluates, deliberates and approves recommendations made by Management for the award of key tenders, ensuring that tender exercises are conducted in accordance with the principles of the Group Procurement Policies and Authorities."

DATUK SERI DR NIK NORZRUL THANI NIK HASSAN THANI
Chairman of the Board Tender Committee

COMPOSITION OF THE COMMITTEE

Details of the composition of the Board Tender Committee (BTC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on pages 96 to 102.

ROLES OF THE COMMITTEE

The Committee oversees that the tender process is carried out in a fair, transparent, effective and comprehensive manner and in accordance with the principles of the Group Procurement Policies and Authorities.

For the detailed Terms of Reference of the Committee, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

FOCUS AND ACTION PLANS

The Group has undertaken the following key activities in the financial year ended 31 December 2022:

- Revised the Group Policies and Authorities on procurement.
- Procured alternative materials from various sources to ensure that the requirements of the Group are met in a timely manner in the face of global supply chain disruptions.
- Standardised specifications, consolidated volume and adopted the most competitive method of negotiation to secure the best value for the Group.
- Implemented mitigating actions to manage business adversities and challenges arising from the COVID-19 pandemic.
- Established the e-Learning courseware for the training of procurement practitioners across the Group on the Group Procurement Policies and Authorities. This is to ensure that training is conducted sustainably and can be accessed by all stakeholders promptly.
- Launched the e-Learning courseware on the Group Procurement Policies and Authorities to procurement practitioners and users in Malaysia.
- Organised a Vendor Development Day to promote and enhance engagement with Bumiputera vendors as well as to celebrate the successful graduation of Bumiputera vendors who had completed the Bumiputera Vendor Development Programme.
- During the year, the BTC reviewed and deliberated on the purchase of fertilisers for New Britain Palm Oil Limited and upstream businesses in Malaysia and Indonesia; land logistics contracts and the Bumiputera Empowerment Agenda.

PRIORITIES MOVING FORWARD

- The BTC is committed to ensuring that the Group continues to procure goods and services for key contracts/tenders in a transparent, objective and fair manner, adopting the principles of good governance and at the same time delivering the best value to the Group.
- The BTC is also committed to ensuring that the procurement of key contracts is conducted in accordance with the processes and procedures of the Group Procurement Policies and Authorities. Cost optimisation is also one of the key areas of consideration in getting the best value for Sime Darby Plantation (SDP) through procurement.
- Moving forward, the BTC is committed to ensuring that SDP continues to pursue sustainable value creation for the benefit of all stakeholders.

RISK MANAGEMENT COMMITTEE REPORT

"The Risk Management Committee is committed to ensuring the effective implementation of the Group Risk Management Framework. The ultimate aim is for formal risk thinking and practices to be embedded into the DNA of Sime Darby Plantation and all our employees."

DATUK MOHD ANWAR YAHYA
Chairman of Risk Management Committee

COMPOSITION OF THE COMMITTEE

Details of the composition of the Risk Management Committee (RMC) and the Directors' attendance are provided in the Corporate Governance Overview Statement on page 96].

ROLES OF THE COMMITTEE

The primary objective of the Committee is to assist the Board of Directors in discharging its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework (GRMF) includes the necessary policies and mechanisms to manage the overall risk exposures of the Group. The RMC is also tasked with reviewing the adequacy and effectiveness of the GRMF to ensure that it continues to support the vision, mission and strategic objectives of the Group whilst safeguarding stakeholders' interests.

The Terms of Reference (TOR) of the Committee, reviewed on 19 May 2022, incorporated an additional function of the Committee.

For the detailed TOR of the Committee, refer to the Corporate Governance section on SDP's website at www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS

During Financial Year ended 31 December 2022 (FY2022), the RMC had undertaken the following key activities:

- Monitored principal risks affecting the achievement of the Group's strategies and objectives. This included reviewing strategic risk reports on external and emerging risk outlooks, as well as country risk assessments for territories in which the Group operates and updates on significant internal risk exposures.
- Reviewed and provided oversight on Group Risk Management's (GRM) activities which included the following:
  - Fortnightly key risks perspective newsletters.
  - Deep dive risk assessments on key risk areas.
  - New investment or divestment risk assessments.
  - Risk assessment and refresher workshops to update risk profiles.
  - Revision to the Business Continuity Plan (BCP) Standard.
  - Development and testing of BCP at downstream operations and Business Continuity Management refresher awareness sessions.
  - Embedding a risk aware culture throughout the organisation by sending out a series of risk newsletters to educate Sime Darby Plantation (SDP) employees on active risk management and how it relates to their work and business, as well as the risk management methodology used within SDP.
- Reviewed the risk appetite principles and related exposures.
- Reviewed the Group's cyber security risk and related exposures.
- Reviewed and tracked previously approved investment initiatives.
- Reviewed the financial exposure position of the Group.
- Reviewed the price risk strategy and trading positions of the Group.

Where appropriate, the RMC also leveraged on the work of other Board committees namely the Sustainability and Nomination & Remuneration Committees to assist in ensuring robust oversight of particular risk exposures.

PRIORITIES FOR FY2023

In the coming year, the RMC will continue to focus on providing oversight over the implementation of the GRMF throughout the Group as well as monitoring the key risk exposures impacting SDP and the results of mitigating actions taken. This includes deep dives on SDP key risks, updates to the risk register for the Group's upstream and downstream business units globally, and business continuity plan testing for selected Sime Darby Oils business units in Malaysia.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present the Statement on Risk Management and Internal Control which outlines the state of risk management and internal control within Sime Darby Plantation for the financial year under review.

RESPONSIBILITIES AND ACCOUNTABILITIES

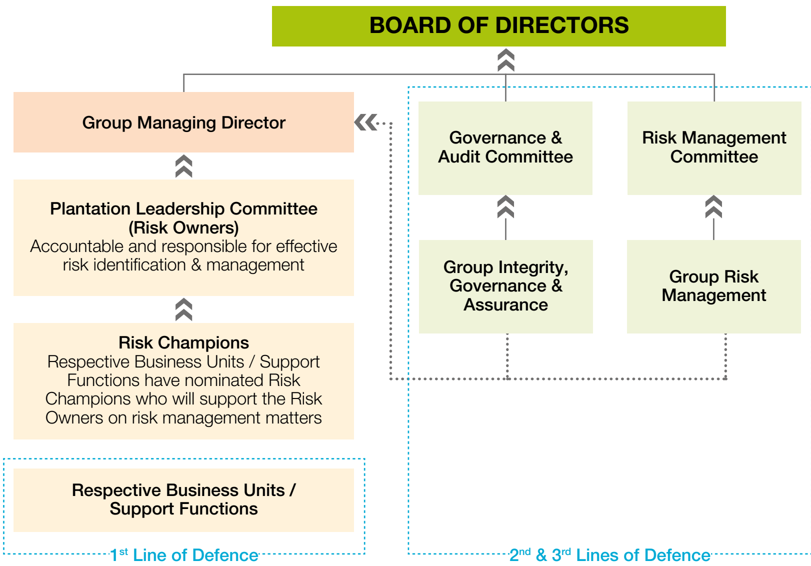
SDP's robust governance structure provides a system of checks and balances to ensure accountability and drive better decision-making, while creating long-term sustainable value for our stakeholders. In navigating the challenging business landscape in 2022, Sime Darby Plantation's (SDP) corporate ecosystem of governance, risk management and internal controls has effectively enabled the Group to rise up to challenges and deliver value to our stakeholders within the realm of accountability, transparency, integrity and ethics.

For more information on the components of our governance structure refer to the Corporate Governance Overview Statement on pages 96 to 102, Governance & Audit Committee Report on pages 103 to 107 and Risk Management Committee Report on page 115.

RISK MANAGEMENT

Risk Management Governance Structure

Our risk management structure encapsulates the governance arrangements on risk management as well as assigns responsibility to the relevant levels of Management and operations.

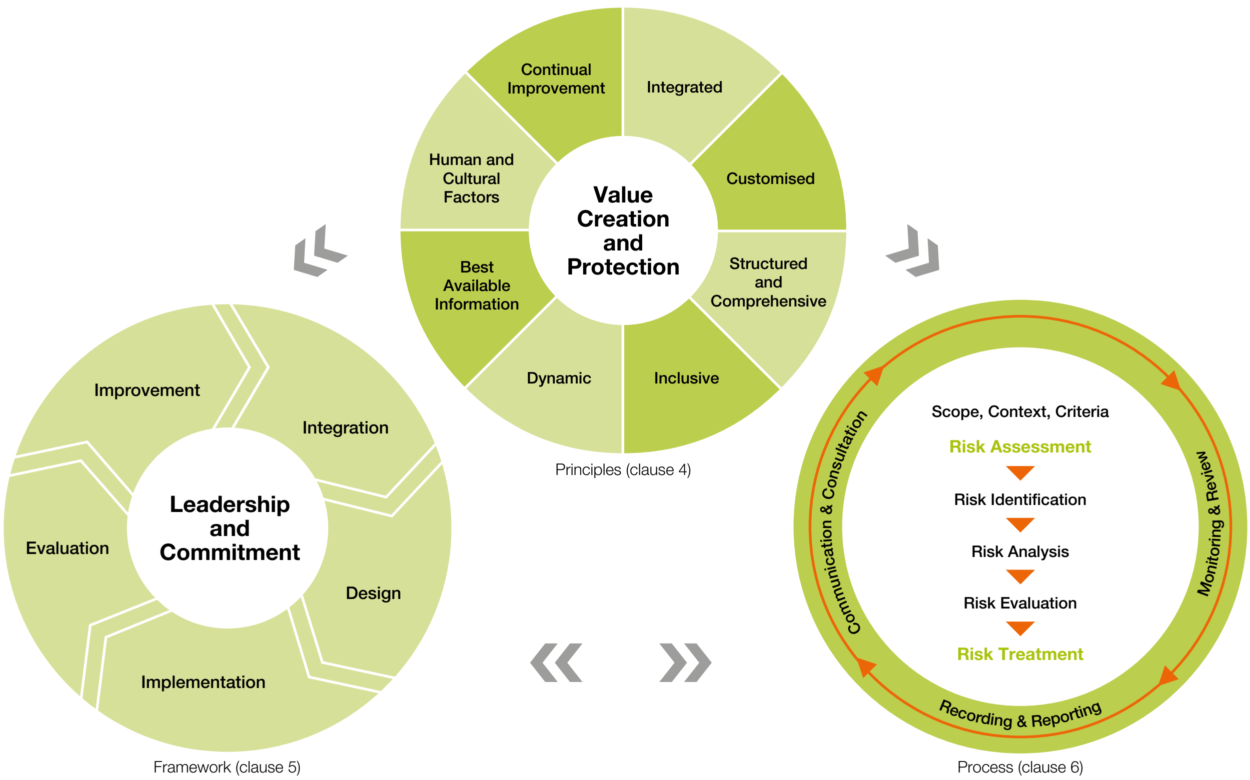


Board of Directors	Responsible for the establishment, oversight and monitoring of the Group Risk Management Framework (GRMF) and reviewing its effectiveness in supporting the vision and strategic objectives of SDP whilst safeguarding shareholders' investments and SDP's assets.
Risk Management Committee (RMC)	Assists the Board in providing the framework and guidance to business units to operate, identify, and report on Group-wide risks. The RMC has a broad mandate to ensure the effective implementation of the GRMF and compliance with the framework across the Group. The RMC is also responsible for periodically reporting material risk exposures and the progress and assessment of risk management activities to the Board.
Group Risk Management (GRM)	Responsible for supporting the Board and RMC in overseeing risk management activities including the establishment, update and oversight of the GRMF in the Group. GRM integrates risk management into key business processes through a formal risk management process to facilitate effective decision-making and, embeds risk awareness into the organisational culture. GRM functions by working in close partnership with business units to provide expertise, support, monitoring and challenge risk-related matters to achieve organisational objectives. Whilst identifying and managing risks ultimately sit with the risk owners/managers, GRM provides advice and facilitation in identifying and monitoring those risks. *For more information on the activities of the RMC and GRM, refer to the RMC Report on page 115.*

Group Managing Director (GMD) and Plantation Leadership Committee (PLC)	The Board delegates to the GMD the responsibility for ensuring effective implementation, maintenance and adherence of the GRMF throughout the Group. The PLC assists the GMD in ensuring risk management is adequately carried out, particularly in evaluating and making key strategic and operational decisions. The GMD and PLC are responsible for providing leadership and sponsorship to the business operations in the implementation of the GRMF and utilising risk thinking for key decision-making and strategic planning exercises.
Risk Owners and Risk Champions	Heads of Business Units/Support Functions are the designated Risk Owners and are responsible for all risk management activities within their sphere of operations. Risk Champions assist Risk Owners in fulfilling their risk management responsibilities and work with GRM on risk management activities. The activities include ensuring the timely identification/updating of risks, controls, issues and action plans within their own units/projects and escalating risks in their units to their respective Heads (Risk Owners) and GRM.

Group Risk Management Framework

Risk management is part of the organisation's structure, processes, objectives, strategies and activities. Our Group Risk Management Framework (GRMF) promotes three facets of risk management as depicted in the diagram below:



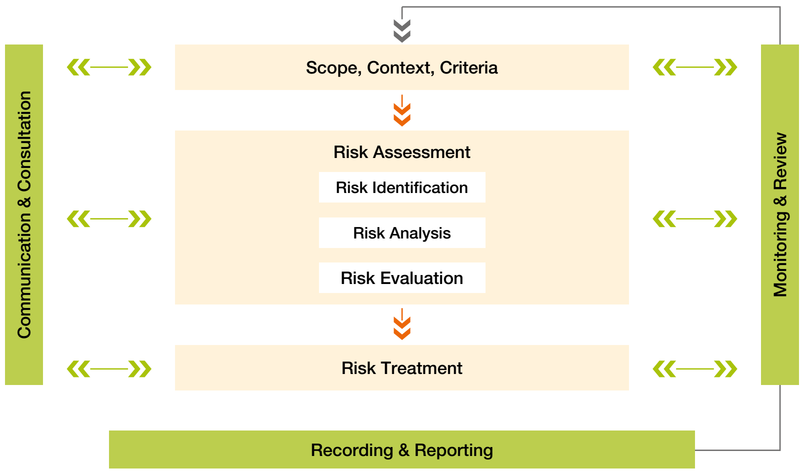
The SDP GRMF is aligned with ISO31000:2018 standard on risk management and COSO 2017 Enterprise Risk Management— Integrating with Strategy and Performance. This clearly underscores our commitment towards enterprise risk management in strategic planning and our will to embed risk management throughout the organisation as part of value creation and protection.

The primary goal of the GRMF is to identify, evaluate and manage risks that may impede the achievement of the Group's long-term and short-term strategies and objectives. Our approach to risk management is aimed at embedding risk awareness in all decision-making and realise our commitment to managing risk proactively and effectively. This includes identifying and evaluating threats and opportunities early, managing and preventing threats before they materialise and responding effectively if they do, and actively pursuing opportunities to capture value within agreed risk tolerances. Our process for identifying, evaluating and managing material business risks is designed to manage rather than eliminate threats where appropriate, and accepting a degree of risk to generate returns.

The GRMF involves the identification of risk and mitigating measures in both strategy-setting and driving performance. Our integrated approach is two pronged, i.e. a top-down strategic view which is complemented by bottom-up operational risk assessments, whilst taking cognisance of the external environment in which we operate. These risk assessments are complemented by risk deep dives on key risk areas, strategic country risk analyses and fortnightly risk

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

outlooks as well as risk assessments for key projects and investments undertaken by the Group to proactively anticipate and mitigate risk events while facilitating the understanding and management of risk at various levels of the business. The steps in which risk management is performed, as stated in our GRMF, are as follows:



The role of leaders and their responsibilities are emphasised in the GRMF to ensure that risk management is an essential part of the business. The responsibility for identifying, evaluating and managing risks lies with all employees and business leaders and they operate within the Group-wide framework to manage risks within approved limits and guided by approved risk appetite statements. In pursuit of our strategic objectives, it is imperative to have a balance between risk and growth, in order to ensure that the pursuit of opportunities is likely to have a level of reward that commensurate with the associated risks.

Risk Appetite

Risk appetite refers to the amount of risk that an organisation is prepared to accept in pursuit of its strategic objectives. For SDP, a risk appetite framework is established to provide guidance on how we conduct business to achieve business objectives within the boundaries of the Group's risk appetite, business ethics and good governance. Consideration of risk and what is an acceptable level of risk is part of the Group's strategy-setting and decision-making process. When the Group decides on our objectives and strategic goals, we also consider the risks involved and our appetite for such risks, as a basis for making those decisions.

Risk Appetite Framework
Provides guidance on how we conduct business to achieve business objectives within the boundaries of the Group's risk appetite, business ethics and good governance.

SDP's approach to risk appetite is explicitly and implicitly defined via various Board approved / endorsed documents for example:

- Strategy blueprints
- Investment guidelines
- Limits of Authority
- Group Policies & Procedures
- Group Procurement Policies & Procedures
- Risk Parameters (likelihood and impact)
- Code of Business Conduct
- Responsible Agriculture Charter (RAC)
- Human Rights Charter (HRC)
- Responsible Sourcing Guideline (RSG)
- Responsible Recruitment Procedure (RRP)

The Group's risk appetite statements have been developed in alignment with the risk appetite framework and approved by the Board, via the RMC. For more information on the Group's risk appetite statements, refer to page 37.

Risk Reporting

The GRMF provides for consistent review and reporting. On a quarterly basis, formal risk reports are developed and presented to the PLC and RMC. Any potential risks identified are escalated as appropriate, with mitigation actions put in place to manage such risks. Significant risks affecting the business as well as periodic external and emerging risk outlooks are presented to the RMC. Additionally, due to the evolving nature of risk events in the external environment in which we operate, a fortnightly key risks perspective newsletter on external and emerging risks, is circulated to the Board and Management.

Group Business Continuity Framework

Our Business Continuity Framework is aligned with ISO22301:2019 standard on business continuity management systems. It covers an end-to-end guidance in managing a crisis event with the following main objectives:

- to safeguard life, property, environment and corporate reputation;
- to minimise the loss of assets and revenue, and the impact on customers;
- to continue providing products and services during adverse conditions; and
- to facilitate the timely recovery of critical business functions.

SDP Business Continuity Framework

Process	Emergency and Crisis Management		Recovery and Restoration Management	
Document	Emergency Preparedness and Response (EPR) Procedures	Crisis Communications Plan (CCP)	Disaster Recovery Plan (DRP)	Business Continuity Plan (BCP)
Nature of Document	Documents procedures to manage potential and actual emergency situations with Environment, Safety and Health implications	Documents procedures to manage communication when a crisis is imminent or has happened	Documents procedures to recover and protect business IT infrastructure to support business operations	Documents procedures to recover and restore business operations to normality
Objective of Document	Safety and health of people are maintained	Communications occurs effectively	IT applications/data protected	People relocation and resume operation effectively

The Group is committed to safeguarding the interests of all stakeholders in times of disaster and/or emergency. This entails the implementation of business continuity processes in ensuring the Group can continue to operate with minimal impact on stakeholders in the event of a crisis or disruption.

INTERNAL CONTROL FRAMEWORK

At SDP, the following key controls are implemented to assist the Board in maintaining a sound system of internal controls within the Group.

Policy Instruments

Our policy instruments refer to the following policies, procedures and guidelines which serve as the backbone for achieving best practices and streamlining internal processes.

Board Charter	Sets out the Board's strategic intent and outlines the Board's roles and powers which it reserves for itself, and those which it delegates to the Management.
Terms of Reference of the respective Board Committees	Set the tone of the various Board Committees with regard to their purpose, scope, responsibility, and accountability.
Group Policies & Authorities (GPAs)	Define the lines of responsibility, accountability, and authority limits, and represent a formal delegation of the Board's powers and functions to the Management. The GPAs are designed to empower the Management to achieve business objectives within the boundaries of business ethics and governance, and cover functional policies, ethics and conduct, protection of Group assets, key processes, and Limits of Authority.
Policies, procedures and guidelines	Support the achievement of the principles stipulated in the GPAs, all of which, are mandatory to be complied with by Directors and employees of the Group.

All policy instruments are reviewed and revised, as appropriate, on a periodic basis to ensure that they are relevant to the current operating environment and reflect the intended practices. To enhance the understanding and awareness among employees of their obligations within the Group's governance framework, these policy instruments are accessible via the Group intranet and socialised via video briefings and graphics.

Code of Business Conduct

Our Code of Business Conduct (COBC) is made available in all key languages in the jurisdictions within which the Group operates and continues to guide our employees on the standards of behaviour expected of them, and in upholding the Group's Core Values of Integrity, Respect & Responsibility, Enterprise, and Excellence.

INTEGRITY | RESPECT & RESPONSIBILITY | ENTERPRISE | EXCELLENCE

The COBC is accessible on the Group's corporate website and intranet and its understanding among employees is enforced via a combination of physical and video briefings as well as collaterals, quizzes, surveys and infographics. All Directors and employees are required to sign an attestation to acknowledge compliance with the COBC and their understanding of the rules, principles and policies that are outlined in the COBC.

Business Planning and Reporting

Our annual business planning process entails the review of the Group's strategy and the presentation of our findings, outcomes and new proposals to the Management and Board, at least once a year. On a quarterly basis, the strategy of the Group is discussed at the Board level. In addition, the Group Strategy Blueprint, which is developed every five years, charts SDP's business direction, objectives, strategies, action plans and the corresponding Group Budget. Both the Group Strategy Blueprint and the Group Budget are subjected to rigorous deliberation with key stakeholders prior to approval by the Board. Performance is monitored on a periodic basis by the Board and Management, and corrective actions are taken to address deviation from plans.

Human Capital

Performance Management

In realising SDP's vision of becoming a leading organisation, the Group's Performance Management Framework drives employees' motivation by identifying and rewarding top performers and improving the objectivity of performance evaluation. The resulting KPIs are aligned across businesses, functions and levels as the Group strives towards a shared common goal of driving business objectives, while strongly upholding core governance principles.

People Development

For more information on the people development activities of the Group, refer to the Human Capital Growth section on pages 64 to 67.

Compliance

Internal Audit

Our internal audits provide independent, objective and risk-based assurance and consulting services designed to add value and improve the operations in the Group by assessing whether risk management, control and governance processes are designed and implemented sustainably and effectively. Where control limitations are noted, corrective actions are proposed for Management's consideration and thereafter monitored for implementation. The implementation of data analytics and continuous control monitoring harness the potential of real-time auditing towards improving the control environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Control Self-Assessment

Our Control Self-Assessment (CSA) process accords line Management with full responsibility and accountability over effective risk management and controls implementation within their operations. Selected validation promotes the integrity of the process while focussed workshops provide the avenue to deliberate and agree on control enhancements.

Fraud & Corruption Risk Management

Our Fraud & Corruption Risk Management function detects and responds to fraud and corruption incidents or risks by conducting special and investigative reviews at the request of the Governance & Audit Committee; or the Management. It also acts upon complaints formally received through the whistleblowing and grievance channels; as well as any red flag which is identified through other forms of review. The implementation of fraud and corruption risk assessment as well as fraud and corruption detection strategies help to minimise the incidence of fraud and corruption within the Group.

Anti-Corruption

SDP first obtained the ISO 37001:2016 Anti-Bribery Management System certification in October 2020 as part of its commitment to combat corruption. The certification had successfully undergone a second surveillance audit in September 2022, a testament to the continuous and rigorous anti-corruption efforts undertaken across the Group. To complement our ISO 37001:2016 Anti-Bribery Management System certification, SDP has also satisfied the requirements of the Corporate Integrity System Malaysia (CISM) framework for private companies in Malaysia.

Key principles from both the ISO 37001:2016 Anti-Bribery Management System and CISM Framework are encapsulated within our Anti-Corruption Compliance Framework which takes cognisance of the Group's global operating footprint. Where applicable, the requirements of this Framework are extended to our counterparties and business partners in ensuring that anti-corruption and bribery initiatives are applied throughout our supply chain to promote a corruption-free business environment. The Group's stance on our Commitment to combat corruption is publicly available via the Anti-Corruption Policy Statement on our corporate website.

Whistleblowing

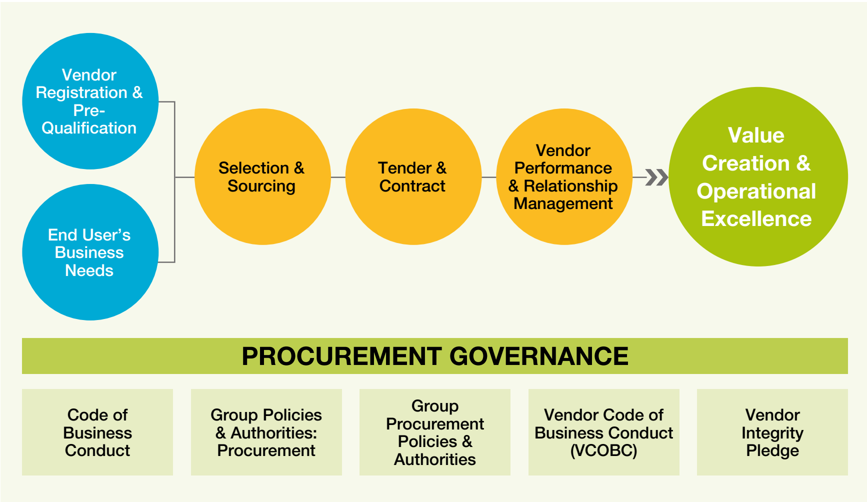
SDP's whistleblowing process embodies the Group's commitment to maintaining an open and supportive working environment in which stakeholders are able to report instances of wrongdoings on the part of any of our employees, Management, Directors and vendors, confidentially, without fear of retaliation. All reports made in good faith are investigated, regardless of the length of service, position/title, relationship or connection of the alleged parties with the Group. The whistleblowing complaints can be lodged via various channels (website, e-mail, telephone, WhatsApp, postal service) throughout our global operations, and are managed via an independent function to ensure the transparency and confidentiality of the process.

The whistleblowing channel complements other established third-party grievance channels which provide avenues for workers to report issues ranging from their working conditions, recruitment and safety to other issues in line with our Human Rights Charter.

For more information on SDP's grievance channels, refer to the Our Commitment to People section on pages 80 to 85.

Vendor Management

Strong procurement governance is key to achieving SDP's operational excellence and this is sustained by upholding the Group's procurement principles and complying with its established procurement policies and procedures. The Group's commitment to excellence extends beyond the organisation through its close working relationship with vendors, to ensure that our values and principles are adopted in every aspect of the Group's business operations, as depicted in the procurement governance landscape below:



SDP's Vendor Code of Business Conduct (VCOBC) provides guidance to our vendors on the required standards of behaviour when conducting work for the Group, especially in relation to labour and human rights, sustainability, health, safety & environment, as well as ethics and management practices.

Vendors intending to conduct any business transaction(s) with the Group are required to sign the Vendor Integrity Pledge, as a formal affirmation of the vendor's commitment to comply with the VCOBC and all applicable laws and regulations, and not engage in bribery, corruption or fraud. Vendors are required to undergo a registration process and subsequently undergo the pre-qualification process to enable the Group to establish a quality and comprehensive Vendor List.

Further evaluation may be conducted to assess the vendors' specific technical capabilities to support the Group's business needs. Continuous performance evaluations will be carried out to ensure that these vendors continue to meet the business requirements of the Group.

Communication and Reporting

Our relevant policies and procedures on stakeholder engagement ensure that we proactively engage and effectively manage the dissemination of information to key stakeholders of the Group. Disclosures, which include quarterly and annual financial statements, announcements made to Bursa Malaysia Securities Berhad (Bursa Securities), and corporate presentations are made in accordance with regulatory requirements and are published on our website in a timely manner.

Technology

Information Systems

Our Enterprise Resource Planning (ERP) system enables transactions to be captured, compiled, analysed, and reported in a timely and accurate manner. This is in line with the need to maintain a secure, effective and reliable IT environment to support the Group's business operations. In this regard, information systems in the Group are automated and provide Management with data, analysis, variations, exceptions and other inputs relevant to the Group's performance.

The information system platform in the Group also operates based on a set of IT policies and procedures intended to protect the usage of the Group's information and resources. These include IT governance and authority, information security policies, identity and access management standards, project management framework, service management, and guidelines on the usage of computer facilities.

Cyber Security

The Group maintains its cyber security hygiene by managing cyber security risks to safeguard data privacy and cyber threat prevention. Key activities include:

- Implementing enterprise cyber security technologies, tools and processes throughout the Group to mitigate the impact of external and internal cyber threats;
- Conducting periodic reviews, updates and assessments of policies and procedures to ensure these remain current with the evolving cyber security landscape and threats; and
- Ensuring employees receive cyber security education via periodic training, newsletters, surveys and security alerts, as well as participation in cyber security campaigns, tests and initiatives.

Digital Transformation

With the progress made in the Group's digital transformation over the past two years, we remain committed to leveraging digital technologies to build mid to long-term solutions with an aim to enhance our resilience as well as drive innovation and competitiveness. Efforts in digitalisation grew beyond adoption of new technology such as robotics, automation, and infrastructure modernisation, to transitioning towards an agile operating model, promoting new ways of working, and facilitating upskilling in areas such as in design thinking, data analytics and visualisation, as well as artificial intelligence.

These efforts will enable us to respond better to challenges and opportunities and realise our digital ambitions sustainably across all areas of the business.

For more information on SDP's digital initiatives, refer to the Upstream section on pages 46 to 51, and Research & Development section on pages 58 to 63.

Sustainability

Our sustainability purpose is to contribute to a better society, minimise environmental harm and deliver sustainable development. All our efforts around sustainability are guided by the United Nations Sustainable Development Goals (UN SDGs). All employees are accountable for ensuring that responsible and ethical practices are adopted in our operational and decision-making processes.

Our sustainability purpose also aims to address a wide range of stakeholder expectations and concerns over issues including, climate change, conservation and biodiversity, human rights and labour practices, responsible sourcing, safety & health and smallholder inclusion in our supply chain.

Responsible Agriculture

Our Responsible Agriculture Charter articulates our commitments to No Deforestation, No Peat and No Exploitation (NDPE) of the rights of indigenous peoples, workers and local communities.

Human Rights

Our Human Rights Charter articulates our responsibility to respect, support and uphold fundamental human rights as expressed, in various documents including, the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. This also includes our commitment to providing a safe and healthy working environment for workers in all our operations.

Supply Chain Sustainability

Our Responsible Sourcing Guideline extends our sustainability commitments throughout our supply chain. We are also guided by our policy statement on Working with Our Suppliers to Draw the Line on Deforestation, which articulates our approach on engaging with our suppliers to meet the NDPE standards.

For more information on SDP's sustainability practices, refer to the Sustainability section on pages 68 to 89.

MATERIAL JOINT VENTURES AND ASSOCIATES

The disclosures in this statement exclude the risk management and internal control practices of the Group's Joint Ventures and Associates. The Group's interests in these entities are safeguarded through the appointment of members of the Group's Senior Management team to the Board of Directors and, in certain cases, the management or operational committees of these entities.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As per the requirement of Paragraph 15.23 of the Main Market Listing Requirements (MMLR) of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control (SORMIC). Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide (AAPG) 3 (Revised: February 2018) issued by the Malaysian Institute of Accountants. The AAPG 3 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board of Directors and the Management thereon.

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard shareholders' investments and the Group's assets.

The Board has received reasonable assurance from the GMD and the Chief Financial Officer that the Group's risk management and internal control systems, in all material aspects, are operating adequately and effectively. This statement is made in compliance with Paragraph 15.26(b) of the MMLR of Bursa Securities and Principle B of the Malaysian Code on Corporate Governance 2021 issued by Securities Commission Malaysia, and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

This statement is made in accordance with a resolution of the Board dated 19 April 2023.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Sime Darby Plantation Berhad Group. As required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 31 December 2022, as presented on pages 129 to 250, have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

The Directors consider that in preparing the financial statements, the Group and the Company have used the appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates. The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the financial performance and cash flows for the financial year.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and the Company to enable the Directors to ensure that the financial statements comply with the Companies Act 2016. The Directors have the general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 19 April 2023.

BOARD APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements for the financial year ended 31 December 2022 are set out on pages 129 to 250. The preparation thereof was supervised by the Chief Financial Officer and approved by the Board of Directors on 19 April 2023.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2022

The Directors have pleasure in presenting the Directors' Report ("Report") together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and marketing of specialty fats and edible oils, rubber and other palm oil related products and investment holding. During the financial year, the Company disposed its downstream business operations comprising the Langat refinery, Port Klang refinery and Kernel Crushing Plant to its wholly-owned subsidiaries, as part of the Group's internal restructuring to rebrand its downstream segment and to clearly segregate the upstream and downstream businesses of the Group.

The principal activities of the Group consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and blending, marketing and distribution of specialty fats, edible oils, rubber, coconut oil and other palm oil related products, production and sales of sugar and beef, and the involvement in other agriculture related business as disclosed in Note 48 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit before tax	3,492,200	753,808
Tax expense	(808,930)	(97,284)
Profit for the financial year	2,683,270	656,524
Profit for the financial year attributable to:		
– equity holders of the Company	2,488,075	532,224
– Perpetual Sukuk holders	124,300	124,300
– non-controlling interests	70,895	–
	2,683,270	656,524

DIVIDENDS

Since the end of the previous financial year, the Company has paid the following dividends:

	RM'000
In respect of financial year ended 31 December 2021:	
– Final dividend of 12.38 sen per share, paid in cash on 17 May 2022	856,165
In respect of financial year ended 31 December 2022:	
– Interim dividend of 10.00 sen per share, paid in cash on 18 November 2022	691,571
	1,547,736

A final dividend of 6.04 sen per ordinary share, amounting to RM417.7 million in respect of the financial year ended 31 December 2022 has been declared on 17 February 2023 and will be paid on 15 May 2023. The entitlement date for the dividend payment is 28 April 2023.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL, PERPETUAL SUKUK AND DEBENTURES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this Report are:

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	
Mohamad Helmy Othman Basha	
Dato' Halipah Esa	
Dato' Idris Kechot	(Appointed on 29 December 2022)
Datuk Mohd Anwar Yahya	
Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani	(Appointed on 16 June 2022)
Datuk Seri Amir Hamzah Azizan	(Appointed on 17 February 2023)
Dato' Sri Sharifah Sofianny Syed Hussain	(Appointed on 29 December 2022)
Dato' Mohd Nizam Zainordin	
Tan Ting Min	
Zainal Abidin Jamal	(Retired on 16 June 2022)
Lou Leong Kok	(Retired on 16 June 2022)
Datuk Zaiton Mohd Hassan	(Resigned on 16 November 2022)
Dato' Henry Sackville Barlow	(Resigned on 22 November 2022)
Tunku Alizakri Raja Muhammad Alias	(Resigned on 16 February 2023)

DIRECTORS' REMUNERATION

Total Directors' remuneration incurred by the Group and the Company for the financial year ended 31 December 2022 were RM13.3 million (2021: RM8.7 million) and RM12.8 million (2021: RM8.2 million) respectively. Further details are disclosed in Note 11 to the financial statements.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, as disclosed in Directors' Interests in Shares.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest except for any benefits which may be deemed to have arisen from the transactions disclosed in Note 11 to the financial statements.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total insurance premium paid for the financial year amounted to RM0.3 million.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the particulars of interests of Directors in office at the end of the financial year in shares in, or debentures of, the Company or the related corporations are as follows:

	Sime Darby Plantation Berhad Number of ordinary shares			
	As at 1 January 2022	Acquired	Disposed	As at 31 December 2022
Direct interest				
Tan Sri Dato' Seri Haji Megat Najmuddin				
Datuk Seri Dr Haji Megat Khas	10,025	10,000	–	20,025

Other than as disclosed above, no other Directors in office at the end of the financial year have any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2022

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the impairment for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate impairment had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to realise in the ordinary course of business, their values of current assets as shown in the accounting records of the Group and of the Company, have been written down to amounts which they might be expected to realise.

(b) At the date of this Report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the impairment for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) As at the date of this Report:

(i) there are no charges on the assets of the Group or of the Company which have arisen since the end of the financial year to secure the liability of any other person; and

(ii) there are no contingent liabilities in the Group or in the Company which have arisen since the end of the financial year other than those arising in the ordinary course of business.

(d) At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt within the Report or financial statements which would render any amount stated in the financial statements misleading.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transactions or events of a material and unusual nature;

(ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this Report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this Report is made.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this Report is as follows (excluding Directors who are also Directors of the Company):

Abdul Jalil Sulaiman
Achmad Sudarsono
Adi Wira Abd Razak
Adrian Mohd Fazrin Bin Mohd Fairoz
Agus Dani Ariyanto
Ahmad Zairil Zainal
Alagendran Maniam
Amir Hamzah
Amir Mohareb
Andrew Timothy Worrall
Ary Tri Prasetyo
Asanee Mallamphut
Asmawatti Othman
AX Gijatno Sadikun, SE
Azmi Jaafar
Bagus Hernawa
Bambang Purwono
Benjamin McKeeman Oakley
Bryan Dyer
Budi Darmono
Budy Suyanto
Burhan Chahyadi
Chen Kim Yin @ Chen Chou Foong
Chim Foong May
Chong Seet Fei
Datu Haji Abdul Rashid Mohd Azis
Datuk Franki Anthony Dass
Datuk Haji Abang Abdul Wahap Haji Abang Julai (Alternate Director to Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Dato Haji Husain)
David Manoa Toua
Denny Wicaksana
Djoko Martopo
Dorab Erach Mistry
Dr. K. Harikrishna Dr. K. Kulaveerasingam
Dr. Luc Bonneau
Dr Hirzun Mohd Yusof
Dr. Shariman Alwani Mohamed Nordin
Dr. Stephen Nelson
Drs. Jakob Tobing MPA
Edi Febriyanto
Eliam Tangirongo
Ernie Gangloff
Farid
Fazli Salikin
Francois van Hoydonck
Gajani Nayagi Seeveneserajah
Godfrey Shiletikwa Urasa
Handi Kusnandar
Hanif Siraf
Hersoebeno Brotowinoto
Inggrid Clarissa Wisnu Aurelia
Ir Khirul Nizam Shamsudin
Ir Mohd Yusrizal Mohd Yusof
Ir. Safwani
Jonathan Pennefather
Kevin Hoh Wei Chung
Khaizarudin Awaludin
Khusboo Beeharry
Lakon Anak Igey
Lee Ai Leng
Lee Chong Yee
Lim Ban Yeow
Lisnawati Ibrahim
Marie-Claude Priscille Koenig
Mersal Abang Rosli
Martine Cundasawmy
Michael Barkhuysen
Michelle Chang Yuet Ling
Mitsuyoshi Okita (Alternate Director to Shogo Yoshida)
Mohamad Nageeb Ahmad Abdul Wahab
Mohamed Abd Samad
Mohammad Japri Giman
Mohd Amri Baharuddin
Mohd Azlan Shah Mohd Zin
Mohd Faridzul Mohammed Nasaruddin
Mohd Hafiz Hamzah
Mohd Hamdi Abd Karim
Mohd Haris Mohd Arshad
Mohd Khiri Abd Wahab
Mohd Razlan Mohd Rahim
Mohd Zamri Pardi
Muhammad Farid Abdullah
Muhammad Hakim Abdullah
Muhammad Nizar Arshad
Muhammad Nuryadi
Muhammud Nurazli Razali
Ng Say Guat
Nik Abdul Hamid Shukri Nik Abdullah
Nono Suharsono
Noor Azam Bin Mohd Nasir
Noor Haizal Noordin
Nuchanand Sukmongkol
Nurain Zarrataj Zulkiffli
Nurwanto
Philip KO Kunjappy
Prof. Peter Caligari
R Krishna Moorthy Ramasamy
Raphael Yuen Kong Yian
Rashyid Redza Anwarudin
Razlanshah Abd Malek
Renaka Ramachandran
Robert Anak Tugang
Robert Nilkare
Roslin Azmy Hassan
Ruari MacWilliam
Sallim Abdul Kadir
Sandeep Bhan
Shah Nizam Yasin Shah
Shahrakbah Yacob
Shahrizal Suhainy
Shahrizan Aini Shamsul Khalil
Shogo Yoshida
Suparmadi
Supasak Chirasavinuprapand
Syah Nizam
Syed Said Syed Saggaf
Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Dato Haji Husain
Tan Sri Datuk Amar Haji Bujang Mohd Nor
Tan Sri Datuk Dr. Yusof Basiran
Vavan Safwan Isman
Vistra NC B.V.
Wan Fauzan Shah Wan Ismail
Winardi Nooryanto
Yogesh Kotak
Yustinus Lambang Setyo Putro
Zulkifli Nasution
Zuhairi Zubir
Zulkifli Zainal Abidin

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2022

SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 48 to the financial statements.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Permodalan Nasional Berhad as its immediate holding company and Yayasan Pelaburan Bumiputra as its ultimate holding company. Both companies are incorporated in Malaysia.

AUDITORS

Total fees for statutory audits provided by the Company's auditors and its member firms are RM13.0 million (2021: RM12.0 million), while total fees for assurance related and non-audit services are RM4.1 million (2021: RM3.6 million). Non-audit services provided by the Company's auditors and its member firms comprised tax related services and other advisory services.

Further details of auditors' remuneration are set out in Note 6 to the financial statements.

The Group and the Company do not indemnify the auditors of the Company for losses in the event of legal actions brought against the auditors for alleged wrongful acts by the auditors.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This Report was approved by the Board of Directors on 19 April 2023.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN DATUK SERI DR HAJI MEGAT KHAS
DIRECTOR

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
19 April 2023

STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 31 December 2022

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Revenue	5	**21,029,690**	18,532,714	**5,483,728**	9,187,140
Operating expenses	6	**(18,346,328)**	(15,324,456)	**(4,780,650)**	(6,422,409)
Other operating income	7	**838,433**	566,040	**386,246**	339,342
Other gains and losses	8	**41,138**	(135,164)	**(212,363)**	(189,492)
Operating profit		**3,562,933**	3,639,134	**876,961**	2,914,581
Share of results of joint ventures	20(a)	**37,116**	20,156	**–**	–
Share of results of associates	21(a)	**14,547**	14,626	**–**	–
Profit before interest and tax		**3,614,596**	3,673,916	**876,961**	2,914,581
Finance income	9	**12,303**	11,852	**16,267**	16,015
Finance costs	10	**(134,699)**	(85,699)	**(139,420)**	(96,646)
Profit before tax		**3,492,200**	3,600,069	**753,808**	2,833,950
Tax expense	12	**(808,930)**	(1,109,384)	**(97,284)**	(165,494)
Profit for the financial year		**2,683,270**	2,490,685	**656,524**	2,668,456
Profit for the financial year attributable to:					
– equity holders of the Company		**2,488,075**	2,254,691	**532,224**	2,544,156
– Perpetual Sukuk holders	34	**124,300**	124,300	**124,300**	124,300
– non-controlling interests	35	**70,895**	111,694	**–**	–
		2,683,270	2,490,685	**656,524**	2,668,456
		sen	sen		
Basic/diluted earnings per share attributable to equity holders of the Company	13	**35.98**	32.60		

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2022

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Profit for the financial year		**2,683,270**	2,490,685	**656,524**	2,668,456
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences gains:					
– subsidiaries		**55,552**	186,420	**–**	–
– joint ventures	20(a)	**4,395**	5,933	**–**	–
Cash flow hedge					
– changes in fair value		**20,593**	(757,757)	**1,726**	8,714
– transfers from/(to) profit or loss		**163,620**	837,442	**(2,164)**	(1,693)
Tax expense relating to components of other comprehensive income		**(48,525)**	(11,755)	**378**	(1,383)
		195,635	260,283	**(60)**	5,638
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit plans	36	**18,292**	(33,748)	**–**	–
Investment at fair value through other comprehensive income ("FVOCI")					
– changes in fair value	23	**(7,143)**	2,571	**(3,733)**	2,683
Share of other comprehensive income of joint ventures	20(a)	**23,962**	–	**–**	–
Tax expense relating to components of other comprehensive income		**(3,165)**	(3,753)	**–**	–
		31,946	(34,930)	**(3,733)**	2,683
Total other comprehensive income/(loss) for the financial year		**227,581**	225,353	**(3,793)**	8,321
Total comprehensive income for the financial year		**2,910,851**	2,716,038	**652,731**	2,676,777
Total comprehensive income for the financial year attributable to:					
– equity holders of the Company		**2,726,843**	2,473,078	**528,431**	2,552,477
– Perpetual Sukuk holders		**124,300**	124,300	**124,300**	124,300
– non-controlling interests		**59,708**	118,660	**–**	–
		2,910,851	2,716,038	**652,731**	2,676,777

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2022

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	**17,800,431**	17,247,827	**7,782,019**	7,844,364
Investment properties	16	**11,387**	9,109	**–**	–
Right-of-use assets	18	**2,007,677**	1,997,881	**227,263**	273,622
Subsidiaries	19	**–**	–	**8,444,621**	7,856,085
Joint ventures	20	**368,085**	331,996	**285,061**	285,061
Associates	21	**57,044**	46,270	**420**	420
Intangible assets	22	**2,946,591**	2,823,478	**2,066,618**	2,077,499
Investments at fair value through other comprehensive income ("FVOCI")	23	**22,496**	29,639	**22,337**	26,070
Deferred tax assets	24	**495,945**	574,444	**–**	–
Tax recoverable	25	**164,244**	168,947	**–**	–
Trade and other receivables	26	**34,644**	88,721	**–**	–
Amount due from subsidiaries	28	**–**	–	**508,398**	589,580
		23,908,544	23,318,312	**19,336,737**	18,952,701
CURRENT ASSETS					
Inventories	27	**2,778,379**	2,468,197	**85,688**	343,187
Biological assets	17	**180,278**	284,317	**14,039**	64,956
Trade and other receivables	26	**2,602,639**	2,877,754	**135,982**	408,036
Tax recoverable	25	**234,967**	149,919	**75,080**	36,172
Amounts due from subsidiaries	28	**–**	–	**562,481**	164,958
Amounts due from related parties	28	**424**	305	**320**	2,989
Derivatives	29	**156,898**	26,393	**–**	1,081
Bank balances, deposits and cash	30	**634,993**	602,563	**105,772**	184,378
		6,588,578	6,409,448	**979,362**	1,205,757
Non-current assets held for sale	31	**651,004**	607,972	**19,583**	16,691
TOTAL ASSETS		**31,148,126**	30,335,732	**20,335,682**	20,175,149

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2022

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
EQUITY					
Share capital	32	**1,633,790**	1,633,790	**1,633,790**	1,633,790
Reserves	33	**14,733,439**	13,554,332	**8,178,730**	9,198,035
Attributable to equity holders of the Company		**16,367,229**	15,188,122	**9,812,520**	10,831,825
Perpetual Sukuk	34	**2,230,717**	2,231,398	**2,230,717**	2,231,398
Non-controlling interests	35	**418,068**	436,641	**–**	–
TOTAL EQUITY		**19,016,014**	17,856,161	**12,043,237**	13,063,223
NON-CURRENT LIABILITIES					
Retirement benefits	36	**157,773**	184,116	**50,629**	52,634
Deferred income	38	**490**	250	**–**	–
Deferred tax liabilities	24	**2,737,983**	2,761,189	**691,659**	734,396
Amount due to a subsidiary	28	**–**	–	**–**	511,656
Borrowings	37	**3,632,687**	4,018,561	**3,137,395**	2,967,416
Lease liabilities		**147,395**	155,059	**5,664**	5,886
Trade and other payables	40	**42,695**	36,218	**34,837**	40,129
		6,719,023	7,155,393	**3,920,184**	4,312,117
CURRENT LIABILITIES					
Trade and other payables	40	**2,444,024**	2,179,681	**522,178**	552,122
Contract liabilities	39	**35,273**	23,882	**–**	–
Amounts due to subsidiaries	28	**-**	–	**2,247,622**	1,304,098
Amounts due to related parties	28	**9,886**	19,160	**6,328**	17,076
Retirement benefits	36	**15,303**	12,843	**–**	–
Lease liabilities		**24,870**	23,014	**444**	400
Tax payable		**219,038**	465,691	**–**	–
Derivatives	29	**61,794**	229,279	**–**	2,254
Borrowings	37	**2,463,801**	2,232,115	**1,595,689**	923,859
		5,273,989	5,185,665	**4,372,261**	2,799,809
Liabilities directly associated with non-current assets held for sale	31	**139,100**	138,513	**–**	–
TOTAL LIABILITIES		**12,132,112**	12,479,571	**8,292,445**	7,111,926
TOTAL EQUITY AND LIABILITIES		**31,148,126**	30,335,732	**20,335,682**	20,175,149

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2022

GROUP	Note	Attributable to equity holders of the Company Share capital RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual Sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022		**1,633,790**	**537,356**	**13,016,976**	**15,188,122**	**2,231,398**	**436,641**	**17,856,161**
Profit for the financial year		**–**	**–**	**2,488,075**	**2,488,075**	**124,300**	**70,895**	**2,683,270**
Other comprehensive income/(loss) for the financial year		**–**	**199,786**	**38,982**	**238,768**	**–**	**(11,187)**	**227,581**
Total comprehensive income for the financial year		**–**	**199,786**	**2,527,057**	**2,726,843**	**124,300**	**59,708**	**2,910,851**
Transactions with equity holders:								
– dividends		**–**	**–**	**(1,547,736)**	**(1,547,736)**	**–**	**(78,281)**	**(1,626,017)**
– distribution to Perpetual Sukuk holders	34	**–**	**–**	**–**	**–**	**(124,981)**	**–**	**(124,981)**
At 31 December 2022		**1,633,790**	**737,142**	**13,996,297**	**16,367,229**	**2,230,717**	**418,068**	**19,016,014**
At 1 January 2021 (re-presented)		1,506,119	283,008	11,864,373	13,653,500	2,231,398	384,850	16,269,748
Profit for the financial year		–	–	2,254,691	2,254,691	124,300	111,694	2,490,685
Other comprehensive income/(loss) for the financial year		–	254,348	(35,961)	218,387	–	6,966	225,353
Total comprehensive income for the financial year		–	254,348	2,218,730	2,473,078	124,300	118,660	2,716,038
Transactions with equity holders:								
– share issue	32	127,671	–	–	127,671	–	–	127,671
– dividends		–	–	(1,066,127)	(1,066,127)	–	(66,869)	(1,132,996)
– distribution to Perpetual Sukuk holders	34	–	–	–	–	(124,300)	–	(124,300)
At 31 December 2021 (re-presented)		1,633,790	537,356	13,016,976	15,188,122	2,231,398	436,641	17,856,161

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2022

		Attributable to equity holders of the Company					
COMPANY	Note	Share capital RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual Sukuk RM'000	Total equity RM'000
At 1 January 2022		**1,633,790**	**24,968**	**9,173,067**	**10,831,825**	**2,231,398**	**13,063,223**
Profit for the financial year		**–**	**–**	**532,224**	**532,224**	**124,300**	**656,524**
Other comprehensive loss for the financial year		**–**	**(3,793)**	**–**	**(3,793)**	**–**	**(3,793)**
Total comprehensive (loss)/income for the financial year		**–**	**(3,793)**	**532,224**	**528,431**	**124,300**	**652,731**
Transactions with equity holders:							
– dividends	14	**–**	**–**	**(1,547,736)**	**(1,547,736)**	**–**	**(1,547,736)**
– distribution to Perpetual Sukuk holders	34	**–**	**–**	**–**	**–**	**(124,981)**	**(124,981)**
At 31 December 2022		**1,633,790**	**21,175**	**8,157,555**	**9,812,520**	**2,230,717**	**12,043,237**
At 1 January 2021		1,506,119	16,647	7,695,038	9,217,804	2,231,398	11,449,202
Profit for the financial year		–	–	2,544,156	2,544,156	124,300	2,668,456
Other comprehensive income for the financial year		–	8,321	–	8,321	–	8,321
Total comprehensive income for the financial year		–	8,321	2,544,156	2,552,477	124,300	2,676,777
Transactions with equity holders:							
– share issue	32	127,671	–	–	127,671	–	127,671
– dividends	14	–	–	(1,066,127)	(1,066,127)	–	(1,066,127)
– distribution to Perpetual Sukuk holders	34	–	–	–	–	(124,300)	(124,300)
At 31 December 2021		1,633,790	24,968	9,173,067	10,831,825	2,231,398	13,063,223

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2022

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**2,683,270**	2,490,685	**656,524**	2,668,456
Adjustments for:					
Amortisation of intangible assets	22	**45,296**	38,716	**14,478**	10,879
Depreciation of:					
– property, plant and equipment	6(a)	**1,248,672**	1,217,370	**275,006**	284,103
– investment properties	16	**40**	67	**–**	–
– right-of-use assets	6(a)	**78,533**	75,202	**2,643**	3,395
Dividend income					
– other investments	5(b)	**(8,925)**	(2,899)	**(7,457)**	(4,270)
– subsidiaries	5(b)	**-**	–	**(700,503)**	(2,545,468)
Finance costs	10	**134,699**	85,699	**139,420**	96,646
Finance income	9	**(12,303)**	(11,852)	**(16,267)**	(16,015)
Unrealised fair value (gains)/losses:					
– commodities futures and forward contracts (non-hedging derivative)	8	**(116,033)**	(39,160)	**–**	255
– forward foreign exchange contracts (non-hedging derivatives)	8	**25,041**	(6,072)	**–**	–
– cash flow hedge ineffectiveness of commodities future contracts		**–**	(2,747)	**–**	–
Fair value changes in biological assets (net)	6(e)	**119,161**	(57,222)	**50,917**	(19,620)
Gains on disposals of:					
– property, plant and equipment	7	**(92,840)**	(151,496)	**(87,022)**	(134,189)
– non-current assets held for sale	7	**(275,929)**	(143,323)	**(275,622)**	(137,264)
– a former subsidiary	7	**(53,687)**	–	**–**	–
Impairment of:					
– property, plant and equipment	6(e)	**6,224**	297,693	**3,431**	223,653
– right-of-use assets	6(e)	**–**	12,357	**–**	–
– advances for plasma plantation projects	6(e)	**4,124**	7,692	**–**	–
– trade and other receivables	6(e)	**6,655**	2,582	**–**	2,547
– amounts due from subsidiaries	6(e)	**–**	–	**3,841**	1,782
– amounts due from joint ventures	6(e)	**7,664**	–	**–**	–
– investment in subsidiaries	19	**–**	–	**27,979**	10,709
– investment in a joint venture	6(e)	**25,369**	37,597	**8,622**	–
– non-current assets held for sale	6(e)	**–**	1,224	**–**	–
Write off of:					
– property, plant and equipment	15	**18,563**	24,931	**9,394**	4,832
– inventories	6(e)	**1,678**	–	**–**	–
– bad debts	6(e)	**640**	–	**6**	–
Write-down/(write back) of:					
– right-of-use assets	6(e)	**49**	7,364	**–**	–
– inventories (net)	6(e)	**8,668**	(3,941)	**1,080**	347
Retirement benefits	6(d)	**30,432**	(57,392)	**6,606**	7,112
Reversal of impairment of:					
– trade and other receivables	7	**(12)**	(4,548)	**–**	–
– investment in a subsidiary	7	**–**	–	**(437)**	(20,000)
– amounts due from subsidiaries	7	**–**	–	**(2,465)**	(14,742)
Share of results of:					
– joint ventures	20(a)	**(37,116)**	(20,156)	**–**	–
– associates	21(a)	**(14,547)**	(14,626)	**–**	–

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2022

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Tax expense	12	**808,930**	1,109,384	**97,284**	165,494
Unrealised exchange (gains)/losses (net)	8	**(77,192)**	49,406	**173,321**	85,130
		4,565,124	4,942,535	**380,779**	673,772
Changes in working capital:					
Inventories		**(320,528)**	(901,266)	**(235,447)**	(202,255)
Trade and other payables		**395,396**	763,817	**175,395**	259,168
Trade and other receivables		**327,760**	(688,077)	**(81,346)**	(168,360)
Intercompany and related party balances		**(9,393)**	4,266	**(183,041)**	830,861
Cash generated from operations		**4,958,359**	4,121,275	**56,340**	1,393,186
Tax paid		**(1,432,019)**	(801,757)	**(49,219)**	(52,086)
Tax refunded		**151,000**	188,000	**–**	–
Retirement benefits paid	36	**(32,908)**	(24,955)	**(8,611)**	(5,906)
Net cash generated from operating activities		**3,644,432**	3,482,563	**(1,490)**	1,335,194
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances for plasma plantation projects		**(3,586)**	(5,186)	**–**	–
Repayment of advances for plasma plantation projects		**50,621**	6,380	**–**	–
Advances to subsidiaries		**–**	–	**(146,794)**	(307,525)
Repayment of advances to subsidiaries		**–**	–	**22,755**	234,969
Dividends received from:					
– associates		**3,521**	9,734	**–**	–
– other investments	5(b)	**8,925**	2,899	**7,457**	4,270
– joint ventures		**3,103**	208	**–**	–
– subsidiaries		**–**	–	**666,154**	1,841,673
Finance income received		**12,303**	11,852	**10,977**	8,560
Proceeds from sale of:					
– property, plant and equipment		**100,048**	170,391	**88,781**	143,671
– non-current assets held for sale		**284,709**	155,684	**284,709**	155,684
– a former subsidiary		**53,687**	–	**–**	–
Purchase of:					
– property, plant and equipment		**(1,716,543)**	(1,438,249)	**(462,985)**	(382,258)
– intangible assets	22	**(12,033)**	(18,262)	**(4,770)**	(13,491)
Additional investment in a joint venture		**–**	(138,666)	**–**	(138,666)
Net cash (used in)/generated from investing activities		**(1,215,245)**	(1,243,215)	**466,284**	1,546,887

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		**(189,413)**	(124,129)	**(141,241)**	(100,549)
Loans raised		**4,749,430**	5,949,214	**2,498,531**	4,041,560
Borrowing transaction cost paid		**(4,555)**	(3,175)	**(4,555)**	(2,585)
Loan repayments		**(5,175,695)**	(6,536,996)	**(1,849,518)**	(5,621,196)
Advances from subsidiaries		**–**	–	**650,483**	–
Repayment of advances from subsidiaries		**–**	–	**(26,118)**	–
Repayment of lease liabilities		**(26,234)**	(39,542)	**(855)**	(855)
Distribution to Perpetual Sukuk holders	34	**(124,981)**	(124,300)	**(124,981)**	(124,300)
Dividend paid to shareholders	14	**(1,547,736)**	(938,456)	**(1,547,736)**	(938,456)
Dividend paid to non-controlling interests of subsidiaries	35	**(78,281)**	(66,869)	**–**	–
Net cash used in financing activities		**(2,397,465)**	(1,884,253)	**(545,990)**	(2,746,381)
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**31,722**	355,095	**(81,196)**	135,700
Exchange differences		**708**	690	**2,590**	(537)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**602,563**	309,029	**184,378**	49,215
Less: Reclassified to non-current assets held for sale		**–**	(62,251)	**–**	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	**634,993**	602,563	**105,772**	184,378

NOTES TO STATEMENTS OF CASH FLOWS

(a) The principal non-cash transactions during the financial year included in the intercompany balances are as follows:

	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Dividend received through intercompany settlement	**41,749**	579,411
Proceed from disposal of downstream operations	**436,345**	–
Proceed from sales of subsidiaries	**56,389**	123,371

(b) The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Acquisition of property, plant and equipment during the financial year	15	**1,823,286**	1,530,694	**489,884**	406,402
Less non-cash items:					
– Depreciation of property, plant and equipment capitalised in bearer plants	6(c)	**(36,384)**	(35,442)	**(9,162)**	(10,037)
– Depreciation of right-of-use assets capitalised in bearer plants	6(c)	**(1,773)**	(1,838)	**(311)**	(345)
– Finance costs capitalised in capital work-in-progress	10	**(31,590)**	(27,551)	**(3,185)**	(1,282)
– Finance costs capitalised in bearer plants	10	**(36,996)**	(27,614)	**(14,241)**	(12,480)
Net cash outflow for the acquisition of property, plant and equipment		**1,716,543**	1,438,249	**462,985**	382,258

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2022

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows:

GROUP	Note	Borrowings * RM'000	Lease liabilities RM'000	Total RM'000
2022				
At 1 January 2022		**6,266,373**	**178,073**	**6,444,446**
Cash flows from financing activities				
Finance costs paid		**(189,413)**	**–**	**(189,413)**
Loans raised		**4,749,430**	**–**	**4,749,430**
Borrowing transaction cost paid		**(4,555)**	**–**	**(4,555)**
Loan repayments		**(5,175,695)**	**–**	**(5,175,695)**
Repayment of lease liabilities		**–**	**(26,234)**	**(26,234)**
Non-cash changes				
Finance costs	10	**195,921**	**7,364**	**203,285**
Recognition of additional lease liabilities		**–**	**20,890**	**20,890**
Exchange differences		**276,057**	**(7,828)**	**268,229**
At 31 December 2022		**6,118,118**	**172,265**	**6,290,383**
2021				
At 1 January 2021		6,718,836	189,752	6,908,588
Cash flows from financing activities				
Finance costs paid		(124,129)	–	(124,129)
Loans raised		5,949,214	–	5,949,214
Borrowing transaction cost paid		(3,175)	–	(3,175)
Loan repayments		(6,536,996)	–	(6,536,996)
Repayment of lease liabilities		–	(39,542)	(39,542)
Non-cash changes				
Finance costs	10	133,292	7,572	140,864
Recognition of additional lease liabilities		–	32,795	32,795
Lease modification		–	(7,364)	(7,364)
Transfer to non-current assets held for sales		–	(2,235)	(2,235)
Exchange differences		129,331	(2,905)	126,426
At 31 December 2021		6,266,373	178,073	6,444,446

* The borrowings include interest payable for the Group which is classified under trade and other payables in Note 40.

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued)

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows: (continued)

COMPANY	Note	Borrowings* RM'000	Lease liabilities RM'000	Amounts due to subsidiaries RM'000	Total RM'000
2022					
At 1 January 2022		**3,893,506**	**6,286**	**549,536**	**4,449,328**
Cash flows from financing activities					
Finance costs paid		**(123,962)**	**–**	**(17,279)**	**(141,241)**
Loan raised		**2,498,531**	**–**	**–**	**2,498,531**
Borrowing transaction cost paid		**(4,555)**	**–**	**–**	**(4,555)**
Loan repayments		**(1,849,518)**	**–**	**–**	**(1,849,518)**
Advances from subsidiaries		**–**	**–**	**650,483**	**650,483**
Repayment of advances from subsidiaries		**–**	**–**	**(26,118)**	**(26,118)**
Repayment of lease liabilities		**–**	**(855)**	**–**	**(855)**
Non-cash changes					
Finance costs	10	**135,507**	**535**	**20,804**	**156,846**
Recognition of additional lease liabilities		**–**	**142**	**–**	**142**
Novation of intercompany balance		**–**	**–**	**55,460**	**55,460**
Exchange differences		**192,301**	**–**	**36,632**	**228,933**
At 31 December 2022		**4,741,810**	**6,108**	**1,269,518**	**6,017,436**
2021					
At 1 January 2021		5,207,565	6,679	626,551	5,840,795
Cash flows from financing activities					
Finance costs paid		(84,369)	–	(16,180)	(100,549)
Loan raised		3,694,698	–	346,862	4,041,560
Borrowing transaction cost paid		(2,585)	–	–	(2,585)
Loan repayments		(5,164,299)	–	(456,897)	(5,621,196)
Repayment of lease liabilities		–	(855)	–	(855)
Non-cash changes					
Finance costs	10	87,113	462	22,833	110,408
Exchange differences		155,383	–	26,367	181,750
At 31 December 2021		3,893,506	6,286	549,536	4,449,328

* The borrowings include interest payable for the Company which is classified under trade and other payables in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

1. CORPORATE INFORMATION

The principal activities of the Company consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and marketing of specialty fats and edible oils, rubber and other palm oil related products and investment holding. During the financial year, the Company disposed its downstream business operations comprising the Langat refinery, Port Klang refinery and Kernel Crushing Plant to its wholly-owned subsidiaries, as part of the Group's internal restructuring to rebrand its downstream segment and to clearly segregate the upstream and downstream businesses of the Group.

The principal activities of the Group consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and blending, marketing and distribution of specialty fats, edible oils, rubber, coconut oil and other palm oil related products, production and sales of sugar and beef, and the involvement in other agriculture related business as disclosed in Note 48 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited company incorporated and domiciled in Malaysia, and has been listed on the Main Market of Bursa Malaysia Securities Berhad commencing 30 November 2017. The registered office of the Company is located at Level 10, Main Block, Plantation Tower, No. 2, Jalan PJU 1A/7, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Directors regard Permodalan Nasional Berhad as its immediate holding company and Yayasan Pelaburan Bumiputra as its ultimate holding company. Both companies are incorporated in Malaysia.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies in Note 3.

The preparation of financial statements in conformity with MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

a. Accounting pronouncements that have been adopted in preparing these financial statements

During the financial year, the Group has considered the new accounting pronouncements in the preparation of the financial statements, as follows:

(i) New accounting pronouncements with effective date on or after 1 January 2022

- Amendment to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds Before Intended Use"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfiling a Contract"
- Annual Improvements to MFRS 141 "Taxation in Fair Value Measurements"
- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The adoption of the amendments listed above did not have any material impact on the current year or any prior period/years and is not likely to affect future periods.

b. Standards and amendments that have been issued but not yet effective

Interpretation and amendments that are effective after 1 January 2023

- Amendments to MFRS 101 "Disclosure of Accounting Policies"
- Amendments to MFRS 108 "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

2. BASIS OF PREPARATION (CONTINUED)

b. Standards and amendments that have been issued but not yet effective (continued)

Interpretation and amendments that are effective after 1 January 2024

- Amendments to MFRS 101 "Classifications of Liabilities as Current or Non-current" ('2020 amendments') and "Non-current Liabilities with Covenants" ('2022 amendments')
- Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments shall be applied retrospectively.

The amendments listed above are not expected to have any significant effect on the financial statements.

c. Re-presentation of the comparative financial statements

During the financial year, the Group has decided to put on hold the disposal of one of its subsidiaries in Indonesia for strategic reasons as disclosed in Note 31. As a result, this disposal group no longer meets the criteria under MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the related depreciation of property, plant and equipment of this disposal group since the day it has been classified as an asset to be held for sale has been re-presented in the Group's comparative profit or loss to ensure consistency and comparability.

The Group has also reassessed the segregation of its operating segments and reclassified the oleochemical business to downstream segment in order to strengthen the monitoring of its performance. Consequently, the Group's share of results from joint ventures in the oleochemical business has been reclassified from other operations segment to downstream segment. The comparative figures for segment information as disclosed in Note 41 have been re-presented.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, and to all the financial periods presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries made up to the end of the financial year and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group has power over the entity, has exposure to or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method except for those subsidiaries acquired under common control. The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. Under the acquisition method, subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date when control ceases. The consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange.

Contingent consideration is recorded at fair value as component of the purchase consideration with subsequent adjustment resulting from events after the acquisition date taken to profit or loss. Acquisition related costs are recognised as expenses when incurred.

Existing equity interests in the acquiree are re-measured to fair value at the date of business combination with any resulting gain or loss taken to profit or loss.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values, at the date of acquisition. The excess of the consideration and the fair value of previously held equity interests over the Group's share of the fair value of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. Any gain from bargain purchase is recognised directly in profit or loss.

Intercompany transactions and balances are eliminated on consolidation, but unrealised losses arising therefrom are eliminated only to the extent of the cost of the asset that can be recovered, and the balance is recognised in profit or loss as reduction in net realisable value or as impairment loss.

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the financial statements. Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the statements of changes in equity.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal in profit or loss.

(ii) Business combinations under common control

Business combinations under common control are accounted using the predecessor method of accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction costs for the combination are recognised in profit or loss.

A similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

(iii) Joint ventures

Joint ventures are separate vehicles in which the Group has rights to its net assets and where its strategic, financial and operating decisions require unanimous consent of the Group and one or more parties sharing the control.

Joint ventures are accounted using the equity method. Equity method is a method of accounting whereby the investment is recorded at cost inclusive of goodwill and adjusted thereafter for the Group's share of the post-acquisition results and other changes in the net assets of the joint ventures based on their latest audited financial statements or management accounts. Where necessary, adjustments are made to the financial statements of joint ventures used by the Group in applying the equity method to ensure consistency of accounting policies with those of the Group.

After application of the equity method, the carrying amount of the joint ventures will be assessed for impairment. Equity method is discontinued when the carrying amount of joint venture reaches zero, or reaches the limit of the obligations in the case when the Group has incurred legal or constructive obligations in respect of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the assets transferred are recognised in profit or loss.

When joint control ceases, the disposal proceeds and the fair value of any retained investment are compared to the carrying amount of the joint venture. The difference together with the exchange reserve that relate to the joint venture is recognised as gain or loss on disposal. In the case of partial disposal without losing joint control, the difference between the proceeds and the carrying amount disposed, and the proportionate exchange reserve is recognised as gain or loss on disposal.

(iv) Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for using the equity method, similar to Note 3(a)(iii) above.

(b) Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currencies

(i) Presentation and functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions and monetary items are translated into the functional currency using the exchange rates prevailing at the transaction dates and at the end of the reporting period, respectively. Foreign exchange differences arising therefrom and on settlement are recognised in profit or loss.

Foreign exchange differences arising from the translation of a monetary item designated as hedge of net investment in a foreign operation are recognised in other comprehensive income in the consolidated financial statements until the net investment is disposed.

(iii) Translation of foreign currency financial statements

For consolidation purposes, foreign operations' results are translated into the Group's presentation currency at average exchange rates for the financial year whilst the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the end of the reporting period. The resulting translation differences are recognised in other comprehensive income and accumulated in exchange reserve.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income and reclassified from equity to profit or loss upon repayment or disposal of the relevant entity.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interests. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset. The carrying amount of the replaced part is derecognised and all repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

All costs directly related to bearer plants are capitalised until such time as the bearer plants reach maturity, at which point all further costs are expensed and depreciation commences. Such costs include seedling and planting costs, other upkeep costs and an allocation of overhead costs.

Freehold land is not depreciated as it has indefinite life. Depreciation commences when the bearer plants mature or when the assets under construction are ready for their intended use. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost or valuation of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 to 50 years
Bearer plants	
– Oil palm	22 years, or the lease term, if shorter
– Rubber trees	24 years, or the lease term, if shorter
– Growing canes	5 years, or the lease term, if shorter
Plant and machinery	5 to 40 years
Vehicles, equipment and fixtures	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are tested for impairment whenever indication of impairment exists, see Note 3(l)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties are land and buildings held for rental income and/or capital appreciation which are not substantially occupied or intended to be occupied for use by, or in the operations of the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated as it has an infinite life. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 to 50 years, or over the lease term, if shorter

The residual values and useful lives are reviewed, and adjusted if appropriate, annually. Investment properties are tested for impairment whenever indication of impairment exists, see Note 3(l)(i) on impairment of non-financial assets.

(f) Biological assets

Biological assets comprise cattle livestock and produce growing on bearer plants. Biological assets are measured at fair value less costs of disposal. Any gains or losses arising from changes in the fair value less costs of disposal net of transfers to produce stocks are recognised net in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested and livestock that are expected to be sold or used for production on a date not more than 12 months after the reporting date.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration and the fair value of previously held interests over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. Goodwill on acquisition of joint ventures and associates is included as part of the cost of investments in joint ventures and associates. Such goodwill is tested for impairment as part of the overall net investment in each joint venture and associate.

(ii) Research and development costs

Research costs are charged to profit or loss in the financial year in which the expenditure is incurred.

Internally generated agriculture development costs are capitalised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Subsequently, such capitalised agriculture development costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis between 5 and 20 years. The useful life will be reviewed and adjusted, if appropriate, annually. Impairment testing is performed annually on development activities which have not entered commercial production.

Development costs previously recognised as an expense in profit and loss are not recognised as an asset in a subsequent period.

(iii) Smallholder relationships

Smallholder relationships have arisen on the acquisition of subsidiaries. These assets reflect the economic relationship between Group and the smallholders who cultivate and harvest fresh fruits bunches on land owned by the smallholders. These assets are shown at fair value on acquisition of subsidiaries and subsequently subject to amortisation on a straight line basis over the estimated average remaining lease term of the Group's land of 45 years. The smallholder relationships are tested for impairment whenever an indication of impairment exists.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(iv) Computer software

Expenditure on computer software that is not an integral part of the related hardware is treated as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful lives. The annual amortisation rates range from 10% to 33%. Projects in progress are not amortised as these computer software are not yet available for use.

(v) Intellectual property rights

Intellectual property rights acquired from third parties are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful life of 20 years.

(vi) Other intangible assets

Other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their contractual periods or estimated useful lives. The principal annual amortisation rates are:

Brand names and trademarks	5% to 20%
Asset usage rights	7%
Customer relationships	Contract periods ranging from 10 months to 10 years

These intangible assets are tested for impairment whenever indication of impairment exists. Goodwill and work in progress capitalised on agricultural development costs are tested annually for impairment and whenever indication of impairment exists. See Note 3(l)(i) on impairment of non-financial assets.

(h) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as "held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Depreciation ceases when an asset is classified as a non-current asset held for sale. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statements of profit or loss and statements of comprehensive income.

Where the disposal group no longer meets the criteria under MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the related depreciation of property, plant and equipment of this disposal group since the day it was classified as an asset to be held for sale is re-presented in the Group's comparative profit or loss.

(i) Inventories

Inventories comprise palm oil products, sugar stocks, coconut oil, rubber, raw materials, trading inventories, consumables and spare parts. Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, trading inventories and consumable stores represent cost of purchase plus incidental costs, and in the case of other inventories, include cost of materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Costs for palm oil products and sugar stock includes all direct expenses, an appropriate proportion of variable and fixed overheads arising from manufacturing and head office expenses and the estimated fair value less costs of disposal attributed to agriculture produce at the point of harvest in accordance with MFRS 141 "Agriculture". The fair value of biological assets harvested from the Group's own plantations and sold during the financial year are recorded as part of the biological assets movement in Note 17 and as part of "fair value changes in biological assets (net)" in determining the profit or loss.

The cost of inventories is determined on a weighted average basis whilst net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at amortised cost – Debt instruments

The Group and the Company classify their financial assets at amortised cost when the asset is held within a business model with the objective to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest ("SPPI"). Financial assets of the Group and the Company which fall under this category are trade and other receivables (excluding prepayments and goods and services tax/value added tax receivable), inter-company receivables and bank balances, deposits and cash.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains and losses together with the related foreign exchange gains and losses.

(ii) Financial assets at fair value through other comprehensive income ("FVOCI") – Equity instruments

The Group and the Company have made an irrevocable election to classify their equity investments in unquoted shares under this category. At initial recognition, the Group and the Company measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, any fair value gains and losses on equity investments are recognised in investment in FVOCI reserve. On derecognition, the cumulative gain or loss is reclassified from investment in FVOCI reserve to retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments are established.

Equity instruments designated at FVOCI are not subject to impairment assessment.

(iii) Financial assets at fair value through profit or loss ("FVTPL") – Debt instruments

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Accordingly, the Group and the Company classify its non-hedging derivative assets under this category.

At initial recognition, the Group and the Company measure their financial asset at its fair value. Transaction costs attributable to the acquisition of the financial asset are expensed in profit or loss. Net changes in the fair value of financial assets at FVTPL are subsequently recognised in other gains and losses in profit or loss.

Purchases and sales of financial assets are recognised at trade date, the date at which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Financial assets are classified as current assets if collection is expected in one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

See Note 3(l)(ii) on impairment of financial assets.

(k) Derivatives and hedging activities

Derivatives are measured at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

A derivative that is neither designated nor an effective hedging instrument is categorised under fair value through profit or loss and changes in its fair value is recognised in profit or loss. In the case of a derivative that qualifies for cash flow hedge, the effective portion of changes in its fair value is recognised in other comprehensive income.

The gain or loss is removed from equity and included in profit or loss in the same period or periods during which the hedged item affects profit or loss. In the case of a hedge of a forecast transaction which results in the recognition of a non-financial asset or a non-financial liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability.

Changes in the fair value of a derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of hedged assets or liabilities that attributable to the hedged risk.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Derivatives and hedging activities (continued)

When a derivative expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within other gains and losses.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains or losses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed or partially disposed of.

The Group and the Company document at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document its risk management objective and strategy for undertaking its hedge transaction.

(l) Impairment

(i) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life or are not yet available for use are tested for impairment annually. Other non-financial assets are assessed for indication of impairment. If an indication exists, an impairment test is performed.

An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Impairment loss on non-financial assets is charged to profit or loss.

Except for goodwill, non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss. Reversal of impairment loss is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior financial periods.

An impairment loss recognised for goodwill is not reversed.

(ii) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit loss ("ECL") for all debt instruments not held at FVTPL and financial guarantee contracts issued. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For a financial guarantee contract, the ECL is the difference between expected payments to reimburse the holder of the guarantee debt instruments less any amounts the Group and the Company expect to recover from the other party.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9 "Financial Instruments", the identified impairment loss is immaterial.

ECLs are measured based on a general 3-stage approach and a simplified approach.

<u>General 3-stage approach for other receivables, non-trade inter-company balances, advances for plasma plantation projects and financial guarantee contracts issued</u>

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

<u>Simplified approach for trade receivables including inter-company trade balances</u>

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Impairment of financial assets (continued)

<u>Significant increase in credit risk</u>

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

The following indicators are incorporated in the assessment:

- internal/external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

<u>Definition of default and credit-impaired financial assets</u>

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off to profit or loss when there is no reasonable expectation of recovering the contractual cash flows.

<u>Grouping of instruments for ECL measured on collective basis</u>

<u>Collective assessment</u>
To measure ECL, trade receivables arising from plantation upstream and downstream, and other operations were assessed based on credit risk profile and grouped into two categories (i.e. local and export customers). Local customers are defined as the customers with operation presence within the country in which the entity operates. Export customers represent customers outside the country in which the entity operates. Both portfolios are differentiated by country risks and are subject to different credit assessment.

<u>Individual assessment</u>
Trade and other receivables, advances from plasma plantation projects and inter-company receivables which are in default or credit-impaired are assessed individually.

(m) Share capital and Perpetual Sukuk

(i) Share capital

Proceeds from ordinary shares issued are accounted for as share capital in equity. Costs directly attributable to the issuance of new shares are deducted from equity.

Dividends to the owner of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

(ii) Perpetual Sukuk

Perpetual Sukuk is classified as equity instruments as there is no contractual obligation to redeem the instrument. Costs directly attributable to the issuance of the instrument, net of tax, are treated as a deduction from the proceeds.

Perpetual Sukuk holders' entitlement is accounted for as an appropriation in profit or loss and distribution is recognised in the statement of changes in equity in the reporting period in which it is declared.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are recognised when the Group and the Company have a legal or constructive obligation, where the outflow of resources is probable and can be reliably estimated. Provisions are measured at the present value of the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the services are rendered by employees.

(ii) Defined contribution pension plans

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior reporting periods.

The Group has various defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. The Group's contributions to defined contribution pension plans are charged to profit or loss in the financial year in which they relate.

(iii) Defined benefit pension plans

A defined benefit pension plan is a pension plan that is not a defined contribution pension plan. Typically defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group has various defined benefit pension plans, some of which are funded by payments from the relevant group of companies in various countries. The Group's defined benefit pension plans are determined based on a periodic actuarial valuation by external consultants where the amount of the benefits that eligible employees have earned in return for their services in the current and prior financial periods are estimated.

The liabilities in respect of the defined benefit pension plans are the present value of the defined benefit obligations at the end of the reporting period, adjusted for actuarial gains and losses and past service costs, and reduced by the fair value of the plan assets. The defined benefit obligations, calculated using the Projected Unit Credit Method, are determined by independent actuaries, considering the estimated future cash outflows.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current financial year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains or losses arising from market adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of a proposal to encourage voluntary redundancy.

(v) Other long-term employee benefits

Other long-term employee benefits such as deferred compensation payable 12 months or more after the service period are calculated based on the Group's and the Company's policy using the same methodology as other post-employment benefits.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Financial liabilities

The Group's financial liabilities are classified into the following categories and the accounting policies for each of these categories are as follows:

(i) Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as FVTPL if they are held for trading. Derivatives are categorised as held for trading unless they are designated and are effective hedging instruments.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value plus transaction costs.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with expected credit loss model under MFRS 9 "Financial Instruments" and the amount initially recognised less, the cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(iii) Financial liabilities at amortised cost

Trade and other payables (excluding employee related payables and goods and services tax/value added tax payables), inter-company payables, lease liabilities and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

(iv) Derivatives used for hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 3(k).

Financial liabilities are classified as current liabilities if payment is due within one year, or in the normal operating cycle of the business if longer. Otherwise, they are presented as non-current liabilities.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(q) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments (with original maturities of 3 months or less) and are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statements of financial position, bank overdrafts are included in short-term borrowings.

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets until the assets are substantially ready for their intended use or sale. Any specific borrowing that remains outstanding after a related qualifying asset is ready for its intended use or sale will become part of the Group's general borrowings. All other borrowing costs are recognised in the statement of profit and loss in the financial year in which they are incurred.

(s) Tax

Taxation comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) Tax (continued)

The current income tax charge is the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including those arising from business combination. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured based on the tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(t) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants are treated as deferred income and allocated to profit or loss over the useful lives of the related assets or over the period of the operating expenditure to which the grants are intended to compensate.

(u) Revenue

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of any Government Tax applicable at the prevailing rates. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sales of agricultural produce and refined palm oil related products

The Group's and the Company's revenue are derived mainly from its upstream and downstream operations.

In the upstream operations, revenue is from sales of agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK"), rubber, beef and sugar. In the downstream operations, revenue is derived from sales of refined oil related products and provision of freight and tolling services.

Revenue from sales of agricultural produce and refined palm oil related products are recognised net of discount and taxes collected on behalf at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer; or upon delivery of the goods on board vessels or tankers for onward delivery to the customer.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and freight services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

There is no element of financing present as the Group's and the Company's sale of goods are either on cash terms (immediate payments or advance payments not exceeding 30 days); or on credit terms of up to 30 days. The Group's and the Company's obligations to provide quality claims against off-spec goods under the Group's and the Company's standard contractual terms are recognised as a provision.

Rendering of services – Provision for freight, tolling and other services

Revenue from provision of freight is recognised in the accounting period in which services are rendered. In cases where customers pay for the bundled contract in advance to the rendering of the freight services, a contract liability is recognised.

Revenue from the provision of tolling services is recognised in the period in which the manufacturing activities are performed. There is no element of financing present as the sales are made with credit terms of up to 30 days.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue (continued)

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group and the Company are as follows:

- Rental income – recognised on a straight-line basis over the lease terms.
- Dividend income – recognised when the right to receive payment is established.
- Insurance claims – recognised if the claim is considered virtually certain.

(v) Leases

The Group as a lessee

The Group and the Company recognise a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land	over the lease period ranging from 20 to 999 years
Buildings	20 to 50 years, or over the lease term, if shorter
Plant and machinery	5 to 40 years, or over the lease term, if shorter
Vehicles, equipment and fixtures	5 years, or over the lease term, if shorter

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise. This incremental borrowing rates is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term.

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

A change in lease payments (including rent concession), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16 "Leases".

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

The Group as a lessee (continued)

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

The Group as a lessor

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Group and the Company classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(w) Commodity futures, forward contracts and options

Commodity futures, forward contracts and options are entered into by the Group and the Company to manage exposure to adverse movements in vegetable oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's and the Company's expected purchase, sale or usage requirements. Accordingly, such contracts are deemed not to be financial instruments. Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon the recognition of the anticipated transactions.

Certain of the Group's commodity forward purchase and sale contracts are irrevocably designated and measured at fair value through profit or loss (fair value option). The application of the fair value model is made where either doing so eliminates or significantly reduces an accounting mismatch, or a group of financial liabilities or liabilities and assets are managed on a fair value basis. Changes in the market values of these commodity contracts are recognised in the profit or loss and are estimated using valuation techniques as described in Note 46(b).

Contracts entered other than for the purpose of the receipt or delivery of physical commodity are treated as derivatives.

(x) Contingent liabilities

The Group and the Company do not recognise contingent liabilities, but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

(y) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to management for the allocation of resources and assessment of its performance. The Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, expense, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. They are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group companies within a single segment. Intragroup transactions which in substance represent re-allocation of non-current assets from a segment to another segment are also eliminated. Inter-segment pricing is based on similar terms as those available to external parties.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(z) Fair value estimation

Fair values shown in the financial statements are categorised into three different levels to increase consistency and comparability in fair value measurements. The levels of hierarchy are based on the input used to measure the fair value of an asset or a liability. The hierarchy based on highest to the lowest priority is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly

Level 3 – valuation inputs that are not based on observable market data

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conforming with MFRS requires the use of certain critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's accounting policies. Estimates and assumptions are based on the Directors' best knowledge of current events. Such estimates and judgement could change from period to period and have a material impact on the results, financial position, cash flows and other disclosures.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Impairment of non-financial assets

The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ("CGU") to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of the CGUs were determined based on the value-in-use ("VIU") calculations. The VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on the historical and industry trends, general market and economic conditions and other available information.

The carrying amount of the Group's and the Company's goodwill as at 31 December 2022 were RM2,245.2 million arising from the acquisition of New Britain Palm Oil Limited ("NBPOL") and goodwill of RM1,966.1 million arising from the merger exercise of plantation businesses respectively as disclosed in Note 22(i) to the financial statements. Based on the impairment assessments, no impairment charge is required. The key assumptions are also disclosed in Note 22(i) to the financial statements.

The Group and the Company had assessed whether there is any indication that the other non-financial assets are impaired at the end of each reporting period in accordance with the accounting policies. Significant judgement is required in the estimation of the present value of the future cash flows generated by the non-financial assets, which involve uncertainties and are significantly affected by the assumptions used and judgements made regarding the estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and the Company's impairment assessment on the non-financial assets.

Based on the assessment, the Group has recognised an impairment on investment in its joint venture, Rizhao Sime Darby Oils & Fats Co Ltd. of RM25.4 million (see Notes 6(e) and 20).

5. REVENUE

The Group and the Company derive the following types of revenue:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Revenue from contracts with customers	5(a)	**20,995,634**	18,512,438	**4,760,062**	6,625,986
Revenue from other sources	5(b)	**34,056**	20,276	**723,666**	2,561,154
		21,029,690	18,532,714	**5,483,728**	9,187,140

(a) Disaggregation of revenue from contracts with customers

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Upstream					
– Malaysia		**765,350**	346,397	**3,176,080**	2,291,926
– Indonesia		**1,146,629**	1,208,439	**–**	–
– Papua New Guinea and Solomon Islands ("PNG/SI")		**123,819**	861,604	**–**	–
Downstream					
– Bulk products	(i)	**12,683,053**	10,983,533	**940,068**	2,242,520
– Differentiated products	(ii)	**6,179,548**	5,042,377	**641,246**	2,087,119
Other operations		**97,235**	70,088	**2,668**	4,421
		20,995,634	18,512,438	**4,760,062**	6,625,986

(i) Revenue from bulk products include crude palm oil ("CPO"), crude palm kernel oil ("CPKO") which is crushed in kernel crushing plants, basic refined products comprising Refined Bleached Deodorised ("RBD") palm oil, RBD palm olein, stearin and Palm Fatty Acid Distillate ("PFAD") which are refined in the bulk refineries and coconut oils products which are extracted from the copra.

(ii) Revenue from differentiated products include sales of products catering to customers' specific requirements, such as shortenings, margarine, ghee, frying shortenings, palm kernel cake and tolling services.

	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**20,595,353**	18,287,216	**4,725,802**	6,588,768
Management fee income from subsidiaries	**–**	–	**31,553**	31,925
Freight services	**289,919**	207,377	**39**	872
Tolling services	**110,362**	17,845	**2,668**	4,421
	20,995,634	18,512,438	**4,760,062**	6,625,986
Timing of revenue recognition				
– at point in time	**20,595,353**	18,287,216	**4,725,802**	6,588,768
– over time	**400,281**	225,222	**34,260**	37,218
	20,995,634	18,512,438	**4,760,062**	6,625,986

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

5. REVENUE (CONTINUED)

(b) Revenue from other sources

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Dividends (gross) received/receivable from:				
– other investments	**8,925**	2,899	**7,457**	4,270
– subsidiaries	**–**	–	**700,503**	2,545,468
Rental income	**25,131**	17,377	**15,706**	11,416
	34,056	20,276	**723,666**	2,561,154

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) at the end of the financial year.

Expected timing of recognition:

		GROUP	
	Note	2023 RM'000	2022 RM'000
Freight income	39	**35,273**	23,882

6. OPERATING EXPENSES

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
(a) Operating expenses include:					
Cost of raw materials and inventories sold for palm products, rubber, sugar, beef and other agricultural products		**9,960,804**	7,421,560	**2,523,913**	4,036,677
Other direct costs of sales	6(b)	**3,186,030**	2,905,374	**672,136**	708,881
Employee costs	6(d)	**2,749,625**	2,511,850	**865,955**	888,599
Depreciation of:					
– property, plant and equipment	6(c)	**1,248,672**	1,217,370	**275,006**	284,103
– right-of-use assets	6(c)	**78,533**	75,202	**2,643**	3,395
– investment properties	16	**40**	67	**–**	–
Amortisation of intangible assets	22	**45,296**	38,716	**14,478**	10,879
Other operating expenses	6(e)	**1,077,328**	1,154,317	**426,519**	489,875
		18,346,328	15,324,456	**4,780,650**	6,422,409

6. OPERATING EXPENSES (CONTINUED)

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
(b) Other direct costs of sales include:					
Export duty, transport and handling charges		**1,278,962**	1,399,498	**189,807**	228,667
Commissions fees		**10,202**	9,725	**47,511**	46,401
Tolling fees		**214,158**	96,597	**1,688**	3,281
Upkeep, manuring, and collection expenses		**722,816**	637,231	**225,555**	227,512
Selling and distribution expenses		**174,917**	140,275	**37**	401
Mills and refineries maintenance expenses		**207,195**	181,901	**80,583**	66,321
Research expenses		**2,015**	2,475	**98,881**	90,051
Others		**575,765**	437,672	**28,074**	46,247
		3,186,030	2,905,374	**672,136**	708,881

(c) Depreciation of:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Depreciation for the financial year					
– property, plant and equipment	15	**1,285,056**	1,252,812	**284,168**	294,140
– capitalised in immature bearer plant		**(36,384)**	(35,442)	**(9,162)**	(10,037)
	6(a)	**1,248,672**	1,217,370	**275,006**	284,103
Depreciation for the financial year					
– right-of-use assets	18	**80,306**	77,040	**2,954**	3,740
– capitalised in immature bearer plant		**(1,773)**	(1,838)	**(311)**	(345)
	6(a)	**78,533**	75,202	**2,643**	3,395
Depreciation included in profit or loss		**1,327,205**	1,292,572	**277,649**	287,498

(d) Employee costs include:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Salaries, wages and bonus		**2,235,482**	2,032,466	**588,087**	599,053
Defined contribution plans		**134,668**	109,415	**91,621**	84,055
Retirement benefits	36	**30,432**	(57,392)	**6,606**	7,112
Termination benefits		**506**	603	**506**	603
Reimbursement of recruitment fee		**–**	81,900	**–**	66,478
Other short-term employee benefits		**348,537**	344,858	**179,135**	131,298
		2,749,625	2,511,850	**865,955**	888,599

Employee costs above include the remuneration of the Directors and the key management personnel, as set out in Notes 11 and 45(f) respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

6. OPERATING EXPENSES (CONTINUED)

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(e) Other operating expenses include:					
Fair value changes in biological assets (net)		**119,161**	(57,222)	**50,917**	(19,620)
Impairment of:					
– property, plant and equipment	15	**6,224**	297,693	**3,431**	223,653
– right-of-use assets	18	**–**	12,357	**–**	–
– advances for plasma plantation projects	46(a)(iii)	**4,124**	7,692	**–**	–
– trade and other receivables	46(a)(iii)	**6,655**	2,582	**–**	2,547
– amounts due from subsidiaries	46(a)(iii)	**–**	–	**3,841**	1,782
– amounts due from joint ventures	46(a)(iii)	**7,664**	–	**–**	–
– investment in subsidiaries	19	**–**	–	**27,979**	10,709
– investment in a joint venture	20(a)	**25,369**	37,597	**8,622**	–
– non-current assets held for sale		**–**	1,224	**–**	–
Write off of:					
– property, plant and equipment	15	**18,563**	24,931	**9,394**	4,832
– inventories		**1,678**	–	**–**	–
– bad debts		**640**	–	**6**	–
Write-down of right-of-use assets	18	**49**	7,364	**–**	–
Write down/(write back) of inventories		**8,668**	(3,941)	**1,080**	347
Donations		**40,022**	60,813	**(4,185)**	36,394
Insurance charges		**43,685**	36,642	**7,687**	5,337
Information technology charges		**70,090**	79,252	**19,546**	27,452
Professional fees		**86,233**	129,692	**76,267**	32,022
Quit rent and assessment		**53,673**	62,338	**29,278**	27,227
Expense relating to short-term leases		**41,340**	34,851	**27,906**	20,513
Repairs and maintenance		**214,009**	187,968	**43,087**	36,343
Telecommunication expenses		**7,608**	5,662	**2,372**	834
Travelling expenditure		**38,168**	19,140	**9,479**	2,836
Utilities expenditure		**145,160**	118,160	**32,262**	29,093
(f) Auditors' remuneration					
Fees for statutory audits:					
– PricewaterhouseCoopers PLT, Malaysia		**3,389**	3,234	**1,939**	1,830
– Member firms of PricewaterhouseCoopers International Limited		**9,579**	8,790	**–**	–
– Other firms		**208**	187	**–**	–
		13,176	12,211	**1,939**	1,830
Fees for non-audit services:					
– PricewaterhouseCoopers PLT, Malaysia		**1,960**	1,891	**1,819**	1,884
– Member firms of PricewaterhouseCoopers International Limited		**2,130**	1,701	**–**	–
		4,090	3,592	**1,819**	1,884

7. OTHER OPERATING INCOME

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Gain on disposal of:					
– property, plant and equipment		**92,840**	151,496	**87,022**	134,189
– non-current assets held for sale		**275,929**	143,323	**275,622**	137,264
– a former subsidiary		**53,687**	–	**–**	–
Government grants/incentives		**323**	5,122	**–**	1,746
Insurance claims		**17,088**	9,705	**1,314**	862
Other incidental income		**283,783**	172,341	**2,348**	9,597
Reversal of impairment of:					
– investment in a subsidiary	19	**–**	–	**437**	20,000
– amounts due from subsidiaries	46(a)(iii)	**–**	–	**2,465**	14,742
– trade and other receivables	46(a)(iii)	**12**	4,548	**–**	–
Sale of scrap		**29,902**	23,553	**4,347**	3,438
Sale of rubber wood		**1,680**	2,507	**1,680**	2,507
Other income		**83,189**	53,445	**11,011**	14,997
		838,433	566,040	**386,246**	339,342

During the financial year, RM275 million (2021: RM163 million) has been recognised in other incidental income arising from the granting of access over land use rights in Indonesia.

8. OTHER GAINS AND LOSSES

	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Fair value gains/(losses) on forward foreign exchange contracts:				
– realised non-hedging derivatives	**25,177**	(5,158)	**(2,164)**	(1,693)
– unrealised non-hedging derivatives	**(25,041)**	6,072	**–**	–
Fair value (losses)/gains on cash flow hedge ineffectiveness of commodities futures contracts:				
– realised	**(62,626)**	(154,070)	**–**	–
– unrealised	**–**	2,747	**–**	–
Fair value (losses)/gains on commodities futures and forward contracts (non-hedging derivative):				
– realised	**(1,163)**	4,939	**630**	(67)
– unrealised	**116,033**	39,160	**–**	(255)
Foreign currencies exchange (losses)/gains:				
– realised	**(88,434)**	20,552	**(37,508)**	(102,347)
– unrealised	**77,192**	(49,406)	**(173,321)**	(85,130)
	41,138	(135,164)	**(212,363)**	(189,492)

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

9. FINANCE INCOME

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance income from:				
– banks and other financial institutions	**8,040**	6,190	**2,790**	1,934
– subsidiaries	**–**	–	**8,187**	6,432
– financial guarantee contracts	**–**	–	**5,290**	7,455
– others	**4,263**	5,662	**–**	194
	12,303	11,852	**16,267**	16,015

10. FINANCE COSTS

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance costs charged by:					
– banks and other financial institutions		**189,413**	124,129	**130,457**	79,524
– lease liabilities		**7,364**	7,572	**535**	462
– subsidiaries		**–**	–	**20,804**	22,833
Amortisation of deferred financing expenses	37	**6,508**	9,163	**5,050**	7,589
		203,285	140,864	**156,846**	110,408
Interests capitalised in:					
– capital work-in-progress		**(31,590)**	(27,551)	**(3,185)**	(1,282)
– immature bearer plants		**(36,996)**	(27,614)	**(14,241)**	(12,480)
		(68,586)	(55,165)	**(17,426)**	(13,762)
Net finance costs		**134,699**	85,699	**139,420**	96,646

11. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-executive Directors:				
– fees and allowances	**4,225**	4,340	**3,734**	3,867
– estimated monetary value of benefits	**149**	135	**149**	135
	4,374	4,475	**3,883**	4,002
Executive Director:				
– salaries and other emoluments	**7,670**	3,598	**7,670**	3,598
– defined contribution pension plans	**1,258**	571	**1,258**	571
– estimated monetary value of benefits	**24**	50	**24**	50
	8,952	4,219	**8,952**	4,219
Total	**13,326**	8,694	**12,835**	8,221

12. TAX EXPENSE

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Current tax:					
In respect of current financial year					
– Malaysian income tax		**138,700**	183,106	**2,510**	94,629
– foreign income tax		**659,931**	621,403	**–**	–
– real property gain tax		**22,975**	2,080	**22,975**	2,080
– withholding tax		**102,461**	185,324	**102,461**	124,383
		924,067	991,913	**127,946**	221,092
(Over)/Under provision in respect of prior financial years					
– Malaysian income tax		**(28,202)**	(2,250)	**(15,173)**	(1,873)
– foreign income tax		**3,202**	29,220	**–**	–
		(25,000)	26,970	**(15,173)**	(1,873)
Deferred tax					
– origination and reversal of temporary differences	24	**(90,137)**	90,501	**(15,489)**	(53,725)
Tax expense		**808,930**	1,109,384	**97,284**	165,494

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Profit before tax		**3,492,200**	3,600,069	**753,808**	2,833,950
Applicable tax	12(a)	**1,027,470**	1,373,853	**180,914**	680,148
Effects of income not subject to tax		**(78,292)**	(93,244)	**(40,903)**	(477,908)
Effects of expenses not deductible for tax purposes		**86,982**	148,285	**103,073**	77,518
Expenses subject to double deductions		**(17,077)**	(27,545)	**(13,928)**	(21,612)
Income subject to different tax rate		**(161,060)**	(327,577)	**(93,304)**	(78,345)
Effects of changes in statutory income tax rates on deferred tax		**–**	(19,170)	**–**	2,347
Deferred tax assets not recognised in respect of tax losses and deductible temporary differences for the current financial year		**1,815**	7,736	**–**	–
(Over)/under provision in respect of prior financial years		**(25,000)**	26,970	**(15,173)**	(1,873)
Deferred tax assets recognised in respect of previously unrecognised tax losses		**(20,734)**	(22,072)	**–**	–
Taxable temporary difference on investments in subsidiaries		**8,018**	71,980	**–**	–
Perpetual Sukuk distribution		**(29,832)**	(29,832)	**(29,832)**	(29,832)
Effects of agriculture clawback		**16,640**	–	**6,437**	15,051
Tax expense for the financial year		**808,930**	1,109,384	**97,284**	165,494
Effective tax rate (%)		**23.2**	30.8	**12.9**	5.8

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

12. TAX EXPENSE (CONTINUED)

(a) The applicable tax rate of the Group is derived from the consolidation of all the Group's companies' applicable tax rates based on their respective domestic tax rates. The applicable tax of the Company is the product of profit before tax multiplied by the domestic tax rate of the Company.

(b) During the financial year, the effective tax rate is lower than the applicable tax rate of the Group due to: i) gain on government acquisition of land of RM133.7 million which was not subject to income tax and gain on land disposal of RM228.5 million subjected to real property gain tax; ii) dividend income from foreign subsidiaries subjected to withholding tax instead of corporate income tax; and iii) other incidental income of RM274.8 million which was subject to final tax of 10%.

13. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the financial year has been calculated based on the Group's net profit attributable to the equity holders of the Company for the financial year and the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2022	2021 (Re-presented)
Profit for the financial year (RM'000)	**2,488,075**	2,254,691
Weighted average number of ordinary shares in issue ('000 units)	**6,915,714**	6,915,714
Basic earnings per share (sen)	**35.98**	32.60

Diluted earnings per share

There is no dilution in earnings per share as there is no potential dilutive ordinary shares.

14. DIVIDENDS

Dividends payable and paid in respect of the ordinary shares for the financial year are as follows:

	GROUP/COMPANY	
	2022 RM'000	2021 RM'000
Dividends for the financial year ended 31 December 2020:		
– Final dividend of 5.42 sen per share, paid in cash on 12 May 2021	**–**	373,144
– Special final dividend of 2.13 sen per share, paid on 3 June 2021	**–**	146,642
Dividends for the financial year ended 31 December 2021:		
– Interim dividend of 7.90 sen per share, paid in cash on 12 November 2021	**–**	546,341
– Final dividend of 12.38 sen per share, paid in cash on 17 May 2022	**856,165**	–
Dividends for the financial year ended 31 December 2022:		
– Interim dividend of 10.00 sen per share, paid in cash on 18 November 2022	**691,571**	–
	1,547,736	1,066,127

A final dividend of 6.04 sen per ordinary share, amounting to RM417.7 million in respect of the financial year ended 31 December 2022 has been declared on 17 February 2023 and will be paid on 15 May 2023. The entitlement date for the dividend payment is 28 April 2023.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Freehold land RM'000	Buildings RM'000	Bearer plants (Note 15(a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in–progress RM'000	Total RM'000
2022								
Net Book Value								
At 1 January 2022		**2,683,165**	**3,234,481**	**8,522,046**	**1,873,204**	**503,988**	**430,943**	**17,247,827**
Additions		**–**	**58,518**	**951,599**	**119,959**	**151,883**	**541,327**	**1,823,286**
Disposals		**(856)**	**(128)**	**(5,393)**	**(289)**	**(542)**	**–**	**(7,208)**
Write offs	6(e)	**–**	**(526)**	**(16,702)**	**(883)**	**(420)**	**(32)**	**(18,563)**
Depreciation charge for the financial year	6(c)	**–**	**(263,649)**	**(552,219)**	**(307,659)**	**(161,529)**	**–**	**(1,285,056)**
Impairment charge for the financial year	6(e)	**–**	**(1,859)**	**–**	**(4,018)**	**(347)**	**–**	**(6,224)**
Transfer to non-current assets held for sale		**(4,951)**	**(12)**	**(6,608)**	**–**	**–**	**–**	**(11,571)**
Transfer to investment properties	16	**(2,247)**	**–**	**–**	**–**	**–**	**–**	**(2,247)**
Reclassification		**–**	**156,214**	**–**	**184,379**	**38,542**	**(379,135)**	**–**
Exchange differences		**(1,103)**	**18,717**	**24,571**	**14,561**	**6,011**	**(2,570)**	**60,187**
At 31 December 2022		**2,674,008**	**3,201,756**	**8,917,294**	**1,879,254**	**537,586**	**590,533**	**17,800,431**
Cost		**2,674,008**	**5,710,590**	**13,809,756**	**5,057,056**	**2,630,199**	**594,319**	**30,475,928**
Accumulated depreciation		**–**	**(2,472,779)**	**(4,602,779)**	**(3,156,474)**	**(2,088,434)**	**–**	**(12,320,466)**
Accumulated impairment losses		**–**	**(36,055)**	**(289,683)**	**(21,328)**	**(4,179)**	**(3,786)**	**(355,031)**
Net book value		**2,674,008**	**3,201,756**	**8,917,294**	**1,879,254**	**537,586**	**590,533**	**17,800,431**
2021 (Re-presented)								
Net Book Value								
At 1 January 2021		2,679,452	3,276,111	8,512,427	1,795,295	483,502	536,617	17,283,404
Additions		–	69,114	791,526	91,399	128,996	449,659	1,530,694
Disposals		(1,628)	(38)	(10,354)	(6,370)	(505)	–	(18,895)
Write offs	6(e)	–	(1,654)	(20,974)	(1,325)	(149)	(829)	(24,931)
Depreciation charge for the financial year	6(c)	–	(275,947)	(515,268)	(302,222)	(159,375)	–	(1,252,812)
Impairment charge for the financial year	6(e)	–	(9,946)	(285,987)	(1,760)	–	–	(297,693)
Transfer from/(to) non-current assets held for sale		1,073	(65,868)	(59,089)	(22,519)	(2,031)	(7,057)	(155,491)
Reclassification		–	204,160	–	299,563	47,834	(551,557)	–
Transfer to investment properties	16	(1,994)	–	–	–	–	–	(1,994)
Exchange differences		6,262	38,549	109,765	21,143	5,716	4,110	185,545
At 31 December 2021		2,683,165	3,234,481	8,522,046	1,873,204	503,988	430,943	17,247,827
Cost		2,683,165	5,471,287	12,915,981	4,715,894	2,428,664	434,729	28,649,720
Accumulated depreciation		–	(2,201,995)	(4,104,655)	(2,821,024)	(1,918,888)	–	(11,046,562)
Accumulated impairment losses		–	(34,811)	(289,280)	(21,666)	(5,788)	(3,786)	(355,331)
Net book value		2,683,165	3,234,481	8,522,046	1,873,204	503,988	430,943	17,247,827
1 January 2021								
Cost		2,679,452	5,276,156	12,155,060	4,394,774	2,303,890	540,403	27,349,735
Accumulated depreciation		–	(1,975,013)	(3,642,633)	(2,578,604)	(1,814,343)	–	(10,010,593)
Accumulated impairment losses		–	(25,032)	–	(20,875)	(6,045)	(3,786)	(55,738)
Net book value		2,679,452	3,276,111	8,512,427	1,795,295	483,502	536,617	17,283,404

The finance cost is capitalised at an average capitalisation rate of 3.20% (2021: 2.12%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Note	Freehold land RM'000	Buildings RM'000	Bearer plants (Note 15(a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in–progress RM'000	Total RM'000
2022								
Net Book Value								
At 1 January 2022		**4,014,831**	**914,798**	**2,387,118**	**340,837**	**130,960**	**55,820**	**7,844,364**
Additions		**–**	**21,892**	**269,909**	**26,818**	**71,566**	**99,699**	**489,884**
Intra group acquisition		**–**	**–**	**–**	**275**	**1,020**	**–**	**1,295**
Disposals		**(1,552)**	**(207)**	**–**	**–**	**–**	**–**	**(1,759)**
Intra group disposal		**–**	**–**	**–**	**–**	**(56)**	**–**	**(56)**
Disposal of downstream operations	19	**–**	**(84,271)**	**–**	**(144,336)**	**(4,158)**	**(9,972)**	**(242,737)**
Write offs	6(e)	**–**	**–**	**(9,394)**	**–**	**–**	**–**	**(9,394)**
Depreciation charge for the financial year	6(c)	**–**	**(63,795)**	**(132,396)**	**(41,794)**	**(46,183)**	**–**	**(284,168)**
Impairment charge for the financial year	6(e)	**–**	**(1,777)**	**–**	**(1,407)**	**(247)**	**–**	**(3,431)**
Transfer to non-current assets held for sale		**(5,359)**	**(12)**	**(6,608)**	**–**	**–**	**–**	**(11,979)**
Reclassification		**–**	**16,234**	**–**	**13,038**	**864**	**(30,136)**	**–**
At 31 December 2022		**4,007,920**	**802,862**	**2,508,629**	**193,431**	**153,766**	**115,411**	**7,782,019**
Cost		**4,007,920**	**1,445,671**	**3,687,239**	**730,532**	**532,321**	**115,411**	**10,519,094**
Accumulated depreciation		**–**	**(632,175)**	**(954,957)**	**(528,924)**	**(378,308)**	**–**	**(2,494,364)**
Accumulated impairment losses		**–**	**(10,634)**	**(223,653)**	**(8,177)**	**(247)**	**–**	**(242,711)**
Net book value		**4,007,920**	**802,862**	**2,508,629**	**193,431**	**153,766**	**115,411**	**7,782,019**
2021								
Net Book Value								
At 1 January 2021		4,005,873	938,821	2,506,343	304,297	108,707	96,737	7,960,778
Additions		–	24,939	231,084	28,562	66,111	55,706	406,402
Intra group acquisition		–	–	–	500	196	–	696
Disposals		(4,212)	(209)	(865)	(526)	(1)	–	(5,813)
Intra group disposal		–	–	–	(7,964)	(17)	–	(7,981)
Write offs	6(e)	–	(20)	(4,738)	(56)	(18)	–	(4,832)
Depreciation charge for the financial year	6(c)	–	(65,566)	(120,643)	(56,708)	(51,223)	–	(294,140)
Impairment charge for the financial year	6(e)	–	–	(223,653)	–	–	–	(223,653)
Transfer from/(to) non-current assets held for sale		13,170	45	(410)	102	–	–	12,907
Reclassification		–	16,788	–	72,630	7,205	(96,623)	–
At 31 December 2021		4,014,831	914,798	2,387,118	340,837	130,960	55,820	7,844,364
Cost		4,014,831	1,531,511	3,477,551	1,023,495	501,435	55,820	10,604,643
Accumulated depreciation		–	(607,856)	(866,780)	(675,888)	(370,475)	–	(2,520,999)
Accumulated impairment losses		–	(8,857)	(223,653)	(6,770)	–	–	(239,280)
Net book value		4,014,831	914,798	2,387,118	340,837	130,960	55,820	7,844,364
1 January 2021								
Cost		4,005,873	1,492,125	3,275,837	942,052	444,193	96,737	10,256,817
Accumulated depreciation		–	(544,447)	(769,494)	(630,985)	(335,486)	–	(2,280,412)
Accumulated impairment losses		–	(8,857)	–	(6,770)	–	–	(15,627)
Net book value		4,005,873	938,821	2,506,343	304,297	108,707	96,737	7,960,778

The finance cost is capitalised at an average capitalisation rate of 2.84% (2021: 1.77%).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants

Bearer plants comprised oil palm, rubber trees and growing canes.

	Mature				Immature			
GROUP	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
2022								
Net Book Value								
At 1 January 2022	**6,714,807**	**39,454**	**9,359**	**6,763,620**	**1,758,426**	**–**	**1,758,426**	**8,522,046**
Additions	**8,477**	**–**	**12,813**	**21,290**	**930,309**	**–**	**930,309**	**951,599**
Disposals	**(5,393)**	**–**	**–**	**(5,393)**	**–**	**–**	**–**	**(5,393)**
Write offs	**(16,702)**	**–**	**–**	**(16,702)**	**–**	**–**	**–**	**(16,702)**
Depreciation charge for the financial year	**(545,341)**	**(4,922)**	**(1,956)**	**(552,219)**	**–**	**–**	**–**	**(552,219)**
Transfer to non-current assets held for sale	**(6,608)**	**–**	**–**	**(6,608)**	**–**	**–**	**–**	**(6,608)**
Reclassification	**833,055**	**–**	**–**	**833,055**	**(833,055)**	**–**	**(833,055)**	**–**
Exchange differences	**46,293**	**–**	**379**	**46,672**	**(22,101)**	**–**	**(22,101)**	**24,571**
At 31 December 2022	**7,028,588**	**34,532**	**20,595**	**7,083,715**	**1,833,579**	**–**	**1,833,579**	**8,917,294**
Cost	**11,493,589**	**58,415**	**134,490**	**11,686,494**	**1,844,218**	**279,044**	**2,123,262**	**13,809,756**
Accumulated depreciation	**(4,465,001)**	**(23,883)**	**(113,895)**	**(4,602,779)**	**–**	**–**	**–**	**(4,602,779)**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(10,639)**	**(279,044)**	**(289,683)**	**(289,683)**
Net book value	**7,028,588**	**34,532**	**20,595**	**7,083,715**	**1,833,579**	**–**	**1,833,579**	**8,917,294**
2021 (Re-presented)								
Net Book Value								
At 1 January 2021	6,136,387	41,992	–	6,178,379	2,077,808	256,240	2,334,048	8,512,427
Additions	–	–	9,362	9,362	752,306	29,858	782,164	791,526
Disposals	(10,354)	–	–	(10,354)	–	–	–	(10,354)
Write offs	(12,764)	–	–	(12,764)	(1,156)	(7,054)	(8,210)	(20,974)
Depreciation charge for the financial year	(512,730)	(2,538)	–	(515,268)	–	–	–	(515,268)
Impairment charge for the financial year	–	–	–	–	(6,943)	(279,044)	(285,987)	(285,987)
Transfer (to)/from non-current assets held for sale	(63,954)	–	–	(63,954)	4,865	–	4,865	(59,089)
Reclassification	1,033,327	–	–	1,033,327	(1,033,327)	–	(1,033,327)	–
Exchange differences	144,895	–	(3)	144,892	(35,127)	–	(35,127)	109,765
At 31 December 2021	6,714,807	39,454	9,359	6,763,620	1,758,426	–	1,758,426	8,522,046
Cost	10,693,856	58,415	116,004	10,868,275	1,768,662	279,044	2,047,706	12,915,981
Accumulated depreciation	(3,979,049)	(18,961)	(106,645)	(4,104,655)	–	–	–	(4,104,655)
Accumulated impairment losses	–	–	–	–	(10,236)	(279,044)	(289,280)	(289,280)
Net book value	6,714,807	39,454	9,359	6,763,620	1,758,426	–	1,758,426	8,522,046
1 January 2021								
Cost	9,658,991	58,415	103,606	9,821,012	2,077,808	256,240	2,334,048	12,155,060
Accumulated depreciation	(3,522,604)	(16,423)	(103,606)	(3,642,633)	–	–	–	(3,642,633)
Net book value	6,136,387	41,992	–	6,178,379	2,077,808	256,240	2,334,048	8,512,427

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

COMPANY	Mature			Immature			
	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
2022							
Net Book Value:							
At 1 January 2022	**1,947,179**	**39,469**	**1,986,648**	**400,470**	**–**	**400,470**	**2,387,118**
Additions	**88**	**–**	**88**	**269,821**	**–**	**269,821**	**269,909**
Write offs	**(6,456)**	**–**	**(6,456)**	**(2,938)**	**–**	**(2,938)**	**(9,394)**
Depreciation charge for the financial year	**(127,474)**	**(4,922)**	**(132,396)**	**–**	**–**	**–**	**(132,396)**
Transfer to non-current assets held for sale	**(6,608)**	**–**	**(6,608)**	**–**	**–**	**–**	**(6,608)**
Reclassification	**237,018**	**–**	**237,018**	**(237,018)**	**–**	**(237,018)**	**–**
At 31 December 2022	**2,043,747**	**34,547**	**2,078,294**	**430,335**	**–**	**430,335**	**2,508,629**
Cost	**2,974,821**	**58,430**	**3,033,251**	**430,335**	**223,653**	**653,988**	**3,687,239**
Accumulated depreciation	**(931,074)**	**(23,883)**	**(954,957)**	**–**	**–**	**–**	**(954,957)**
Accumulated impairment	**–**	**–**	**–**	**–**	**(223,653)**	**(223,653)**	**(223,653)**
Net book value	**2,043,747**	**34,547**	**2,078,294**	**430,335**	**–**	**430,335**	**2,508,629**
2021							
Net Book Value:							
At 1 January 2021	1,720,395	42,007	1,762,402	539,727	204,214	743,941	2,506,343
Additions	–	–	–	211,645	19,439	231,084	231,084
Disposals	(826)	–	(826)	(39)	–	(39)	(865)
Write offs	(4,738)	–	(4,738)	–	–	–	(4,738)
Depreciation charge for the financial year	(118,105)	(2,538)	(120,643)	–	–	–	(120,643)
Impairment charge for the financial year	–	–	–	–	(223,653)	(223,653)	(223,653)
Transfer to non-current assets held for sale	(410)	–	(410)	–	–	–	(410)
Reclassification	350,863	–	350,863	(350,863)	–	(350,863)	–
At 31 December 2021	1,947,179	39,469	1,986,648	400,470	–	400,470	2,387,118
Cost	2,794,998	58,430	2,853,428	400,470	223,653	624,123	3,477,551
Accumulated depreciation	(847,819)	(18,961)	(866,780)	–	–	–	(866,780)
Accumulated impairment	–	–	–	–	(223,653)	(223,653)	(223,653)
Net book value	1,947,179	39,469	1,986,648	400,470	–	400,470	2,387,118
1 January 2021							
Cost	2,473,466	58,430	2,531,896	539,727	204,214	743,941	3,275,837
Accumulated depreciation	(753,071)	(16,423)	(769,494)	–	–	–	(769,494)
Net book value	1,720,395	42,007	1,762,402	539,727	204,214	743,941	2,506,343

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Underlying assets for Islamic financing facilities

In January 2013, the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with Sime Darby Plantation Global Berhad ("SDP Global"), a special purpose vehicle established by Sime Darby Berhad ("SDB"), the former immediate holding company. This sale and leaseback arrangement is solely to facilitate the issuance of Islamic Trust Certificates ("Multi-currency Sukuk") by SDP Global and it does not represent a collateralisation nor involve a transfer of registered land title. On 23 May 2017, the Company acquired the entire equity interest of SDP Global.

The carrying amount of the assets of the Group and the Company used as underlying Multi-currency Sukuk assets amounted to RM357.8 million (2021: RM353.1 million), comprised of property, plant and equipment of RM344.9 million (2021: RM340.2 million) and right-of-use assets of RM12.9 million (2021: RM12.9 million).

(c) Impairment of immature rubber plantations

In previous financial year, the Group's and the Company's immature rubber plantations in Malaysia experienced a delay in maturity and slow growth in girth which are indicators of impairment, triggering a survey being conducted during the previous financial year to assess the exact conditions of the immature rubber plantations. Based on the outcome of the survey, the Group and the Company carried out an impairment assessment of the immature rubber plantations using the value-in-use ("VIU") method. The recoverable amount based on the VIU calculations resulted in the Group and the Company recognising an impairment charge of RM279.0 million and RM223.7 million, respectively during the previous financial year.

The recoverable amounts of the immature rubber plantation are based on the respective estates' VIU calculations which are derived from using the cash flow projections in which the following key assumptions are used:

(a)	Projection period	:	25-year cash flow projection for each field, based on the remaining useful life of rubber trees
(b)	Latex price	:	666 to 841 sen per kg
(c)	Rubber yields	:	135 to 1,180 kg per hectare ("ha")
(d)	Discount rate	:	10.1% per annum

During the current financial year, the Group and the Company concluded to cease its rubber operations in Malaysia. As a result, an impairment of property, plant and equipment in relation to the rubber factories of RM3.4 million was recognised for the Group and the Company. Based on the Group's impairment assessment, the carrying amount of the mature rubber trees of RM34.5 million is recoverable as the fair value less cost of disposal is supported by the recoverable amounts from sale of rubber wood.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

16. INVESTMENT PROPERTIES

		GROUP		
	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
2022				
Cost				
At 1 January 2022		**8,976**	**652**	**9,628**
Transfer from property, plant and equipment	15	**2,247**	**–**	**2,247**
Exchange differences		**69**	**13**	**82**
At 31 December 2022		**11,292**	**665**	**11,957**
Accumulated depreciation				
At 1 January 2022		**–**	**519**	**519**
Charge for the financial year	6(a)	**–**	**40**	**40**
Exchange differences		**–**	**11**	**11**
At 31 December 2022		**–**	**570**	**570**
Net book value at 31 December 2022		**11,292**	**95**	**11,387**
2021				
Cost				
At 1 January 2021		7,254	703	7,957
Transfer from property, plant and equipment	15	1,994	–	1,994
Exchange differences		(272)	(51)	(323)
At 31 December 2021		8,976	652	9,628
Accumulated depreciation				
At 1 January 2021		–	490	490
Charge for the financial year	6(a)	–	67	67
Exchange differences		–	(38)	(38)
At 31 December 2021		–	519	519
Net book value at 31 December 2021		8,976	133	9,109
Net book value at 1 January 2021		7,254	213	7,467

The fair value of investment properties is RM346.0 million (2021: RM158.2 million) based on the valuation performed by external professional firms of surveyors and valuers. The valuation was performed using the comparable method based on current prices of comparable properties in an active market for all properties within Level 2 of the fair value hierarchy. Level 2 is based on the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The latest external valuation was carried out on 6 March 2023.

17. BIOLOGICAL ASSETS

	GROUP			
	Oil palm RM'000	Growing canes RM'000	Livestock RM'000	Total RM'000
2022				
At 1 January 2022	**181,356**	**22,294**	**80,667**	**284,317**
Transfers to produce stocks	**(189,755)**	**(27,126)**	**(98,151)**	**(315,032)**
Fair value changes	**60,378**	**34,781**	**100,712**	**195,871**
Exchange differences	**8,959**	**1,355**	**4,808**	**15,122**
At 31 December 2022	**60,938**	**31,304**	**88,036**	**180,278**
2021 (Re-presented)				
At 1 January 2021	111,686	36,923	75,799	224,408
Transfers to produce stocks	(113,394)	(37,846)	(77,693)	(228,933)
Fair value changes	183,640	21,891	80,624	286,155
Transfer to non-current assets held for sale	(4,532)	–	–	(4,532)
Exchange differences	3,956	1,326	1,937	7,219
At 31 December 2021	181,356	22,294	80,667	284,317

	COMPANY
	Total RM'000
Oil Palm	
2022	
At 1 January 2022	**64,956**
Transfers to produce stocks	**(64,956)**
Fair value changes	**14,039**
At 31 December 2022	**14,039**
2021	
At 1 January 2021	45,336
Transfers to produce stocks	(45,336)
Fair value changes	64,956
At 31 December 2021	64,956

The Group's and the Company's biological assets were fair valued within Level 3 of the fair value hierarchy with the exception of livestock which is on Level 2 basis (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

17. BIOLOGICAL ASSETS (CONTINUED)

The biological assets of the Group and the Company comprise of:

(i) Oil palm

Oil palm represents the fresh fruit bunches ("FFB") of up to 2 weeks prior to harvest for use in the Group's and the Company's palm products operations. During the financial year, the Group and the Company harvested approximately 8,206,774 metric tonnes ("MT") of FFB (2021: 9,129,009 MT) and 2,543,111 MT of FFB (2021: 3,311,104 MT) respectively. The quantity of unharvested FFB of the Group and of the Company as at 31 December 2022 included in the fair valuation of FFB was 288,194 MT (2021: 299,933 MT) and 93,314 MT (2021: 94,292 MT) respectively.

The Group and the Company attribute a fair value on the FFB prior to harvest at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, the FFB prior to 2 weeks before harvesting are excluded in the valuation as the increase in fair values are considered negligible.

The valuation model adopted by the Group and the Company is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is determined with reference to the market value of CPO at the reporting date, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest. Changes to the assumed tonnage included in the valuation will have a direct effect on the reported valuation.

If the Group's and the Company's unharvested FFB tonnage changes by 10% (2021: 10%) and 10% (2021: 10%) respectively, the impact of fair value of unharvested FFB would be as follows:

	2022 RM'000	2021 RM'000
GROUP		
FFB tonnage increase by 10% (2021: 10%)	**20,967**	38,899
FFB tonnage decrease by 10% (2021: 10%)	**(20,967)**	(38,899)
COMPANY		
FFB tonnage increase by 10% (2021: 10%)	**6,256**	9,807
FFB tonnage decrease by 10% (2021: 10%)	**(6,256)**	(9,807)

(ii) Growing canes

Growing canes represent the standing canes prior to harvest whereby the values are dependent on the age, sucrose content and condition as at the statement of financial position date. During the financial year, the Group harvested approximately 245,727 MT (2021: 246,666 MT) of canes. The estimated quantity of unharvested canes as at 31 December 2022 included in the fair valuation of growing canes of the Group was 233,719 MT (2021: 264,927 MT).

The determination of fair value for the Group's growing canes based on the discounted cash flow model requires estimates to be made of the anticipated canes harvest, its age and condition at the statements of financial position date, the sucrose content to be extracted and sugar prices less further costs to be incurred in growing and harvesting the canes up to the point of harvest and contributory asset charges. The anticipated canes harvest is based on management's historical records, current planting statistics and production forecast. Fair value of the harvested canes is based on the accepted industry benchmark of allocating the fair value of sugar production between the fair value attributable to the cane grower and the value attributable to the miller.

If the estimated harvest volume of canes increased or decreased by 10% (2021: 10%), fair value changes in growing canes would have increased or decreased by approximately RM3.1 million (2021: RM2.2 million) accordingly.

(iii) Livestock

Livestock comprise of the cattle livestock included within the Group's beef production operations. Cattle livestock are generally fed for 120 days prior to use for beef production. During the financial year, the Group produced 8,035 tonnes (2021: 7,786 tonnes) of beef. The number of cattle as at 31 December 2022 included in the fair values of livestock was 27,484 heads (2021: 27,501 heads).

The fair value of livestock is based on the Group's assessment of age, average weights and market values of the livestock at the statement of financial position date. If the average weight per beast increases or decreases by 1% (2021: 1%), fair value changes in livestock would have increased or decreased by approximately RM0.9 million (2021: RM0.8 million) respectively.

18. RIGHT-OF-USE ASSETS

GROUP	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Total RM'000
2022						
Net Book Value:						
At 1 January 2022		**1,926,109**	**36,777**	**31,487**	**3,508**	**1,997,881**
Additions		**53,719**	**5,465**	**10,511**	**668**	**70,363**
Write-downs	6(e)	**(49)**	**–**	**–**	**–**	**(49)**
Depreciation charge for the financial year	6(c)	**(57,517)**	**(10,378)**	**(10,581)**	**(1,830)**	**(80,306)**
Exchange differences		**19,826**	**(339)**	**119**	**182**	**19,788**
At 31 December 2022		**1,942,088**	**31,525**	**31,536**	**2,528**	**2,007,677**
Cost		**3,306,383**	**89,078**	**65,574**	**10,973**	**3,472,008**
Accumulated depreciation		**(1,351,115)**	**(57,553)**	**(34,038)**	**(8,445)**	**(1,451,151)**
Accumulated impairment		**(13,180)**	**–**	**–**	**–**	**(13,180)**
Net book value		**1,942,088**	**31,525**	**31,536**	**2,528**	**2,007,677**
2021 (Re-presented)						
Net Book Value:						
At 1 January 2021		1,982,887	51,401	24,599	4,554	2,063,441
Additions		5,049	9,174	17,762	810	32,795
Write-downs	6(e)	(204)	(7,137)	–	(23)	(7,364)
Impairment charge for the financial year	6(e)	(12,357)	–	–	–	(12,357)
Depreciation charge for the financial year	6(c)	(52,791)	(11,134)	(11,279)	(1,836)	(77,040)
Transfer to non-current assets held for sale		(23,770)	(2,439)	–	–	(26,209)
Exchange differences		27,295	(3,088)	405	3	24,615
At 31 December 2021		1,926,109	36,777	31,487	3,508	1,997,881
Cost		3,225,292	84,874	55,275	10,191	3,375,632
Accumulated depreciation		(1,286,730)	(48,097)	(23,788)	(6,683)	(1,365,298)
Accumulated impairment		(12,453)	–	–	–	(12,453)
Net book value		1,926,109	36,777	31,487	3,508	1,997,881
1 January 2021						
Cost		3,220,986	91,423	55,861	9,902	3,378,172
Accumulated depreciation		(1,238,099)	(40,022)	(31,262)	(5,348)	(1,314,731)
Net book value		1,982,887	51,401	24,599	4,554	2,063,441

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

18. RIGHT-OF-USE ASSETS (CONTINUED)

COMPANY	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Total RM'000
2022						
Net Book Value:						
At 1 January 2022		**268,102**	**–**	**5,520**	**–**	**273,622**
Additions		**–**	**–**	**142**	**–**	**142**
Depreciation charge for the financial year	6(c)	**(2,599)**	**–**	**(355)**	**–**	**(2,954)**
Disposal of downstream operations	19	**(43,547)**	**–**	**–**	**–**	**(43,547)**
At 31 December 2022		**221,956**	**–**	**5,307**	**–**	**227,263**
Cost		**277,638**	**428**	**7,797**	**2,935**	**288,798**
Accumulated depreciation		**(51,375)**	**(428)**	**(2,490)**	**(2,935)**	**(57,228)**
Accumulated impairment		**(4,307)**	**–**	**–**	**–**	**(4,307)**
Net book value		**221,956**	**–**	**5,307**	**–**	**227,263**
2021						
Net Book Value:						
At 1 January 2021		271,350	–	5,932	80	277,362
Depreciation charge for the financial year	6(c)	(3,248)	–	(412)	(80)	(3,740)
At 31 December 2021		268,102	–	5,520	–	273,622
Cost		316,878	428	7,655	2,935	327,896
Accumulated depreciation		(48,776)	(428)	(2,135)	(2,935)	(54,274)
Net book value		268,102	–	5,520	–	273,622
1 January 2021						
Cost		316,878	428	7,655	2,935	327,896
Accumulated depreciation		(45,528)	(428)	(1,723)	(2,855)	(50,534)
Net book value		271,350	–	5,932	80	277,362

(a) Underlying assets for Islamic financing facilities

During the financial year ended 30 June 2016, a subsidiary of the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with Sime Darby Berhad ("SDB"), the former immediate holding company. This sale and leaseback arrangement is solely to facilitate the issuance of the Perpetual Subordinated Sukuk Programme ("Perpetual Sukuk") by SDB. The structure does not represent collateralisation and there was no transfer of registered land title. On 23 June 2017, the Perpetual Sukuk was novated from SDB to the Company. The sale and leaseback agreement was similarly novated from SDB to the Company.

The carrying amount of the assets used as underlying Perpetual Sukuk assets amounted to RM103.4 million (2021: RM105.3 million).

19. SUBSIDIARIES

	COMPANY	
	2022 RM'000	2021 RM'000
Unquoted shares at cost	**7,686,277**	7,468,206
Amounts due from subsidiaries – non-interest bearing	**1,482,702**	1,084,902
Accumulated impairment losses	**(724,358)**	(697,023)
	8,444,621	7,856,085

The amounts due from subsidiaries above are deemed as capital contribution to subsidiaries as the repayment of these amounts are interest-free and the subsidiaries have no contractual obligation to repay to the Company.

Movements of impairment losses for investment in subsidiaries are as follows:

		COMPANY	
	Note	2022 RM'000	2021 RM'000
At 1 January		**697,023**	706,831
Charge for the financial year	6(e)	**27,979**	10,709
Reversal for the financial year	7	**(437)**	(20,000)
Disposal of a subsidiary		**(207)**	(517)
At 31 December		**724,358**	697,023

On 27 February 2019, the Board of Directors of the Company approved the plan to undertake an internal restructuring ("Downstream Restructuring") to rebrand its downstream segment. As part of its Downstream Restructuring, the Company completed the:

(a) Disposal of the following subsidiaries to Sime Darby Oils Pasir Gudang Sdn Bhd ("SDOPGR") in financial year 2022 for a total purchase consideration of RM56.4 million.

   (i) Sime Darby Oils Trading (Labuan) Ltd
   (ii) Sime Darby Oils Bintulu Sdn Bhd

(b) Disposal of the following subsidiaries to Sime Darby Oils International Limited ("SDOIL") and SDOPGR in financial year 2021 for a total purchase consideration of RM123.4 million.

   (i) Sime Darby Oils Pasir Gudang Refinery Sdn Bhd
   (ii) Sime Darby Oils Nutrition Sdn Bhd
   (iii) Sime Darby Oils Biodiesel Sdn Bhd
   (iv) Sime Darby Oils Trading Sdn Bhd

The Company also completed the disposal of its downstream business operations comprising the Langat refinery, Port Klang refinery and Kernel Crushing Plant to its indirect wholly-owned subsidiaries, Sime Darby Oils Langat Refinery Sdn Bhd, Sime Darby Oils Port Klang Refinery Sdn Bhd and Sime Darby Oils Carey Island KCP Sdn Bhd respectively, for a total purchase consideration of RM436.3 million during the financial year as part of the Downstream Restructuring.

The Downstream Restructuring resulted in an increase in amounts due from subsidiaries within SDOIL Group and as a result, the Company entered into multiple novation agreements with Sime Darby Oils International Limited ("SDOIL") and its subsidiaries, in which SDOIL assumed the inter-companies amounts due to the Company on behalf of its subsidiaries. Subsequent to the novation of amounts, the amounts due from SDOIL of RM397.8 million were capitalised as cost of investment in SDOIL as capital contribution to SDOIL.

The Company also subscribed to 88,389,408 ordinary shares of SDOIL for RM275.6 million (equivalent to USD65.6 million) in kind by capitalising the amounts due from SDOIL.

The Group's equity interest in the subsidiaries as at 31 December 2022 and 31 December 2021, their principal activities and countries of incorporation are shown in Note 48.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

20. JOINT VENTURES

The Group's equity interest in the joint ventures as at 31 December 2022 and 31 December 2021, their respective principal activities and countries of incorporation are shown in Note 48.

(a) Share of results of joint ventures

The Group's share of results of joint ventures are as follows:

		GROUP	
	Note	2022 RM'000	2021 RM'000
Share of results for the financial year		**37,116**	20,156
Currency translation differences		**4,395**	5,933
Share of other comprehensive income of joint ventures (net of tax)		**23,962**	–
Share of total comprehensive income		**65,473**	26,089
Impairment of investment in joint venture	6(e)	**(25,369)**	(37,597)
Total comprehensive income/(loss)		**40,104**	(11,508)

(b) Investments in joint ventures

The Group's and the Company's investments in joint ventures are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	**424,943**	400,486	**293,683**	285,061
Share of post-acquisition reserves	**(31,489)**	(68,490)	**–**	–
Accumulated impairment	**(25,369)**	–	**(8,622)**	–
	368,085	331,996	**285,061**	285,061

The Group's investments in joint ventures are private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the joint ventures.

(c) Material joint ventures

Set out below are the joint ventures of the Group as at 31 December 2022 and 31 December 2021 which, in the opinion of the Directors, are material to the Group.

	Group's effective interest (%)		
Name of joint ventures	2022	2021	Place of business/ Country of incorporation
Emery Oleochemicals UK Limited	**50.0**	50.0	United Kingdom

20. JOINT VENTURES (CONTINUED)

(d) Effect of significant changes in the composition of the Group in previous financial year

On 29 August 2019, the Board of Directors ("BOD") of the Company had authorised the proposed divestment of its entire 50% equity interest in its joint ventures, Emery Oleochemicals (M) Sdn Bhd ("EOM") and Emery Specialty Chemicals Sdn Bhd ("ESC") (collectively known as "Emery Group"). Consequently, the Group ceased equity accounting of its interest in Emery Group.

During the previous financial year, the Group and the Company had completed the divestment of its collective 100% equity interest in EOM and ESC including the subsidiaries which are principally involved in Emery's Asia Pacific business to Edenor Technology Sdn Bhd ("ETSB") ("the Divestment") for an equity value of RM38.0 million on 1 November 2021. The equity consideration of RM38.0 million was derived based on an enterprise value of RM243.0 million less the target net debt of RM205.0 million with a price adjustment based on the net working capital of EOM and ESC at completion date. Prior to the completion of the Divestment, the Group and the Company had carried out an impairment assessment based on fair value less cost to sell and an impairment charge of RM37.6 million was recognised by the Group during the financial year. Thus, there was no gain or loss recognised from the Divestment.

Following the Divestment, EOM and ESC ceased to be jointly-controlled entities of the Group and the Company. The Group and the Company continues to hold Emery's North America and Europe oleochemical businesses via Emery Oleochemicals UK Limited ("EOM UK"), its 50:50 joint venture with PTTGC International Private Limited. Subsequent to the Divestment, the Board of Directors had decided to retain EOM UK within the Group.

(e) Summarised financial information

The summarised statements of comprehensive income of the joint ventures are as follows:

	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2022			
Revenue	**3,030,209**	**14,768**	**3,044,977**
Depreciation and amortisation	**(54,796)**	**(2,191)**	**(56,987)**
Interest income	**33**	**1**	**34**
Interest expense	**(14,031)**	**(384)**	**(14,415)**
Profit/(loss) before tax	**109,889**	**(6,986)**	**102,903**
Tax (expense)/credit	**(29,249)**	**1,704**	**(27,545)**
Profit/(loss) for the financial year	**80,640**	**(5,282)**	**75,358**
Profit/(loss) for the financial year attributable to owners of:			
– the joint venture	**80,640**	**(5,282)**	**75,358**
Profit/(loss) for the financial year	**80,640**	**(5,282)**	**75,358**
Other comprehensive income/(loss)			
– unrealised exchange differences	**8,790**	**–**	**8,790**
– actuarial gain on defined benefit plans	**67,678**	**–**	**67,678**
– tax expense relating to actuarial loss on defined benefit plans	**(19,754)**	**–**	**(19,754)**
	56,714	**–**	**56,714**
Total comprehensive income/(loss) for the financial year	**137,354**	**(5,282)**	**132,072**
Total comprehensive income/(loss) for the financial year attributable to owners of:			
– the joint venture	**137,354**	**(5,282)**	**132,072**
	137,354	**(5,282)**	**132,072**

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

20. JOINT VENTURES (CONTINUED)

(e) Summarised financial information (continued)

The summarised statements of comprehensive income of the joint ventures are as follows: (continued)

	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2021					
Revenue	2,293,714	125,344	463,219	13,374	2,895,651
Depreciation and amortisation	(63,262)	(10,771)	(9,035)	(3,512)	(86,580)
Interest income	8,438	31	–	45	8,514
Interest expense	(18,729)	(8,975)	(2,407)	(327)	(30,438)
Profit/(loss) before tax	57,018	(27,322)	15,451	(6,086)	39,061
Tax expense	(19,864)	(63)	(5,810)	(414)	(26,151)
Profit/(loss) for the financial year	37,154	(27,385)	9,641	(6,500)	12,910
Profit/(loss) for the financial year attributable to owners of:					
– the joint venture	40,170	(27,385)	9,641	(6,500)	15,926
– non-controlling interests	(3,016)	–	–	–	(3,016)
Profit/(loss) for the financial year	37,154	(27,385)	9,641	(6,500)	12,910
Other comprehensive (loss)/income					
– unrealised exchange differences	(2,124)	222	13,990	–	12,088
	(2,124)	222	13,990	–	12,088
Total comprehensive income/(loss) for the financial year	35,030	(27,163)	23,631	(6,500)	24,998
Total comprehensive income/(loss) for the financial year attributable to owners of:					
– the joint venture	38,046	(27,163)	23,631	(6,500)	28,014
– non-controlling interests	(3,016)	–	–	–	(3,016)
	35,030	(27,163)	23,631	(6,500)	24,998

20. JOINT VENTURES (CONTINUED)

(e) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows:

	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
31 December 2022			
Non-current assets	**534,502**	**98,843**	**633,345**
Current assets			
Cash and cash equivalents	**102,347**	**524**	**102,871**
Other current assets	**819,814**	**2,529**	**822,343**
	922,161	**3,053**	**925,214**
Non-current liability			
Financial liabilities (excluding trade and other payables)	**(18,038)**	**(25,268)**	**(43,306)**
Current liabilities			
Financial liabilities (excluding trade and other payables)	**(245,339)**	**(2,160)**	**(247,499)**
Other current liabilities	**(463,878)**	**(11,463)**	**(475,341)**
	(709,217)	**(13,623)**	**(722,840)**
Net assets	**729,408**	**63,005**	**792,413**

	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
31 December 2021			
Non-current assets	593,037	94,801	687,838
Current assets			
Cash and cash equivalents	56,630	4,336	60,966
Other current assets	787,010	1,885	788,895
	843,640	6,221	849,861
Non-current liability			
Financial liabilities (excluding trade and other payables)	(452,432)	(17,905)	(470,337)
Current liabilities			
Financial liabilities (excluding trade and other payables)	(69,075)	(14,485)	(83,560)
Other current liabilities	(316,910)	(345)	(317,255)
	(385,985)	(14,830)	(400,815)
Net assets	598,260	68,287	666,547

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

20. JOINT VENTURES (CONTINUED)

(f) Reconciliations of summarised financial information

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures are as follows:

	Note	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
31 December 2022				
Net assets				
At 1 January 2022		**598,260**	**68,287**	**666,547**
Total comprehensive income/(loss)		**137,354**	**(5,282)**	**132,072**
Dividend received		**(6,206)**	**–**	**(6,206)**
At 31 December 2022		**729,408**	**63,005**	**792,413**
Group's effective interest		**50.0%**	**45.0% – 51.0%**	**45.0% – 51.0%**
Interests in joint ventures		**364,704**	**28,750**	**393,454**
Impairment of investment in a joint venture	6(e)	**–**	**(25,369)**	**(25,369)**
Carrying amount at end of the financial year		**364,704**	**3,381**	**368,085**

	Note	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Oleochemicals UK Limited RM'000	Others RM'000	Total RM'000
31 December 2021					
Net assets					
At 1 January 2021		766,406	–	75,203	841,609
Net assets of EOM UK at the date restructuring	20(d)	(574,629)	574,629	–	–
Total comprehensive income/(loss)		38,046	23,631	(6,500)	55,177
Dividend received		–	–	(416)	(416)
Net assets of Emery's Asia Pacific business at the disposal date	20(d)	(229,823)	–	–	(229,823)
At 31 December 2021		–	598,260	68,287	666,547
Group's effective interest		–	50.0%	45.0% – 51.0%	45.0% – 51.0%
Interests in joint ventures		–	299,130	32,866	331,996
Carrying amount at end of the financial year		–	299,130	32,866	331,996

21. ASSOCIATES

The Group's equity interest in the associates as at 31 December 2022 and 31 December 2021, their respective principal activities and countries of incorporation are shown in Note 48.

(a) Share of results of associates

The Group's share of results of associates are as follows:

	GROUP	
	2022 RM'000	2021 RM'000
Share of results for the financial year	**14,547**	14,626

(b) Investments in associates

The Group's and the Company's investments in associates are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	**71,392**	71,644	**420**	420
Share of post-acquisition reserves	**(14,348)**	(25,374)	**–**	–
	57,044	46,270	**420**	420

The Group's investments in associate companies are private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the associates.

(c) Summarised financial information

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	GROUP	
	2022 RM'000	2021 RM'000
Aggregate carrying amount of individually immaterial associates	**57,044**	46,270
Aggregate amounts of the Group's share of profit	**14,547**	14,626
Dividends received from associates	**3,521**	9,734

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

22. INTANGIBLE ASSETS

GROUP	Note	Goodwill RM'000	Asset usage rights RM'000	Intellectual property rights RM'000	Smallholder relationships RM'000	Customer relationships RM'000	Computer software RM'000	Agriculture development costs RM'000	Work-in-progress capitalised – agriculture development costs RM'000	Acquired brand names/ trademarks RM'000	Total RM'000
2022											
Net book value											
At 1 January 2022		**2,147,974**	**430**	**12,180**	**521,058**	**104**	**33,460**	**78,785**	**813**	**28,674**	**2,823,478**
Additions		**–**	**–**	**–**	**–**	**–**	**11,090**	**943**	**–**	**–**	**12,033**
Amortisation	6(a)	**–**	**(132)**	**(840)**	**(16,873)**	**(176)**	**(17,834)**	**(6,481)**	**–**	**(2,960)**	**(45,296)**
Exchange differences		**123,761**	**–**	**–**	**29,870**	**72**	**548**	**197**	**64**	**1,864**	**156,376**
At 31 December 2022		**2,271,735**	**298**	**11,340**	**534,055**	**–**	**27,264**	**73,444**	**877**	**27,578**	**2,946,591**
Cost		**2,277,258**	**1,929**	**16,800**	**706,004**	**9,671**	**230,883**	**107,982**	**1,399**	**78,780**	**3,430,706**
Accumulated amortisation		**–**	**(1,631)**	**(5,460)**	**(171,949)**	**(9,671)**	**(199,562)**	**(34,538)**	**(522)**	**(49,058)**	**(472,391)**
Accumulated impairment losses		**(5,523)**	**–**	**–**	**–**	**–**	**(4,057)**	**–**	**–**	**(2,144)**	**(11,724)**
Net book value		**2,271,735**	**298**	**11,340**	**534,055**	**–**	**27,264**	**73,444**	**877**	**27,578**	**2,946,591**
2021 (Re-presented)											
Net book value											
At 1 January 2021		2,112,176	562	13,020	519,102	980	26,308	67,670	18,240	30,734	2,788,792
Additions		–	–	–	–	–	18,262	–	–	–	18,262
Amortisation	6(a)	–	(132)	(840)	(15,769)	(770)	(11,661)	(6,413)	–	(3,131)	(38,716)
Transfer to non-current assets held for sale		(36,500)	–	–	–	–	(13)	–	–	–	(36,513)
Reclassification		–	–	–	–	–	–	17,427	(17,427)	–	–
Exchange differences		72,298	–	–	17,725	(106)	564	101	–	1,071	91,653
At 31 December 2021		2,147,974	430	12,180	521,058	104	33,460	78,785	813	28,674	2,823,478
Cost		2,153,497	1,930	16,800	670,752	10,203	217,689	106,663	813	76,105	3,254,452
Accumulated amortisation		–	(1,500)	(4,620)	(149,694)	(10,099)	(181,250)	(27,878)	–	(45,286)	(420,327)
Accumulated impairment losses		(5,523)	–	–	–	–	(2,979)	–	–	(2,145)	(10,647)
Net book value		2,147,974	430	12,180	521,058	104	33,460	78,785	813	28,674	2,823,478
1 January 2021											
Cost		2,117,699	1,930	16,800	650,408	9,940	202,868	89,050	18,240	75,730	3,182,665
Accumulated amortisation		–	(1,368)	(3,780)	(131,306)	(8,960)	(172,968)	(21,380)	–	(42,664)	(382,426)
Accumulated impairment losses		(5,523)	–	–	–	–	(3,592)	–	–	(2,332)	(11,447)
Net book value		2,112,176	562	13,020	519,102	980	26,308	67,670	18,240	30,734	2,788,792

22. INTANGIBLE ASSETS (CONTINUED)

COMPANY	Note	Goodwill RM'000	Intellectual property rights RM'000	Computer software RM'000	Agriculture development costs RM'000	Work-in-progress capitalised – agriculture development costs RM'000	Total RM'000
2022							
At 1 January 2022		**1,966,568**	**12,180**	**21,213**	**77,538**	**–**	**2,077,499**
Additions		**–**	**–**	**4,770**	**–**	**–**	**4,770**
Amortisation	6(a)	**–**	**(840)**	**(7,744)**	**(5,894)**	**–**	**(14,478)**
Disposal		**(515)**	**–**	**–**	**–**	**–**	**(515)**
Disposal of downstream operations		**–**	**–**	**(658)**	**–**	**–**	**(658)**
At 31 December 2022		**1,966,053**	**11,340**	**17,581**	**71,644**	**–**	**2,066,618**
Cost		**1,966,053**	**16,800**	**88,236**	**102,422**	**–**	**2,173,511**
Accumulated amortisation		**–**	**(5,460)**	**(70,655)**	**(30,778)**	**–**	**(106,893)**
Net book value		**1,966,053**	**11,340**	**17,581**	**71,644**	**–**	**2,066,618**
2021							
At 1 January 2021		1,974,805	13,020	11,867	66,005	17,427	2,083,124
Additions		–	–	13,491	–	–	13,491
Amortisation	6(a)	–	(840)	(4,145)	(5,894)	–	(10,879)
Disposal		(8,237)	–	–	–	–	(8,237)
Reclassification		–	–	–	17,427	(17,427)	–
At 31 December 2021		1,966,568	12,180	21,213	77,538	–	2,077,499
Cost		1,966,568	16,800	89,923	102,422	–	2,175,713
Accumulated amortisation		–	(4,620)	(68,710)	(24,884)	–	(98,214)
Net book value		1,966,568	12,180	21,213	77,538	–	2,077,499
1 January 2021							
Cost		1,974,805	16,800	76,432	84,995	17,427	2,170,459
Accumulated amortisation		–	(3,780)	(64,565)	(18,990)	–	(87,335)
Net book value		1,974,805	13,020	11,867	66,005	17,427	2,083,124

(i) Goodwill

GROUP

The goodwill in the Group's consolidated statement of financial position represents mainly the excess of the purchase consideration over the fair value of identifiable assets, liabilities and contingent liabilities recognised upon the Group's acquisition of New Britain Palm Oil Limited ("NBPOL") and its subsidiaries of USD517.0 million (RM2,285.0 million based on 31 December 2022 exchange rate) during the financial year ended 30 June 2015.

The Group carries out its annual impairment assessment on the goodwill arising from the acquisition of NBPOL, which for the purposes of impairment testing has been allocated to cash generating units ("CGU") within the Group, namely NBPOL CGU and PT Minamas Gemilang and its subsidiaries CGU ("Minamas Group CGU") as the Group believes that Minamas Group's operations will benefit from the additional planting material synergies, from the use of Dami Super Family seeds, arising from the acquisition of NBPOL.

The impairment assessment is carried out on the goodwill allocated to NBPOL CGU of USD367 million (equivalent to RM1,622.0 million) (2021: USD367 million (equivalent to RM1,532.9 million)) and Minamas Group CGU of USD141 million (equivalent to RM623.2 million) (2021: USD140 million (equivalent to RM584.7 million)).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

22. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill (continued)

GROUP (continued)

The recoverable amounts of these two CGUs are based on their respective value-in-use calculations which are derived using cash flow projections in which the following key assumptions are used:

	2022	2021
NBPOL CGU		
Projection period	A 39-year cash flow projection, based on the average remaining lease period of land in NBPOL	A 40-year cash flow projection, based on the average remaining lease period of land in NBPOL
FFB yields	23.4 to 28.2 MT per hectare (“ha”)	23.3 to 27.4 MT per hectare (“ha”)
CPO price	USD777 to USD1,057 per MT	USD778 to USD1,132 per MT
Discount rate	11.4% per annum	12.0% per annum
Minamas Group CGU		
Projection period	A 37-year cash flow projection, based on the average remaining lease period of land in Indonesia	A 38-year cash flow projection, based on the average remaining lease period of land in Indonesia
FFB yields	18.9 to 25.4 MT per ha	18.3 to 26.0 MT per ha
CPO price	USD650 to USD795 per MT	USD656 to USD812 per MT
Discount rate	10.4% per annum	10.7% per annum

Based on the impairment assessment, no impairment charge is required on the goodwill as the recoverable amount calculated based on value-in-use exceeded the carrying value of the NBPOL CGU and Minamas Group CGU.

The Group’s impairment assessment of both CGUs as outlined above included a sensitivity analysis on the key assumptions used. The changes in the key assumptions adopted in the value-in-use calculation for both CGUs assuming all other variables are held constant are as follows:

		Value-in-use lower by	
		2022 RM'million	2021 RM'million
NBPOL CGU	Sensitivity		
FFB yields	Lower by 1 MT per ha (2021: 1 MT)	**499.4**	435.0
CPO price	Lower by 8% (2021: 10%)	**1,281.7**	1,457.6
Discount rate	Higher by 50 basis points (2021: 50 basis points)	**459.7**	359.9
Minamas CGU			
FFB yields	Lower by 1 MT per ha (2021: 1 MT)	**804.4**	693.1
CPO price	Lower by 10% (2021: 10%)	**2,258.5**	1,810.7
Discount rate	Higher by 100 basis points (2021: 50 basis points)	**914.9**	421.5

In the current financial year, based on the results of the sensitivity analysis, any reasonable possible change in the key assumptions used would not cause the carrying value of both CGUs to materially exceed the recoverable amount.

22. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill (continued)

COMPANY

The Company's goodwill arose from merger exercise of plantation businesses between Sime Darby Berhad, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad in the financial year 2008. The acquisition of the plantation businesses from this merger exercise resulted in a goodwill of RM1,966.6 million.

The Company evaluates the recoverable amount of the goodwill as one CGU based on its value-in-use calculations using cash flow from approved financial budgets covering a 5 year (2021: 8 year) period inclusive of the terminal values.

	2022	2021
Discount rate (%)	**8.5**	11.2
CPO price (RM per MT)	**3,500 to 4,317**	3,000 to 3,997
FFB yields (MT per ha)	**18.05 to 23.05**	20.3 to 25.9

The assessment indicated that no impairment charge is required on the goodwill as the recoverable amount exceed the carrying value of the CGU's assets and goodwill. The management believes that no reasonable possible change in any of the key assumptions used would result in the carrying amount of the CGU to materially exceed the recoverable amount.

(ii) Smallholder relationships

The smallholder relationships arose from the acquisition of a subsidiary. These assets reflect the relationship between the Group and smallholders who cultivate and harvest FFB on land which is owned by the smallholders. The FFB is subsequently purchased by the Group for processing as palm oil. These assets are initially recognised at fair value and thereafter amortised over 45 years which is the remaining lease term of the land at the acquisition date.

(iii) Work-in-progress capitalised – agriculture development costs

Capitalised agriculture development costs comprise of expenditure incurred relating to the development of oil palm genomic data and techniques, as well as clonal technology with the objective of increasing yields and profit streams from the Group's plantation. Once the development enters into commercial production, the asset will be amortised over its estimated useful life of 5 to 20 years.

(iv) Intellectual property rights

The Company acquired intellectual property rights ("IP rights") on the genome base data from a third party and had assessed that the IP rights have a finite life. As a result, the Company amortised the IP rights on a straight line basis, over the estimated useful life of 20 years.

(v) Acquired brand names/trademarks

This mainly consists of fair value of brands in relation to the Group's beef, sugar and seed production operations which arose from the acquisition of NBPOL. The brands are initially recognised at fair value and thereafter amortised on a straight-line basis over the estimated useful life of 20 years.

23. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Unquoted shares				
At 1 January	**29,639**	27,068	**26,070**	23,387
Net changes in fair value	**(7,143)**	2,571	**(3,733)**	2,683
At 31 December	**22,496**	29,639	**22,337**	26,070

The unquoted non-current investments at FVOCI of the Group and of the Company were categorised under Level 3 investment, of which the fair value is determined using a valuation technique with reference made to quoted market prices for companies with similar business.

The Group and the Company have irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group and the Company consider the classification to be more relevant as these instruments are strategic investments of the Group and the Company and not held for trading purposes.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

24. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Deferred tax assets	**495,945**	574,444	**–**	–
Deferred tax liabilities	**(2,737,983)**	(2,761,189)	**(691,659)**	(734,396)
	(2,242,038)	(2,186,745)	**(691,659)**	(734,396)

The unutilised tax losses and deductible temporary differences for which no deferred tax assets are recognised in the consolidated financial statements are as follows:

	GROUP	
	2022 RM'000	2021 RM'000
Unutilised tax losses		
– Expiring within 10 years	**124,675**	124,386
– No expiry period	**73,426**	152,406
	198,101	276,792
Deductible temporary differences		
– No expiry period	**53,849**	52,816
	251,950	329,608

Deferred tax assets are not recognised by certain subsidiaries in respect of the above temporary differences as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised.

The components and movements of the deferred tax assets and liabilities during the financial year are as follows:

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
At 1 January		**(2,186,745)**	(2,002,094)	**(734,396)**	(786,738)
Credited/(charged) to profit or loss	12				
– property, plant and equipment		**20,551**	(6,317)	**6,353**	24,234
– biological assets		**29,324**	(14,396)	**12,219**	(4,708)
– right-of-use assets		**(7,642)**	3,321	**–**	–
– derivatives		**(18,193)**	3,470	**96**	627
– unutilised tax losses		**36,305**	(99,429)	**–**	–
– retirement benefits		**2,974**	(8,908)	**(482)**	289
– impairments and provisions		**557**	82,370	**(13,543)**	27,996
– taxable temporary difference on investments in subsidiaries	24(b)	**(8,018)**	(71,980)	**–**	–
– others		**34,279**	21,368	**10,846**	5,287
		90,137	(90,501)	**15,489**	53,725
Charged to other comprehensive income		**(51,690)**	(15,508)	**(378)**	(1,383)
Transfers to non-current assets held for sale		**–**	(29,458)	**–**	–
Disposal to downstream operations	19	**–**	–	**27,626**	–
Exchange differences		**(93,740)**	(49,184)	**–**	–
At 31 December		**(2,242,038)**	(2,186,745)	**(691,659)**	(734,396)

24. DEFERRED TAX (CONTINUED)

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Deferred tax assets (before offsetting)					
– unutilised tax losses		**87,922**	56,870	**–**	–
– retirement benefits		**48,404**	48,491	**12,150**	12,632
– impairments and provisions		**147,137**	142,068	**31,465**	45,008
– derivatives		**14,830**	87,097	**–**	282
– property, plant and equipment	24(a)	**289,309**	297,757	**–**	–
– others		**26,697**	20,701	**13,565**	–
		614,299	652,984	**57,180**	57,922
Offsetting		**(118,354)**	(78,540)	**(57,180)**	(57,922)
Deferred tax assets (after offsetting)		**495,945**	574,444	**–**	–
Deferred tax liabilities (before offsetting)					
– property, plant and equipment		**(2,423,970)**	(2,368,207)	**(745,469)**	(779,448)
– biological assets		**(46,028)**	(75,114)	**(3,370)**	(15,589)
– intangible assets		**(100,476)**	(114,770)	**–**	–
– right-of-use assets		**(165,885)**	(157,999)	**–**	–
– taxable temporary difference on investments in subsidiaries	24(b)	**(79,998)**	(71,980)	**–**	–
– derivatives		**(38,620)**	(44,169)	**–**	–
– others		**(1,360)**	(7,490)	**–**	2,719
		(2,856,337)	(2,839,729)	**(748,839)**	(792,318)
Offsetting		**118,354**	78,540	**57,180**	57,922
Deferred tax liabilities (after offsetting)		**(2,737,983)**	(2,761,189)	**(691,659)**	(734,396)

(a) The Ministry of Finance in Indonesia issued a regulation on fixed assets revaluation (under Peraturan Menteri Keuangan No.191/ PMK.010/2015) ("PMK 191") effective from 20 October 2015 as a temporary special tax treatment to taxpayers. Under the special tax regulation, taxpayers who elect to apply the fixed assets revaluation are granted a special tax treatment, leading to a reduction in the final tax rate to be applied on the companies.

Under the special tax regulation, the Group's Indonesia subsidiaries had elected and submitted their application for the special tax incentive by performing a tax revaluation on certain assets and paid a final tax for the revaluation surplus. Subsequent to the approvals of the fixed assets revaluation by the Director General of Taxation ("DGT"), the Group has recognised deferred tax assets arising from the fixed asset revaluation surplus.

(b) Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries where the Group is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. If these earnings were remitted, tax of RM2,756 million (2021: RM2,226 million) would have been payable.

During the financial year, the Group has recognised deferred tax liabilities on taxable temporary difference on investments in subsidiaries which has been classified as non-current assets held for sale as set out in Note 31(b).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

25. TAX RECOVERABLE

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Non-current					
Corporate income taxes recoverable	25(a)	**88,439**	65,111	**–**	–
Value added tax recoverable	25(b)	**69,010**	93,156	**–**	–
Other taxes recoverable		**6,795**	10,680	**–**	–
		164,244	168,947	**–**	–
Current					
Corporate income taxes recoverable	25(a)	**192,147**	92,659	**75,080**	36,172
Value added tax recoverable	25(b)	**42,412**	56,997	**–**	–
Other taxes recoverable		**408**	263	**–**	–
		234,967	149,919	**75,080**	36,172

Note:

(a) Certain subsidiaries within the Minamas Group have received corporate income tax assessments from the local tax authorities in Indonesia for various years of assessment. These subsidiaries disagreed with certain of these assessments and have filed objections, appeals and judicial reviews.

During the financial year, the Group received tax refunds of IDR27 billion (RM8 million) (2021: IDR68 billion (RM20 million)) and paid tax assessments of IDR150 billion (RM44 million) (2021: IDR93 billion (RM27 million)) arising from the additional tax assessments raised by the local tax authorities in Indonesia.

(b) Certain subsidiaries within the Minamas Group have received value added taxes assessments from the local tax authorities in Indonesia for various years of assessment. These subsidiaries disagreed with certain of these assessments and have filed objections, appeals and judicial reviews.

During the financial year, the Group has received Value Added Taxes ("VAT") refund of IDR364 billion (RM108 million) (2021: IDR454 billion (RM133 million)) from the local tax authorities in Indonesia.

The non-current tax recoverable includes additional tax assessments paid and VAT, which would normally take more than a year to resolve with the relevant tax authorities.

26. TRADE AND OTHER RECEIVABLES

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Non-current					
Advances for plasma plantation projects		**56,702**	94,501	**–**	–
Other receivables		**2,917**	16,410	**–**	–
		59,619	110,911	**–**	–
Accumulated impairment losses:					
Advances for plasma plantation projects	46(a)(iii)	**(24,975)**	(22,190)	**–**	–
		34,644	88,721	**–**	–
Current					
Trade receivables		**1,960,665**	2,004,483	**34,555**	292,105
Other receivables		**253,513**	548,022	**83,440**	85,972
Goods and services tax/value added tax receivable		**163,934**	149,731	**1,525**	11,325
Prepayments		**200,555**	147,080	**8,466**	11,529
Deposits		**19,820**	15,867	**9,055**	9,484
Amounts due from associates		**922**	820	**157**	–
Amounts due from joint ventures		**53,172**	54,527	**40,940**	42,786
Interest receivable		**27,692**	23,338	**–**	–
		2,680,273	2,943,868	**178,138**	453,201
Accumulated impairment losses:					
Trade receivables	46(a)(iii)	**(18,196)**	(13,394)	**(388)**	(755)
Other receivables	46(a)(iii)	**(7,367)**	(8,313)	**(1,768)**	(4,410)
Amounts due from joint ventures	46(a)(iii)	**(52,071)**	(44,407)	**(40,000)**	(40,000)
		(77,634)	(66,114)	**(42,156)**	(45,165)
		2,602,639	2,877,754	**135,982**	408,036

Credit terms for trade receivables of the Group and of the Company range from 7 to 120 days (2021: 7 to 120 days).

Trade and other receivables pledged as security for borrowings is disclosed in Note 37(e) to the financial statements.

The amounts due from associates and joint ventures are trade in nature, unsecured, interest free and repayable within 30 days (2021: 30 days).

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 46(a)(i) and 46(a)(iii).

27. INVENTORIES

	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Produce inventories:				
– palm oil products	**644,617**	580,220	**49,294**	31,782
– sugar stocks	**19,980**	16,694	**–**	–
– rubber	**370**	6,464	**370**	6,464
Trading inventories	**132,136**	87,125	**–**	–
Raw materials and consumable stores	**1,174,480**	1,084,614	**36,024**	159,383
Refined inventories:				
– work-in-progress	**615,916**	352,414	**–**	133,217
– finished goods	**190,880**	340,666	**–**	12,341
	2,778,379	2,468,197	**85,688**	343,187

Included in the inventories above are amounts of RM155.4 million of the Group (2021: RM107.4 million) and RM0.6 million of the Company (2021: RM42.4 million) which are stated at net realisable value.

28. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Amounts due from subsidiaries				
– interest bearing (non-trade)	**–**	–	**216,276**	158,132
– non–interest bearing (non-trade)	**–**	–	**292,122**	431,448
	–	–	**508,398**	589,580
Amount due to a subsidiary				
– interest bearing (non-trade)	**–**	–	**–**	(511,656)
Current				
Amounts due from subsidiaries				
– interest bearing (non-trade)	**–**	–	**35,416**	825
– non-interest bearing (non-trade)	**–**	–	**127,185**	–
– non-interest bearing (trade)	**–**	–	**399,880**	164,133
	–	–	**562,481**	164,958
Amounts due from related parties				
– non-interest bearing (trade)	**424**	305	**320**	2,989
Amounts due to subsidiaries				
– interest bearing (non-trade)	**–**	–	**(1,040,954)**	(37,880)
– non-interest bearing (non-trade)	**–**	–	**(228,564)**	–
– non-interest bearing (trade)	**–**	–	**(978,104)**	(1,266,218)
	–	–	**(2,247,622)**	(1,304,098)
Amounts due to related parties				
– non-interest bearing (trade)	**(9,886)**	(19,160)	**(6,328)**	(17,076)

The accumulated impairment on the amounts due from subsidiaries (non-trade) is disclosed in Note 46(a)(iii)(C).

Interest rates per annum

	COMPANY	
	2022 %	2021 %
Non-current		
Amount due from subsidiaries	**2.41 – 4.38**	2.38 – 4.02
Amount due to a subsidiary	**–**	3.29
Current		
Amounts due from subsidiaries	**2.72 – 4.45**	2.31 – 2.74
Amounts due to subsidiaries	**0.45 – 4.38**	2.28 – 3.88

The amounts due from/(to) subsidiaries and related parties are unsecured whilst the non-current amounts are payable after 12 months and all current amounts are repayable on demand. The amounts due from subsidiaries and related parties are neither past due nor impaired, except as disclosed in Note 46(a)(iii)(C).

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 46(a)(i) and 46(a)(iii).

29. DERIVATIVES

The Group's derivatives are as follows:

GROUP	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
2022			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	**1,366,170**	**7,624**	**(26,164)**
– commodities futures contracts	**175,881**	**26,176**	**–**
	1,542,051	**33,800**	**(26,164)**
Non-hedging derivatives:			
– forward foreign exchange contracts	**771,793**	**7,040**	**(1,221)**
– commodities futures contracts	**162,755**	**11,314**	**(9,575)**
– commodities forward contracts	**931,327**	**104,744**	**(24,834)**
	1,865,875	**123,098**	**(35,630)**
	3,407,926	**156,898**	**(61,794)**
2021			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	1,811,607	11,882	(4,660)
– interest rate swap contracts	160,805	–	(1,266)
– commodities futures contracts	377,182	–	(174,018)
	2,349,594	11,882	(179,944)
Non-hedging derivatives:			
– forward foreign exchange contracts	859,955	4,087	(553)
– commodities options and futures contracts	187,456	3,123	(3,315)
– commodities forward contracts	528,102	7,301	(45,467)
	1,575,513	14,511	(49,335)
	3,925,107	26,393	(229,279)

COMPANY	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
2021			
Current			
Cash flow hedges:			
– interest rate swap contracts	160,805	–	(1,266)
– forward foreign exchange contracts	477,762	1,081	(988)
	638,567	1,081	(2,254)

The Company has no interest rate swap and forward foreign exchange contracts as at 31 December 2022.

The Group has forward foreign exchange contracts in place with a notional value that are designated and effected as cash flow hedges. These contracts are expected to cover the Group's exposures ranging from 1 month to 12 months (2021: 1 month to 12 months) and the Company's exposures ranging from 1 month to 6 months (2021: 1 month to 6 months).

The interest rate swap contracts require settlement of net interest receivable or payable every 6 months and the settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis. These contracts, which are all plain vanilla and effective from 17 August 2021 to 4 February 2022 have been fully settled.

These derivatives are entered into to hedge certain risks as described in Note 46(a). Whilst all derivatives entered into provide economic hedges to the Group, non-hedging derivatives are instruments that do not qualify for the application of hedge accounting under the specific rules in MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

29. DERIVATIVES (CONTINUED)

(a) Forward foreign exchange contracts

As at end of the financial year, forward foreign exchange contracts designated as cash flow hedges have been entered into with the following notional amounts and maturities:

GROUP	Within 1 year 2022 RM'000	Within 1 year 2021 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**201,759**	583,376
– European Union Euro	**13,071**	11,826
– United Kingdom Pound	**52,321**	9,703
Forward contracts used to hedge receivables		
– United States Dollar	**163,168**	210,538
– European Union Euro	**4,865**	13,261
– United Kingdom Pound	**13,714**	4,686
Forward contracts used to hedge anticipated purchases		
– United States Dollar	**523,834**	674,883
Forward contracts used to hedge payables		
– United States Dollar	**393,438**	303,334
	1,366,170	1,811,607

COMPANY	Within 1 year 2022 RM'000	Within 1 year 2021 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**–**	429,782
– European Union Euro	**–**	11,827
Forward contracts used to hedge receivables		
– United States Dollar	**–**	36,153
	–	477,762

(b) Commodities futures contracts

As at end of the financial year, commodities futures contracts designated as cash flow hedges have been entered into with the following notional amounts and maturities:

GROUP	Within 1 year 2022 RM'000	Within 1 year 2021 RM'000
Commodities futures contracts – selling	**175,881**	377,182

The Group enters into commodities futures contracts to hedge the variability in cash flows attributable to the movement in the CPO price in the forecasted sales contracts (forward sales of commodities at a fixed contracted price and for a defined quantity set at a future date). As the change in fair value of the hedging instrument is expected to move in the opposite direction of the change in fair value of the hedged items, there is an economic relationship. Hedge effectiveness is assessed at the inception of the hedge and at each reporting date.

The possible sources of ineffectiveness include:
– changes in net committed purchase and sale positions;
– significant change in credit risk of either party to the hedge relationship; and
– difference in timing of the realisation of the commodity contracts with the hedge items.

During the financial year, the Group's hedge ineffectiveness for commodities futures contracts amounted to RM62.6 million (2021: RM151.3 million).

29. DERIVATIVES (CONTINUED)

(c) Interest rate swap contracts

As at the end of the financial year, the notional amounts and terms of the interest rate swap contracts for the Group and the Company are as follows:

Type of interest rate swap	Effective period	Range of weighted average rate per annum (%)		Notional amount in original currency		Notional amount in Ringgit equivalent	
		With swap	Without swap	At 2022	At 2021	At 2022	At 2021
Plain vanilla	17.08.2021 to 04.02.2022	1.89	1.30	–	8,250	–	34,458
Plain vanilla	17.08.2021 to 04.02.2022	1.84	1.30	–	8,250	–	34,458
Plain vanilla	17.08.2021 to 04.02.2022	1.75	1.30	–	5,500	–	22,973
Plain vanilla	17.08.2021 to 04.02.2022	1.78	1.30	–	8,250	–	34,458
Plain vanilla	17.08.2021 to 04.02.2022	1.78	1.30	–	8,250	–	34,458

The notional amount, fair value and maturity periods of the interest rate swap contracts are as follows:

	GROUP/COMPANY	
	2022 RM'000	2021 RM'000
Notional amount		
Maturity periods:		
– due not later than one year	–	160,805
Fair value liabilities		
Maturity periods:		
– due not later than one year	–	(1,266)

30. BANK BALANCES, DEPOSITS AND CASH

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Deposits with licensed banks	**164,136**	88,352	**24,036**	53,569
Cash and bank balances	**470,857**	514,211	**81,736**	130,809
	634,993	602,563	**105,772**	184,378
Effective average annual interest rates applicable during the financial year are as follows:				
	%	%	**%**	%
Deposits with licensed banks	**2.53**	1.89	**2.66**	1.71

The maturity period for deposits with licensed banks of the Group and the Company range from 1 to 90 days (2021: 1 to 90 days) and 5 days (2021: 4 days) respectively.

Bank balances are non-interest bearing deposits held at call with banks.

The currency exposure profile is disclosed in Note 46(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

31. ASSETS AND LIABILITIES HELD FOR SALE

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Non-current assets held for sale					
– property, plant and equipment	31(a)	**20,108**	16,812	**19,583**	16,691
Disposal group held for sale					
– property, plant and equipment		**250,120**	248,333	**–**	–
– right-of-use assets		**28,086**	27,548	**–**	–
– tax assets		**106,872**	93,118	**–**	–
– receivables		**181,404**	106,953	**–**	–
– bank		**11,115**	62,557	**–**	–
– other assets		**53,299**	52,651	**–**	–
		651,004	607,972	**19,583**	16,691
Disposal group held for sale					
– payables		**(120,347)**	(107,599)	**–**	–
– retirement benefits		**(11,807)**	(17,877)	**–**	–
– tax liabilities		**(4,829)**	(10,787)	**–**	–
– other liabilities		**(2,117)**	(2,250)	**–**	–
		(139,100)	(138,513)	**–**	–
		511,904	469,459	**19,583**	16,691

(a) Proposed disposal of property, plant and equipment

During the financial year, the Group and the Company have completed the disposal of 5 parcels of land totalling 221.9 hectares, which were previously classified as non-current assets held for sale as at 31 December 2021. There are 2 additional parcels of land totalling 468.4 hectares being reclassified from property, plant and equipment to non-current assets held for sale.

As at 31 December 2022, 902.5 hectares (2021: 656.3 hectares) of land approved for disposal by the Board of Directors of the Company have yet to be completed during the financial year as the condition precedent stipulated in the respective sales and purchases agreements were not met.

An assessment has been carried out to re-assess the feasibility of the sales to be completed in the next 12 months in accordance with MFRS 5 "Non-current Assets Held for Sales and Discontinued Operations" ("MFRS 5"). Based on the assessment, the proposed land disposal of 902.5 hectares as at 31 December 2022 is expected to be completed within the next 12 months subsequent to the financial year end.

(b) Proposed divestment of subsidiaries

(i) In June 2022, the Group has decided to put on hold the disposal plan of one of its subsidiaries in Indonesia, PT Bahari Gembira Ria ("PT BGR"), for strategic reasons. As a result, this disposal group ceased to meet the classification criterias under MFRS 5 in June 2022.

Therefore, the depreciation of property, plant and equipment of RM2.6 million of this disposal group since the day it was classified as an asset to be held for sale has been re-presented in the Group's comparative profit or loss to ensure consistency and comparability. The net assets of PT BGR as at 31 December 2021 of RM57.8 million have been represented from non-current assets held for sale to the respective assets and liabilities in the Group's comparative statements of financial position.

(ii) On 16 April 2020, the Board of Directors had approved a proposed divestment of the entire equity interest in PT Sedjahtera Indo Agro ("PT SIA"). There were potential buyers seeking to buy the subsidiaries, however no sales were concluded yet. The Group is still actively seeking for suitable buyers and the transaction is expected to be completed within the next 12 months subsequent to the financial year end.

(iii) The Board of Directors had approved the divestment of the entire equity interest in PT Ladangrumpun Suburabadi ("PT LSI") and PT Sajang Huelang ("PT SHE") during the previous financial year. Subsequent to the financial year end as disclosed in Note 49 to the financial statements, the Group entered into two conditional sales and purchase agreements with PT Global Berkat Usahatama ("PT GBU") and the transaction is expected to complete within the next 12 months subsequent to the financial year end. See Note 49 to the financial statements for the details on the proposed disposal.

See Note 44(d) to the financial statements for the details of the civil claim against the Group.

32. SHARE CAPITAL

		GROUP/COMPANY			
		Number of shares		Amount	
	Note	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid ordinary shares with no par value:					
At 1 January		**6,915,714**	6,884,575	**1,633,790**	1,506,119
Shares Issue	14	**–**	31,139	**–**	127,671
At 31 December		**6,915,714**	6,915,714	**1,633,790**	1,633,790

A special final dividend of RM146.6 million in respect of the financial year ended 31 December 2020 was paid on 3 June 2021, of which RM127.7 million was satisfied by the issuance of 31,139,318 new ordinary shares pursuant to the DRP at RM4.10 per new ordinary share and cash of RM18.9 million.

33. RESERVES

GROUP	Note	Hedging reserve RM'000	Capital reserve RM'000	Investments at FVOCI reserve RM'000	Exchange reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000
2022								
At 1 January 2022		**(126,172)**	**9,048**	**26,739**	**645,437**	**(17,696)**	**13,016,976**	**13,554,332**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**2,488,075**	**2,488,075**
Total other comprehensive income/ (loss) for the financial year		**135,688**	**–**	**(6,593)**	**70,691**	**–**	**38,982**	**238,768**
Transactions with equity holders:								
– dividends	14	**–**	**–**	**–**	**–**	**–**	**(1,547,736)**	**(1,547,736)**
At 31 December 2022		**9,516**	**9,048**	**20,146**	**716,128**	**(17,696)**	**13,996,297**	**14,733,439**
2021								
At 1 January 2021 (re-presented)		(194,102)	9,574	24,010	461,222	(17,696)	11,864,373	12,147,381
Profit for the financial year		–	–	–	–	–	2,254,691	2,254,691
Total other comprehensive income/ (loss) for the financial year		67,930	(526)	2,729	184,215	–	(35,961)	218,387
Transactions with equity holders:								
– dividends	14	–	–	–	–	–	(1,066,127)	(1,066,127)
At 31 December 2021 (re-presented)		(126,172)	9,048	26,739	645,347	(17,696)	13,016,976	13,554,332

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

33. RESERVES (CONTINUED)

COMPANY	Note	Investments at FVOCI reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
2022					
At 1 January 2022		**24,965**	**3**	**9,173,067**	**9,198,035**
Profit for the financial year		**–**	**–**	**532,224**	**532,224**
Total other comprehensive income for the financial year		**(3,733)**	**(60)**	**–**	**(3,793)**
Transactions with equity holders:					
– dividends	14	**–**	**–**	**(1,547,736)**	**(1,547,736)**
At 31 December 2022		**21,232**	**(57)**	**8,157,555**	**8,178,730**
2021					
At 1 January 2021		22,282	(5,635)	7,695,038	7,711,685
Profit for the financial year		–	–	2,544,156	2,544,156
Total other comprehensive loss for the financial year		2,683	5,638	–	8,321
Transactions with equity holders:					
– dividends	14	–	–	(1,066,127)	(1,066,127)
At 31 December 2021		24,965	3	9,173,067	9,198,035

The description of each reserve is as follows.

Hedging reserve

Hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges, as described in Note 3(k). Amounts are subsequently reclassified to profit or loss as appropriate.

Exchange reserve

Exchange reserve consists of:

i) Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income, as described in Note 3(c)(iii) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of; and

ii) Foreign exchange differences arising from the translation of monetary items designated as hedge of net investment in a foreign operation, as described in Note 46(a)(i).

34. PERPETUAL SUKUK

	GROUP/COMPANY	
	2022 RM'000	2021 RM'000
At 1 January	**2,231,398**	2,231,398
Profit attributable to Perpetual Sukuk holders	**124,300**	124,300
Distribution to Perpetual Sukuk holders	**(124,981)**	(124,300)
At 31 December	**2,230,717**	2,231,398

On 23 June 2017, the RM2.2 billion nominal value of Perpetual Subordinated Sukuk ("Perpetual Sukuk") was novated by Sime Darby Berhad, the former immediate holding company to the Company. See Note 47 for the rating of the Perpetual Sukuk.

The Perpetual Sukuk is accounted for as an equity instrument as there is no contractual obligation to redeem the instrument and pay periodic distribution. The salient features of the Perpetual Sukuk are as follows:

a. Unsecured and is issued under the Islamic principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") where the Company is to manage a Wakalah portfolio on behalf of the Perpetual Sukuk holders. The Wakalah portfolio comprises certain assets of the Group (see Note 18(a)) and investments in commodities in accordance with the Shariah Principle of Ijarah and Murabahah.

b. Carries an initial fixed periodic distribution rate of 5.65% per annum payable on a semi-annual basis in arrears. The periodic distribution rate will be reset on 24 March 2026 to the then prevailing 10-year Malaysian Government Securities ("MGS") benchmark rate plus 1.75% ("Initial Spread") and 1.00% ("Step-Up Margin") at every 10 year thereafter.

c. No fixed redemption date but the Company has the option to redeem at the end of the tenth year from the date of issue and on each subsequent semi-annual periodic distribution date.

d. The expected periodic distribution amount may be deferred by the Company to perpetuity as long as no discretionary dividend distribution or other payment has been declared by the Company in respect of any of the Company's ordinary shares.

e. The Company also has the option to redeem the Perpetual Sukuk under the following circumstances:

   (i) Accounting Event – if the Perpetual Sukuk is or will no longer be recorded as equity as a result of changes to accounting standards;

   (ii) Tax Event – if the Company is or will become obliged to pay additional amount due to changes in tax laws or regulations;

   (iii) Tax Deductibility Event – if distribution made would not be fully deductible for income tax purposes as a result of changes in tax laws or regulations or changes to official interpretation or pronouncement that provides for a position with respect to such laws or regulations; and

   (iv) Rating Event – if the equity credit is lower than initially assigned to the Perpetual Sukuk as a result of changes in equity credit criteria, guidelines or methodology of rating agency.

The Perpetual Sukuk holders do not have any voting rights in the Company and rank in priority to holders of ordinary shares, but subordinated to the claims of present and future creditors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

35. NON-CONTROLLING INTERESTS

The subsidiaries of the Group that have non-controlling interests, which, in the opinion of the Directors, are material to the Group are as follows:

Name of subsidiaries	Proportion of equity held by owners of non-controlling interests (%) 2022	2021	Place of business/ Country of incorporation
Subsidiaries of PT Minamas Gemilang:			
– PT Kartika Inti Perkasa	**40.00**	40.00	Indonesia
– PT Sritijaya Abaditama	**40.00**	40.00	Indonesia
– PT Asricipta Indah	**10.00**	10.00	Indonesia
– PT Bersama Sejahtera Sakti	**8.88**	8.88	Indonesia
– PT Laguna Mandiri	**11.44**	11.44	Indonesia
– PT Indotruba Tengah	**50.00**	50.00	Indonesia
– PT Tunggal Mitra Plantations	**40.00**	40.00	Indonesia
– PT Tamaco Graha Krida	**10.00**	10.00	Indonesia
– PT Bahari Gembira Ria	**0.03**	0.03	Indonesia
Subsidiary of New Britain Palm Oil Limited:			
– Guadalcanal Plains Palm Oil Limited	**20.00**	20.00	Solomon Islands
Wangsa Mujur Sdn. Bhd. (Group)			
– Wangsa Mujur Sdn. Bhd.	**27.50**	27.50	Malaysia
– Charquest Sdn. Bhd.	**38.88**	38.88	Malaysia

There are no significant restrictions on the ability of these subsidiaries to transfer funds to the Group in the form of cash dividends.

The summarised financial information of the subsidiaries that have non-controlling interests to the Group is based on amounts before intercompany elimination.

35. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information

The summarised statements of comprehensive income and dividends paid by each subsidiary that has non-controlling interests to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2022					
Revenue	**1,304,852**	**199,868**	**98,581**	**3,982,866**	**5,586,167**
Profit for the financial year	**285,578**	**55,173**	**19,034**	**28,980**	**388,765**
Other comprehensive income/(loss)	**4,880**	**–**	**–**	**(20,356)**	**(15,476)**
Total comprehensive income	**290,458**	**55,173**	**19,034**	**8,624**	**373,289**
Profit/(loss) allocated to non-controlling interests	**65,574**	**9,971**	**4,455**	**(9,105)**	**70,895**
Dividends paid to non-controlling interests	**(62,077)**	**(8,026)**	**(7,177)**	**(1,001)**	**(78,281)**
2021					
Revenue	1,109,300	174,433	123,520	3,406,367	4,813,620
Profit for the financial year	288,821	82,911	50,049	64,292	486,073
Other comprehensive income	2,370	–	–	67,523	69,893
Total comprehensive income	291,191	82,911	50,049	131,815	555,966
Profit allocated to non-controlling interests	71,567	16,011	14,232	9,884	111,694
Dividends paid to non-controlling interests	(54,564)	(11,629)	(176)	(500)	(66,869)

The summarised statements of financial position of each subsidiary that has non-controlling interests to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2022					
Non-current assets	**1,243,338**	**183,702**	**284,129**	**543,174**	**2,254,343**
Current assets	**402,526**	**124,144**	**28,682**	**720,675**	**1,276,027**
Non-current liabilities	**(32,823)**	**(41,039)**	**(63,959)**	**(226,745)**	**(364,566)**
Current liabilities	**(387,675)**	**(8,427)**	**(14,506)**	**(406,365)**	**(816,973)**
Net assets	**1,225,366**	**258,380**	**234,346**	**630,739**	**2,348,831**
Non-controlling interests' share of net assets	**246,778**	**71,542**	**87,134**	**12,614**	**418,068**
2021					
Non-current assets	1,183,373	180,984	251,092	484,324	2,099,773
Current assets	393,332	121,625	60,116	684,515	1,259,588
Non-current liabilities	(34,739)	(42,888)	(58,235)	(172,515)	(308,377)
Current liabilities	(342,948)	(23,327)	(12,651)	(397,575)	(776,501)
Net assets	1,199,018	236,394	240,322	598,749	2,274,483
Non-controlling interests' share of net assets	253,281	63,025	89,852	30,483	436,641

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

35. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information (continued)

The summarised statements of cash flows of each subsidiary that has non-controlling interests that are material to the Group are as follows:

	Subsidiaries of PT Minamas Gemilang RM'000	Subsidiary of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000
2022			
Cash flows from operating activities			
Cash generated from operations	**439,666**	**80,567**	**48,847**
Tax paid	**(115,971)**	**(18,958)**	**(1,293)**
Interest received	**–**	**431**	**–**
Net cash from operating activities	**323,695**	**62,040**	**47,554**
Net cash used in investing activities	**(124,953)**	**(12,508)**	**(43,232)**
Net cash used in financing activities	**(203,482)**	**(45,878)**	**(10,888)**
Net (decrease)/increase in cash and cash equivalents	**(4,740)**	**3,654**	**(6,566)**
Exchange differences	**(2,875)**	**64**	**–**
Cash and cash equivalents at beginning of the financial year	**87,107**	**3,462**	**13,965**
Cash and cash equivalents at end of the financial year	**79,492**	**7,180**	**7,399**
2021			
Cash flows from operating activities			
Cash generated from operations	353,089	49,551	63,557
Tax paid	(54,343)	(1,803)	(401)
Net cash from operating activities	298,746	47,748	63,156
Net cash used in investing activities	(123,648)	(10,609)	(26,490)
Net cash used in financing activities	(124,352)	(67,640)	(23,392)
Net increase/(decrease) in cash and cash equivalents	50,746	(30,501)	13,274
Exchange differences	1,220	1,429	–
Cash and cash equivalents at beginning of the financial year	35,141	32,534	691
Cash and cash equivalents at end of the financial year	87,107	3,462	13,965

36. RETIREMENT BENEFITS

The Group operates:
- funded and unfunded defined benefit plans for its employees in Indonesia;
- unfunded defined benefit plans for its employees in Malaysia and Thailand; and
- funded defined benefit plans for its employees in Netherlands.

The employees in Malaysia are covered under collective agreements with the following unions:
- All Malayan Estates Staff Union ("AMESU")
- National Union of Commercial Workers ("NUCW")
- Sabah Plantation Industry Employees Union ("SPIEU")

Subsidiary companies in Indonesia operate a defined benefit scheme for its qualified permanent employees funded through monthly contributions to pension plan administered by Dana Pensiun Lembaga Keuangan Manulife Indonesia and Dana Pensiun Lembaga Keuangan Allianz Indonesia.

Subsidiaries in Thailand operate a wholly unfunded defined benefit scheme, in respect of the Statutory Severance Pay Plan prescribed under Section 118, Chapter 11 of the Labour Protection Act B.E. 2541 (1998).

One of the Group's subsidiaries in Netherlands has a defined benefit scheme for non-active participants only, managed by Aegon N.V. ("AEGON"). The conditions of the Dutch Pension Act are applicable to the scheme.

The latest actuarial valuations of the plans in Malaysia and Indonesia were carried out on 22 October 2020 and 31 January 2023, respectively.

36. RETIREMENT BENEFITS (CONTINUED)

The movements during the financial year in the amounts recognised in the statements of financial position are as follows:

	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Non-current liabilities				
At 1 January	**184,116**	277,380	**52,634**	51,428
Charge/(Write back) for the financial year	**19,224**	(67,242)	**6,606**	7,112
Actuarial gains recognised in other comprehensive income	**(18,292)**	(10,110)	**–**	–
Contributions and benefits paid	**(23,586)**	(18,216)	**(8,611)**	(5,906)
Transfers (to)/from current retirement benefits	**(1,126)**	6,968	**–**	–
Transfer to non-current assets held for sale	**–**	(5,872)	**–**	–
Exchange differences	**(2,563)**	1,208	**–**	–
At 31 December	**157,773**	184,116	**50,629**	52,634
Current liabilities				
At 1 January	**12,843**	17,871	**–**	–
Charge for the financial year	**11,208**	9,850	**–**	–
Contributions and benefits paid	**(9,322)**	(6,739)	**–**	–
Transfers from/(to) non-current retirement benefits	**1,126**	(6,968)	**–**	–
Transfer to non-current assets held for sale	**–**	(992)	**–**	–
Exchange differences	**(552)**	(179)	**–**	–
At 31 December	**15,303**	12,843	**–**	–
Current assets				
At 1 January	**–**	43,886	**–**	–
Actuarial losses recognised in other comprehensive income	**–**	(43,858)	**–**	–
Exchange differences	**–**	(28)	**–**	–
At 31 December	**–**	–	**–**	–

The amounts recognised on the statements of financial position are determined as follows:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000 (Re-presented)	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Present value of funded obligations	36(a)	**88,072**	108,404	**–**	–
Fair value of plan assets	36(b)	**(332,878)**	(434,844)	**–**	–
		(244,806)	(326,440)	**–**	–
Present value of unfunded obligations	36(a)	**417,882**	523,399	**50,629**	52,634
Net liabilities		**173,076**	196,959	**50,629**	52,634

The expenses recognised in statements of profit or loss are analysed as follows:

	Note	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Current service cost		**16,948**	15,249	**2,922**	2,999
Past service cost		**15**	(96,265)	**–**	–
Interest cost		**4,838**	13,389	**1,773**	1,767
Expected return on plan assets		**(4,211)**	(3,283)	**–**	–
Contracted gratuity		**12,842**	13,518	**1,911**	2,346
Total included in employee costs	6(d)	**30,432**	(57,392)	**6,606**	7,112

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

36. RETIREMENT BENEFITS (CONTINUED)

(a) Changes in the present value of defined benefit (funded and unfunded) obligations

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
At 1 January	**631,803**	752,728	**52,634**	51,428
Current service cost	**16,948**	15,249	**2,922**	2,999
Past service cost	**15**	(96,265)	**–**	–
Interest cost	**4,838**	13,389	**1,773**	1,767
Contracted gratuity	**12,842**	13,518	**1,911**	2,346
Benefits paid	**(41,857)**	(33,837)	**(8,611)**	(5,906)
Actuarial (gains)/losses recognised in other comprehensive income	**(111,603)**	16,395	**–**	–
Transfer to non-current assets held for sale	**–**	(6,864)	**–**	–
Exchange differences	**(7,032)**	(42,510)	**–**	–
At 31 December	**505,954**	631,803	**50,629**	52,634

(b) Changes in the fair value of plan assets

	GROUP	
	2022 RM'000	2021 RM'000
At 1 January	**434,844**	501,363
Expected return on plan assets	**4,211**	3,283
Actuarial losses due to actual experience	**(93,311)**	(17,353)
Benefits paid	**(8,949)**	(8,882)
Exchange differences	**(3,917)**	(43,567)
At 31 December	**332,878**	434,844

The range of principal assumptions used in respect of the Group's and the Company's defined benefit plans are as follows:

	GROUP	
	2022 %	2021 %
Expected return on plan assets (per annum)	**3.1**	1.0
Discount rates (per annum)	**2.0 – 8.3**	1.0 – 7.8
Expected rate of salary increases (per annum)	**1.5 – 6.8**	2.0 – 6.5

	COMPANY	
	2022 %	2021 %
Discount rates (per annum)	**4.0**	4.0
Expected rate of salary increases (per annum)	**6.0**	6.0

37. BORROWINGS

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Unsecured				
– term loans	**1,197,041**	1,420,531	**1,171,572**	1,352,056
– revolving credits-i	**1,973,703**	1,628,933	**1,973,703**	1,628,933
– bonds	**470,107**	472,662	**–**	–
– multi-currency Sukuk	**–**	511,656	**–**	–
– unamortised deferred financing expenses	**(8,164)**	(15,221)	**(7,880)**	(13,573)
	3,632,687	4,018,561	**3,137,395**	2,967,416
Current				
Secured				
– trade facilities	**44,577**	3,429	**–**	–
Unsecured				
– term loans	**245,296**	649,882	**229,827**	607,716
– revolving credits	**1,633,975**	1,579,725	**1,366,938**	316,576
– multi-currency Sukuk	**541,423**	–	**–**	–
– unamortised deferred financing expenses	**(1,470)**	(921)	**(1,076)**	(433)
	2,463,801	2,232,115	**1,595,689**	923,859
Total borrowings	**6,096,488**	6,250,676	**4,733,084**	3,891,275

The currency exposure profile is disclosed in Note 46(a)(i).

The breakdown of the unamortised deferred financing expenses is as follows:

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January		**16,142**	22,130	**14,006**	19,010
Drawdown		**–**	3,175	**–**	2,585
Amortisation	10	**(6,508)**	(9,163)	**(5,050)**	(7,589)
At 31 December		**9,634**	16,142	**8,956**	14,006

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

37. BORROWINGS (CONTINUED)

(a) Term loans

The term loans include the following:

i. RM500 million 5-year unsecured term loan repayable in full 60 months after the first drawdown date of 26 December 2019.

ii. USD260 million 5-year unsecured term loan repayable over 10 semi-annual instalments starting from the sixth month after the first drawdown date of 20 December 2019.

iii. USD35 million 5-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 16 March 2020.

iv. USD100 million 5-year unsecured term loan repayable in 8 equal quarterly instalments commencing from the end of 13 quarter from the utilisation date.

v. RM30 million unsecured term loan repayable in equal quarterly instalments commencing from the 39th month after the first drawdown date of 27 August 2021.

The term loans which have been repaid during the financial year include the following:

i. USD110 million 3-year unsecured term loan repayable over 5 semi-annual instalments starting from the twelfth month after the first drawdown date of 23 December 2019, was fully repaid in December 2022.

ii. USD35 million 3-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 23 March 2020, was fully repaid in December 2022.

(b) Revolving credits

The revolving credits include the following:

i. USD390 million 5 years unsecured term loan under revolving credit-I facility repayable in full from 60 months after the first drawdown date of 19 December 2019.

ii. Unsecured USD30 million or its equivalent in other currency with availability period within 12 months from the signing date.

iii. Unsecured USD40 million or its equivalent in other currency with availability period within 12 months from the signing date.

iv. RM350 million unsecured multi-currency revolving credit facility with availability period of up to one year with annual extension subject to annual review by the bank.

v. RM100 million unsecured multi-currency revolving credit facility with availability period of up to one year with annual extension subject to annual review by the bank.

vi. EUR15 million unsecured short-term revolving loans facility for period not exceeding 1 month or 3 months with availability period of up to one year with annual extension subject to annual review by the bank.

vii. USD35 million unsecured short-term revolving loans facility for a period up to one year.

viii. USD18 million unsecured short-term revolving loans facility for a period up to one year.

ix. USD35 million unsecured short-term revolving loans facility for a period up to one year.

37. BORROWINGS (CONTINUED)

(b) Revolving credits (continued)

The revolving credits include the following: (continued)

x. RM700 million unsecured multi-currency revolving credit facility for a maximum tenure of 5 years.

xi. USD160 million unsecured multi-currency revolving term loan facility.

xii. USD60 million unsecured multi-currency revolving credit facility.

xiii. RM100 million unsecured short-term revolving loans facility.

xiv. RM200 million unsecured short-term revolving loans facility.

xv. RM200 million unsecured short-term revolving loans facility.

xvi. THB250 million unsecured short-term revolving loans facility.

xvii. THB800 million unsecured short-term revolving loans facility.

xviii. RM200 million unsecured multi-currency revolving credit facility for a tenure of 5 years subject to periodic reviews by the bank.

xix. THB250 million unsecured short-term revolving loans facility

xx. THB1500 million unsecured short-term revolving loans facility.

xxi. RM250 million unsecured revolving credit facility for a tenure of 5 years from the date of first utilisation.

xxii. RM420 million unsecured revolving credit facility subject to periodic reviews by the bank.

(c) Multi-currency Sukuk

Details of the Sukuk Programme that remains outstanding are as follows:

		Nominal value					
Date of issuance	Tenure (month)	At 2022 RM'000	At 2022 USD'000	At 2021 RM'000	At 2021 USD'000	Periodic distribution (per annum)	Maturity date
29.01.2013	120	**541,423**	**122,501**	511,656	122,501	3.29%	29.01.2023

See Note 47 for the ratings of the Sukuk Programme.

Subsequent to the financial year end, the outstanding balance for the Multi-currency Sukuk of USD122.5 million was fully paid on 27 January 2023 upon maturity. The repayment was funded through the Group's existing unutilised revolving credit facilities.

(d) Bonds

The N-bonds amounting to EUR100 million shall be repayable at a nominal amount on 12 August 2030.

(e) Trade facilities

For trade facilities, the factoring agreement is entered into with maximum limit of EUR75 million with an availability period of up to 12 months from the signing date, and is renewable for the same period of time, unless the agreement is terminated by one of the parties.

Borrowings amounting to RM44.6 million (2021: RM3.4 million) are secured by fixed charge on trade receivables of the Group of an equivalent amount.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

37. BORROWINGS (CONTINUED)

(f) Other information

(i) The average annual effective interest rates by currency profile of the borrowings are as follows:

GROUP	2022 %	2021 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**2.80 – 4.50**	2.38 – 2.94
– United States Dollar	**0.88 – 5.88**	0.88 – 2.84
Revolving credits		
– Ringgit Malaysia	**2.31 – 3.90**	1.96 – 2.81
– United States Dollar	**0.71 – 5.06**	0.55 – 2.83
– Pound Sterling	**4.26**	0.88
– Thailand Baht	**1.30 – 2.59**	1.30 – 1.62
– European Union Euro	**1.03**	0.95
Trade facilities		
– European Union Euro	**2.57**	0.60
Fixed interest rates		
Bonds		
– European Union Euro	**2.90**	2.90
Distribution rate		
Multi-currency Sukuk		
– United States Dollar	**3.29**	3.29

COMPANY	2022 %	2021 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**2.80**	2.38 – 2.49
– United States Dollar	**2.47 – 2.92**	1.01 – 2.83
Revolving credits		
– Ringgit Malaysia	**2.31 – 3.90**	2.26 – 2.31
– United States Dollar	**1.25 – 3.89**	0.55 – 1.10

(ii) The maturity periods of borrowings are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Not later than 1 year	**2,463,801**	2,232,115	**1,595,689**	923,859
Later than 1 year but not later than 2 years	**2,516,477**	763,253	**2,500,667**	215,387
Later than 2 years but not later than 5 years	**644,228**	2,782,646	**636,728**	2,752,029
More than 5 years	**471,982**	472,662	**–**	–
	6,096,488	6,250,676	**4,733,084**	3,891,275

The fair values of borrowings approximate their carrying values as the impact of discounting is not significant. It is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile and is within Level 2 of the fair value hierarchy.

38. DEFERRED INCOME

	GROUP	
	2022 RM'000	2021 RM'000
Non-current		
Government grant	**490**	250

The government grants are received in relation to the purchase of property, plant and equipment and right-of-use assets, leasehold land of certain subsidiaries.

39. CONTRACT LIABILITIES

	GROUP	
	2022 RM'000	2021 RM'000
Current		
Deferred freight income	**35,273**	23,882

Significant changes of the deferred freight income during the financial year are as follows:

Revenue recognised that was deferred from previous financial year	**23,882**	28,087
Consideration received for freight services that are partially or fully unsatisfied at the end of the financial year	**35,273**	23,882

40. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	Note	2022 RM'000	2021 RM'000 (Re-presented)	2022 RM'000	2021 RM'000
Non-current					
Other payables		**39,885**	35,727	**–**	–
Financial guarantee contracts	40(a)	**2,810**	491	**34,837**	40,129
		42,695	36,218	**34,837**	40,129
Current					
Trade payables		**1,098,786**	900,892	**86,490**	129,483
Accruals		**238,069**	317,508	**58,218**	87,513
Amount due to an associate		**–**	1,495	**–**	–
Other payables		**474,021**	390,589	**173,540**	105,309
Employee related payables		**597,648**	534,230	**189,911**	222,294
Interest payable		**21,630**	15,697	**8,726**	2,231
Goods and services tax/value added tax payable		**13,206**	18,660	**–**	–
Financial guarantee contracts	40(a)	**664**	610	**5,293**	5,292
		2,444,024	2,179,681	**522,178**	552,122

Included in the Group's and the Company's employee related payables is a payable for remediation of recruitment fees totalling RM30.6 million and RM24.1 million respectively (2021: RM81.9 million and RM66.5 million) to its existing workers and former workers who left the Group and the Company on or after 1 November 2018. The amount to be compensated to the foreign workers is calculated by an independent third party and is based on the number of workers in the Group's employ during the period and estimated charges imposed on the workers by agents, sub-agents or other parties in their countries of origin, contrary to the Group's policies and procedures. This remediation payment is part of the Group's effort to ensure that its workers are free from forced labour and exploitative practices and aligned to the Group's zero recruitment fee policy.

Further disclosures on the background and impact relating to this provision is set out in Note 49 to the financial statements.

Credit terms for trade payables of the Group and of the Company range from 1 to 90 days (2021: 1 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

40. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Financial guarantee contracts

The gross financial guarantees provided by the Group and the Company at the end of the financial year are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Guarantees in respect of credit facilities granted to:				
– joint ventures	**3,489**	3,989	**3,489**	3,989
– subsidiaries	**–**	–	**579,172**	596,027
– plasma stakeholders	**146,212**	73,632	**–**	–

41. SEGMENT INFORMATION – GROUP

The Company is a globally integrated plantation company which is involved in the entire span of the palm oil value chain, from upstream to downstream activities, research and development ("R&D"), renewables and agribusiness. The Group is also involved in rubber and sugar cane plantations, coconut crushing as well as beef cattle industry.

The management of the Group has determined the operating segments based on information reviewed by the Group's Plantation Leadership Committee ("PLC") which consists of the Group Managing Director ("GMD"), Managing Director of Sime Darby Oils, Chief Financial Officer, Chief Human Resources Officer, Head of Group Sustainability, Chief Strategy & Innovation Officer, Chief Research & Development Officer, Chief Operations Services Officer, Chief Integrity & Assurance Officer, Group Secretary and Group General Counsel for the purposes of allocating resources and assessing performance.

The downstream segment is evaluated based on the nature of the products and services, specific expertise and technologies requirement of individual operating units. These operating units have been reported as a single segment as the disaggregation does not meet the quantitative thresholds for separate disclosures, and may exceed the practical limit of a reportable segment. The other business activities of the Group are excluded from the reportable operating segments as they are individually insignificant.

The Group has reassessed the segregation of its operating segments and reclassified the oleochemical business to downstream segment in order to strengthen the monitoring of its performance by the Managing Director of Sime Darby Oils. Consequently, the Group's share of results from joint ventures in the oleochemical business have been reclassified from other operations segment to downstream segment. The comparative figures for segment information have been re-presented to conform with this reclassification.

Segments comprise:

Upstream Malaysia	developing, cultivating and managing oil palm and rubber plantation estates and milling of fresh fruit bunches ("FFB") into crude palm oil ("CPO") and palm kernel ("PK"), processing and sales of rubber
Upstream Indonesia	developing, cultivating and managing oil palm plantation estates and milling of FFB into CPO and PK
Upstream Papua New Guinea and Solomon Islands ("PNG/SI")	developing, cultivating and managing oil palm and sugar cane plantation estates; milling of FFB into CPO and PK, refining of sugar cane, coconut oil, cattle rearing and beef production
Downstream	production and sales of refined oils and fats (which includes specialty and end-user oils and fats), sales of CPO, sales of oleochemical products, refining of coconut oils, production of biodiesel products, sales of derivatives and crushing of PK to crude palm kernel oil ("CPKO") and palm kernel expeller ("PKE")
Other operations	other operations including trading of agricultural products and services, production and/or sale of oil palm seeds and seedlings, research and breeding programmes of oil palm and rubber with special focus on genome science; and renewables business with a focus on development of green technology and renewable energy which includes bio-based chemicals, biogas and composting

Note:

(i) FFB, being the oil palm fruits which grow in bunches on oil palm trees, from which CPO and PK are obtained.

(ii) CPO, which is the oil extracted from the fibrous outer layer (mesocarp) of the oil palm fruit.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

41. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results

		Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000
2022								
Segment revenue								
External		**792,386**	**1,146,629**	**124,198**	**18,865,808**	**100,669**	**–**	**21,029,690**
Inter-segment		**3,721,968**	**1,438,754**	**3,149,017**	**96,377**	**621,675**	**(9,027,791)**	**–**
		4,514,354	**2,585,383**	**3,273,215**	**18,962,185**	**722,344**	**(9,027,791)**	**21,029,690**
Segment results								
Operating profit		**479,247**	**1,083,372**	**1,117,008**	**817,455**	**65,851**	**–**	**3,562,933**
Share of results of joint ventures and associates		**–**	**–**	**–**	**41,384**	**10,279**	**–**	**51,663**
Profit before interest and tax		**479,247**	**1,083,372**	**1,117,008**	**858,839**	**76,130**	**–**	**3,614,596**
Finance income		**3,036**	**5,852**	**1,241**	**1,709**	**465**	**–**	**12,303**
Finance costs		**(83,542)**	**–**	**–**	**(33,868)**	**(17,289)**	**–**	**(134,699)**
Profit before tax		**398,741**	**1,089,224**	**1,118,249**	**826,680**	**59,306**	**–**	**3,492,200**
Tax expense		**(79,882)**	**(197,885)**	**(351,791)**	**(152,348)**	**(27,024)**	**–**	**(808,930)**
Profit for the financial year		**318,859**	**891,339**	**766,458**	**674,332**	**32,282**	**–**	**2,683,270**
Included in the operating profit are:								
Depreciation and amortisation	6(a)	**434,051**	**263,423**	**519,153**	**132,548**	**23,366**	**–**	**1,372,541**
Impairment losses of property, plant and equipment, right-of-use assets, advances for plasma plantation projects, trade and other receivables, amounts due from joint ventures, investment in a joint venture, and non-current assets held for sale	6(e)	**3,465**	**5,077**	**4,361**	**4,112**	**33,021**	**–**	**50,036**
Write off of property, plant and equipment	6(e)	**12,014**	**5,807**	**–**	**286**	**456**	**–**	**18,563**
Gains on disposals of property, plant and equipment and non-current assets held for sale	7	**(366,589)**	**(2,085)**	**–**	**(85)**	**(10)**	**–**	**(368,769)**

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

41. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results (continued)

		Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000
2021 (re-presented)								
Segment revenue								
External		364,322	1,208,439	861,939	16,027,915	70,099	–	18,532,714
Inter-segment		4,099,303	1,337,083	2,271,177	169,795	336,803	(8,214,161)	–
		4,463,625	2,545,522	3,133,116	16,197,710	406,902	(8,214,161)	18,532,714
Segment results								
Operating profit		775,580	1,238,892	1,074,685	509,237	40,740	–	3,639,134
Share of results of joint ventures and associates		–	–	–	25,159	9,623	–	34,782
Profit before interest and tax		775,580	1,238,892	1,074,685	534,396	50,363	–	3,673,916
Finance income		2,205	6,406	533	2,452	256	–	11,852
Finance costs		(40,828)	–	–	(14,048)	(30,823)	–	(85,699)
Profit before tax		736,957	1,245,298	1,075,218	522,800	19,796	–	3,600,069
Tax expense		(276,945)	(372,776)	(329,262)	(57,960)	(72,441)	–	(1,109,384)
Profit for the financial year		460,012	872,522	745,956	464,840	(52,645)	–	2,490,685
Included in the operating profit/(loss) are:								
Depreciation and amortisation	6(a)	410,447	244,453	474,508	178,617	23,330	–	1,331,355
Impairment losses of property, plant and equipment, right-of-use assets, advances for plasma plantation projects, trade and other receivables, investment in a joint venture and non-current assets held for sale	6(e)	281,591	5,029	31,048	40,330	1,147	–	359,145
Write off of property, plant and equipment	6(e)	16,949	7,913	–	49	20	–	24,931
Gains on disposals of property, plant and equipment and non-current assets held for sale (net)	7	(292,668)	(1,966)	–	(185)	–	–	(294,819)

41. SEGMENT INFORMATION – GROUP (CONTINUED)

(b) Segment assets and liabilities and additions to non-current assets

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG/SI RM'000	Downstream RM'000	Other operations RM'000	Inter–segment elimination RM'000	Total RM'000
2022							
Segment assets							
Operating assets	**9,978,879**	**5,346,106**	**7,950,497**	**5,514,404**	**386,951**	**–**	**29,176,837**
Joint ventures and associates	**–**	**–**	**–**	**380,780**	**44,349**	**–**	**425,129**
Non-current assets held for sale	**20,108**	**630,896**	**–**	**–**	**–**	**–**	**651,004**
	9,998,987	**5,977,002**	**7,950,497**	**5,895,184**	**431,300**	**–**	**30,252,970**
Segment liabilities							
Liabilities	**816,973**	**615,505**	**271,094**	**900,914**	**162,752**	**–**	**2,767,238**
Liabilities directly associated with non-current assets held for sale	**–**	**139,100**	**-**	**-**	**–**	**–**	**139,100**
	816,973	**754,605**	**271,094**	**900,914**	**162,752**	**–**	**2,906,338**
Additions to non-current assets are as follows:							
Capital expenditure	**816,538**	**587,979**	**239,177**	**233,664**	**28,324**	**–**	**1,905,682**
2021 (re-presented)							
Segment assets							
Operating assets	9,694,450	5,130,962	7,899,316	5,416,863	314,593	–	28,456,184
Joint ventures and associates	–	–	–	341,492	36,774	–	378,266
Non-current assets held for sale	16,812	591,160	–	–	–	–	607,972
	9,711,262	5,722,122	7,899,316	5,758,355	351,367	–	29,442,422
Segment liabilities							
Liabilities	844,245	510,691	258,052	918,858	153,583	–	2,685,429
Liabilities directly associated with non-current assets held for sale	–	138,513	–	–	–	–	138,513
	844,245	649,204	258,052	918,858	153,583	–	2,823,942
Additions to non-current assets are as follows:							
Capital expenditure	687,972	485,319	205,067	167,347	36,046	–	1,581,751

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

41. SEGMENT INFORMATION – GROUP (CONTINUED)

b) Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	2022 RM'000	2021 RM'000
Property, plant and equipment	**1,823,286**	1,530,694
Right-of-use assets	**70,363**	32,795
Intangible assets other than goodwill	**12,033**	18,262
	1,905,682	1,581,751

Reconciliations of segment assets and liabilities to total assets and total liabilities are as follows:

	2022 RM'000	2021 RM'000 (Re-presented)
Assets:		
Segment total	**30,252,970**	29,442,422
Tax assets	**895,156**	893,310
	31,148,126	30,335,732
Liabilities:		
Segment total	**2,906,338**	2,823,942
Tax liabilities	**2,957,021**	3,226,880
Borrowings	**6,096,488**	6,250,676
Lease liabilities	**172,265**	178,073
	12,132,112	12,479,571

c) Segment by geography

Revenue by location of customers is analysed as follows:

	GROUP	
	2022 RM'000	2021 RM'000 (Re-presented)
Malaysia	**5,511,408**	4,809,215
Europe	**4,479,341**	3,680,404
India	**1,932,538**	3,506,254
Indonesia	**1,578,246**	1,409,157
Thailand	**2,159,367**	1,865,505
Other countries in South East Asia	**3,096,124**	760,653
South Africa	**1,072,730**	812,911
Papua New Guinea and Solomon Islands	**424,027**	417,776
China	**158,258**	551,965
Other countries (which are individually insignificant)	**617,651**	718,874
	21,029,690	18,532,714

42. SEGMENT INFORMATION – GROUP (CONTINUED)

c) Segment by geography (continued)

Non-current assets, other than financial instruments and tax assets, by location of the Group's operations are analysed as follows:

	GROUP	
	2022 RM'000	2021 RM'000 (Re-presented)
Malaysia	**10,501,015**	10,062,509
Indonesia	**4,629,042**	4,734,842
Papua New Guinea and Solomon Islands	**6,822,672**	6,713,503
Thailand	**281,992**	270,202
China	**–**	28,251
Europe	**932,853**	633,236
Singapore	**7,269**	2,475
South Africa	**16,372**	11,543
	23,191,215	22,456,561

Reconciliations of non-current assets, other than financial instruments and tax assets to the total non-current assets are as follows:

	GROUP	
	2022 RM'000	2021 RM'000 (Re-presented)
Non-current assets other than financial instruments and tax assets	**23,191,215**	22,456,561
Investments at FVOCI	**22,496**	29,639
Deferred tax assets	**495,945**	574,444
Tax recoverable	**164,244**	168,947
Receivables	**34,644**	88,721
	23,908,544	23,318,312

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There is no single customer that contributed 10% or more to the Group's revenue.

42. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at the financial year end.

43. COMMITMENTS

(a) Capital commitments

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Authorised capital expenditure not provided for in the financial statements:				
Contracted				
– property, plant and equipment	**708,374**	337,081	**206,505**	158,200

(b) Plasma plantation

The Group is committed to develop a total of 53,182 (2021: 53,454) hectares of oil palm plantation for plasma farmers in Indonesia. A total of 43,588 (2021: 44,037) hectares have been developed of which approximately 37,582 (2021: 37,719) hectares have been transferred/handed over to plasma farmers.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

44. MATERIAL LITIGATIONS

Material litigations against the Group are as follows:

(a) New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases (SABL) to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements (SLA). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (Land), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL lodged with the registrar of titles together with NBPOL's application for registration of the SLA. The laminated plastic has since dislodged from Melok's SABL. However NBPOL and Meloks are in the process of executing a new SLA to facilitate the registration of the SLA as the date of the SLA has to be the same or after the date of the SABL.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. Parties then agreed to enter into Consent Court Orders (CCOs) on terms similar to the order made in respect of Meloks and the CCOs were formally endorsed by the Court on 15 December 2020. Masile and Rikau surrendered their respective SABLs to NBPOL on 30 July 2020. However, the SABL received from Masile was laminated whilst the SABL received from Rikau is a copy and therefore NBPOL is in the process of obtaining an official copy of the SABLs and compiling the relevant documents (including execution of new SLAs) before it can proceed with the registration of the SLAs.

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi (YKEP) against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM56.5 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the 1st Judicial Review Decision.

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares, and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 (Decision of East Jakarta District Court), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM were included as parties under the Decision of East Jakarta District Court. On 12 April 2018, the Central Jakarta District Court rejected the Third Party Opposition Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court. No appeal was filed against the decision of the Jakarta High Court.

44. MATERIAL LITIGATIONS (CONTINUED)

Material litigations against the Group are as follows: (continued)

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM69.7 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM38.7 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM70.6 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM141.2 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM281.5 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision but the judicial review was rejected by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review Decision. The judicial review was rejected by the Supreme Court through its decision number 232/PAN.2/III/227 SPK/Pdt/2020 dated 24 March 2020. This matter is considered closed.

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. (formerly known as Sime Darby Unimills B.V.) ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of SDP, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 was sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following two lawsuits proceeded to trial:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM28.2 million). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM43.7 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.8 million) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

On 25 November 2020 the Court of Piraeus rendered its judgement dismissing all of Chantico's claims in Lawsuit 1 and Lawsuit 2. Chantico is able to appeal against the judgments however the time limit of 60 days to file an appeal from the date of service of judgment was suspended due to Covid-19 restrictions in Greece. When the Greek courts re-opened in early of May 2021, the judgements were served on Chantico and Chantico has since filed a timely appeal in the Piraeus Court of Appeal against the judgments. The appeals for Lawsuit 1 and Lawsuit 2 which were set for hearing on 2 June 2022 were adjourned to 17 November 2022 on application by Chantico and the Algerian cargo owner. Following the hearing on 17 November 2022, the Piraeus Court of Appeal will consider the submissions advanced by the parties and a decision is to be expected within 4 to 6 months. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM9.9 million) for Lawsuit 1 and EUR145,000 (approximately RM0.7 million) for Lawsuit 2, all amounts inclusive of interest. As at this juncture, adequate provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

44. MATERIAL LITIGATIONS (CONTINUED)

Material litigations against the Group are as follows: (continued)

(d) PT Asa Karya Multi Pratama ("AKMP") vs Sime Darby Plantation Berhad ("SDP"), Guthrie International Investments (L) Limited ("2nd Defendant"), Mulligan International B.V. ("3rd Defendant"), PT Anugerah Sumbermakmur ("4th Defendant") and PT Minamas Gemilang ("5th Defendant")

AKMP filed a civil claim in the Pengadilan Negeri Jakarta Pusat against SDP and its wholly-owned subsidiaries, the 2nd, 3rd, 4th and 5th Defendants (collectively with SDP, "defendants"). However, to date, SDP and the 2nd and 3rd Defendants have not been legally and properly served with any court summons regarding the civil claim.

The 4th and 5th Defendants being the shareholders of PT Ladangrumpun Suburabadi ("PT LSI") and PT Sajang Huelang ("PT SHE") had entered into negotiations with AKMP for the disposal of their shares in PT LSI and PT SHE to AKMP. However, no definitive agreement was concluded between the parties in respect of the transaction.

AKMP in its claim alleged that:

(i) an agreement between AKMP and the 4th and 5th Defendants in respect of the sale and purchase of shares of PT LSI and PT SHE for the sum IDR1.65 trillion (approximately RM465.8 million) has been established based on correspondences between AKMP and the 4th and 5th Defendants and the fact that the down payment was made by AKMP to the 4th and 5th Defendants although soon after the down payment was returned to AKMP;

(ii) the conditional sale and purchase agreement ("CSPA") between AKMP and the 4th and 5th Defendants that was scheduled to be signed on 1 September 2021 has not been executed;

(iii) the 4th and 5th Defendants acted in bad faith by denying the existence of an agreement for the sale and purchase of shares;

(iv) the defendants have committed unlawful acts as follows:

  (a) SDP interfered with the sale and purchase transaction between AKMP and the 4th and 5th Defendants by instructing the 4th and 5th Defendants not to proceed with the sale and purchase transaction with AKMP;

  (b) the 2nd and 3rd Defendants as the shareholders of the 4th and 5th Defendants for failure to act when SDP unlawfully offered the shares of the 4th and 5th Defendants in PT LSI and PT SHE to a third party;

  (c) the 4th and 5th Defendants have not provided the shares of PT LSI and PT SHE to AKMP who is considered as a good faith buyer; and

  (d) the 4th and 5th Defendants have committed fraud by conveying that the sale and purchase transaction requires further approval from SDP's board.

AKMP is inter alia seeking the following reliefs:

(i) declarations that:

  (a) the defendants have committed an unlawful act;
  (b) the sale and purchase of PT LSI and PT SHE's shares are valid; and
  (c) AKMP is a good faith buyer;

(ii) an order that the defendants handover the shares of PT LSI and PT SHE to AKMP;

(iii) an order for the defendants to pay material compensation in the amount of IDR882.5 billion (approximately RM249.1 million);

(iv) an order for the defendants to pay immaterial compensation in the amount of IDR5 trillion (equivalent to approximately RM1.41 billion) for, among others, loss of reputation and the efforts that have been spent for the process of the transactions; and

(v) a security seizure on the assets of the defendants to secure the material and immaterial damages suffered by AKMP.

At the first hearing on 10 October 2022, the 4th and 5th Defendants were informed that although AKMP submitted a request vide letter dated 17 June 2022 to revoke its claim, AKMP had submitted another request vide letter dated 30 June 2022 to cancel the revocation of the claim. As such the matter would proceed. Given that the summons have not been properly and legally served on SDP and the 2nd and 3rd Defendants, the hearing was adjourned to 14 February 2023.

44. MATERIAL LITIGATIONS (CONTINUED)

Material litigations against the Group are as follows: (continued)

(d) PT Asa Karya Multi Pratama ("AKMP") vs Sime Darby Plantation Berhad ("SDP"), Guthrie International Investments (L) Limited ("2nd Defendant"), Mulligan International B.V. ("3rd Defendant"), PT Anugerah Sumbermakmur ("4th Defendant") and PT Minamas Gemilang ("5th Defendant") (continued)

SDP has been advised by its solicitors in Indonesia that the defendants have sufficient legal basis and merits to defend their position in this claim. The claim is also misdirected to SDP because, among others, SDP does not have any contractual relationship with AKMP.

SDP received the court summons through the Embassy of Indonesia in Kuala Lumpur on 16 December 2022. As of to date the 2nd and 3rd Defendants have not received the court summons.

At the hearing on 14 February 2023, AKMP, SDP and the 4th and 5th Defendants attended the hearing. The Panel of Judges reviewed the legal standing of the parties and AKMP was asked to provide its original Power of Attorney, Deed of Establishment and Articles of Association. In view that AKMP was unable to provide the said documents, the Presiding Judge instructed AKMP to complete the documents at the next hearing. The Panel of Judges informed that the summons to the 2nd and 3rd Defendants had been returned by the Ministry of Foreign Affairs to the Supreme Court as the summons did not satisfy the summoning term/period and rescheduled the hearing to 22 August 2023.

On 14 April 2023, AKMP and the 5 defendants executed a Settlement Agreement to settle and conclude the lawsuit, following an agreement for the 4th and 5th Defendants to sell the shares in PT LSI and PT SHE to PT Global Berkat Usahatama ("PT GBU"), the party appointed by AKMP. AKMP and the Defendants will submit the Settlement Agreement to the court for ratification and for a final and binding decision to be issued in respect thereof.

45. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS

The immediate and ultimate holding companies of the Company are Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB"), which are incorporated in Malaysia.

Transactions entered into for the respective financial year under review, with companies in which PNB and YPB have significant interest, include the sales and purchases of goods and services.

These related party transactions were entered into in the ordinary course of business on negotiated trade terms and conditions and do not require the approval of shareholders.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Transactions with joint ventures				
(i) Sale of goods and tolling services				
– Emery Oleochemicals (M) Sdn Bhd	**–**	10,726	**–**	10,726
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**3,498**	1,718	**–**	–
(ii) Additional investment				
– Emery Oleochemicals (M) Sdn Bhd	**–**	138,666	**–**	138,666
(b) Transactions with associates				
(i) Purchase of palm oil				
– Thai Eastern Trat Co., Ltd.	**143,869**	88,067	**–**	–
(ii) Purchase of latex concentrate				
– Muang Mai Guthrie Public Company Limited	**14,927**	14,144	**14,567**	14,144
(iii) Corporate social responsibility donation paid				
– Yayasan Sime Darby	**52,000**	47,000	**6,570**	20,000
(c) Transactions with subsidiaries				
(i) Sales of goods				
– Sime Darby Oils Commodities Sdn Bhd	**–**	–	**1,761,577**	–
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**–**	2,032,060
– Sime Darby Oils Trading (Labuan) Limited	**–**	–	**–**	213,224
– Sime Darby Oils Port Klang Refinery	**–**	–	**352,608**	–
– Sime Darby Oils Carey Island KCP Sdn Bhd	**–**	–	**217,965**	–
– Sime Darby Oils Biodiesel Sdn Bhd	**–**	–	**57,682**	172,823

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

45. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions: (continued)

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(c) Transactions with subsidiaries (continued)				
(i) Sales of goods (continued)				
– Sime Darby Oils Professional Sdn Bhd	**–**	–	**–**	132,619
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**–**	122,367
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**75,736**	79,192
– Sime Darby Oils South Africa (Pty) Ltd.	**–**	–	**–**	16,272
– Sime Darby Oils Trading Private Limited	**–**	–	**–**	15,973
– Sime Darby Oils Bintulu Sdn Bhd	**–**	–	**–**	20,459
(ii) Research expenses				
– Sime Darby Plantation Technology Centre Sdn Bhd	**–**	–	**24,259**	23,025
– Sime Darby Plantation Research Sdn Bhd	**–**	–	**65,884**	63,421
(iii) Commission on purchase of FFB and sale of palm products				
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**47,135**	45,603
(iv) Management fees income				
– Sime Darby Plantation (Sabah) Sdn Bhd	**–**	–	**13,730**	13,770
(v) Interest expenses				
– Sime Darby Plantation Global Berhad	**–**	–	**17,761**	16,682
(vi) Purchases of goods				
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**–**	2,191,112
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**77,706**	188,960
– Sime Darby Plantation Agri-Bio Sdn Bhd	**–**	–	**295,256**	129,268
– Sime Darby Oils Bintulu Sdn Bhd	**–**	–	**–**	222,494
– Sime Darby Oils Trading Private Limited	**–**	–	**–**	109,375
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**–**	78,968
– PT Sime Darby Oils Pulau Laut Refinery	**–**	–	**–**	23,944
– Sime Darby Plantation (Sarawak) Sdn Bhd	**–**	–	**8,068**	37,160
(vii) Dividend income				
– Mulligan International B.V.	**–**	–	**–**	1,049,944
– New Britain Palm Oil Limited	**–**	–	**682,850**	828,843
– Sime Darby Plantation (Sabah) Sdn Bhd	**–**	–	**–**	286,800
– The China Engineers (M) Sdn Bhd	**–**	–	**–**	87,400
– Sime Darby Oils Trading (Labuan) Ltd	**–**	–	**–**	87,270
– Sime Darby Plantation (Sarawak) Sdn Bhd	**–**	–	**–**	77,900
– Sanguine (Malaysia) Sdn Bhd	**–**	–	**–**	44,800
– Sime Darby Plantation Agri-Bio Sdn Bhd	**–**	–	**–**	37,600
– Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd	**–**	–	**–**	25,776
– Sime Darby Plantation Research Sdn Bhd	**–**	–	**–**	10,025
– Sime Darby Plantation Austral Holdings Berhad	**–**	–	**23,019**	–
– Sime Darby Plantation Thailand Sdn Bhd	**–**	–	**18,730**	–
(viii) Disposal of downstream operations and subsidiaries				
– Sime Darby Oils Carey Island KCP Sdn Bhd	**–**	–	**80,484**	–
– Sime Darby Oils Port Klang Refinery Sdn Bhd	**–**	–	**59,971**	–
– Sime Darby Oils Langat Refinery Sdn Bhd	**–**	–	**295,890**	–

45. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions: (continued)

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(c) Transactions with subsidiaries (continued)				
(viii) Disposal of downstream operations and subsidiaries (continued)				
– Sime Darby Oils International Limited	**–**	–	**–**	45,888
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**56,389**	77,483
(ix) Advances from/(to) subsidiaries				
– New Britain Plantation Services Pte. Ltd.	**–**	–	**129,824**	346,862
– Wangsa Mujur Sdn Bhd	**–**	–	**(13,300)**	(85,871)
– Sime Darby Oils International Limited	**–**	–	**–**	(212,654)
– PT Anugerah Sumbermakmur	**–**	–	**143,642**	–
– PT Minamas Gemilang	**–**	–	**143,642**	–
– Sime Darby Oils Carey Island KCP Sdn Bhd	**–**	–	**83,514**	–
– Sime Darby Oils Langat Refinery Sdn Bhd	**–**	–	**91,562**	–
– Sime Darby Plantation (Sarawak) Sdn Bhd	**–**	–	**(32,331)**	–
– Sime Darby Oils Port Klang Refinery Sdn Bhd	**–**	–	**(73,848)**	–
– Sime Darby Plantation Investment (Liberia) Private Limited	**–**	–	**53,062**	–
(x) Repayment of advances (to)/from subsidiaries				
– Wangsa Mujur Sdn Bhd	**–**	–	**11,226**	119,014
– New Britain Plantation Services Pte. Ltd.	**–**	–	**(21,453)**	(454,991)
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**46,395**	–
– Mulligan International B.V.	**–**	–	**–**	105,775
(xi) Novation of intercompany receivable to subsidiaries				
– Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	**–**	–	**436,345**	–
– Sime Darby Oils International Limited	**–**	–	**625,677**	–
(xii) Novation of capital contribution to a subsidiary				
– Sime Darby Oils International Limited	**–**	–	**–**	898,035
(xiii) Subscription of ordinary shares				
– Sime Darby Oils International Limited	**–**	–	**274,667**	–
(xiv) Capital contribution to subsidiary				
– Sime Darby Oils International Limited	**–**	–	**397,800**	–
(d) Transactions with related parties				
(i) Purchase of asset, heavy equipment, spare parts and services				
– Sime Darby Industrial Sdn Bhd	**22,636**	16,432	**10,684**	3,981
– Kubota Malaysia Sdn Bhd	**33,577**	25,240	**26,331**	17,848
(ii) Rental expenses				
– Kumpulan Sime Darby Berhad	**16,582**	13,654	**16,582**	13,654

(e) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 55.64% as at 31 December 2022 (2021: 56.43%) of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through YPB. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

45. DISCLOSURES OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions: (continued)

(e) Transactions with shareholders and Government (continued)

Apart from the individually significant transactions as disclosed elsewhere in the financial statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

(i) Purchasing of goods and services, including use of public utilities and amenities; and
(ii) Placement of bank deposits with government-related financial institutions

All the transactions entered into by the Group and the Company with the government-related entities are conducted in the ordinary course of the Group's and the Company's businesses on negotiated terms.

(f) Remuneration of key management personnel

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Remuneration of key management personnel				
The aggregate amount of emoluments received/receivable by key management personnel of the Group and the Company during the financial year are as follows:				
– Salaries, fees and other emoluments	**35,714**	27,017	**32,209**	27,017
– Defined contribution pension plans	**4,512**	3,268	**4,334**	3,268
– Estimated monetary value of benefits by way of usage of the Group's and the Company's assets	**310**	285	**303**	285
	40,536	30,570	**36,846**	30,570

Key management personnel comprise of Directors and all Plantation Leadership Committee ("PLC") members having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

46. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk, cash flow risk and price risk. The Group's financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The Group uses derivative financial instruments such as forward foreign exchange contracts, commodities forwards, futures and options contracts and interest rate swaps to hedge certain exposures.

Whilst all derivatives entered into provide economic hedges to the Group, certain derivatives do not qualify for the application of hedge accounting under the specific rules in MFRS 9. Changes in the fair value of these derivatives are recognised in profit or loss, whilst changes in the fair value of those derivatives that qualify for cash flow hedge accounting are recognised in other comprehensive income.

(i) Foreign currency exchange risk

Where the transacted currencies differ from the Company's and subsidiaries' functional currency, the Group is exposed to currency translation risk. The risk also extends to purchases denominated in currency other than the Company and the subsidiaries' functional currency.

Where possible, the Group will apply natural hedge by selling and purchasing in the same currency. Otherwise, the Group enters into forward foreign exchange contracts to limit its exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies. These derivatives are normally contracted through centralised treasury in order to achieve the benefits of netting within the Group and to manage the cost of hedging effectively.

The Group's policy on the extent of a foreign currency transaction or balance to be hedged is dependent on the duration to the settlement date. In terms of forecasted transaction, exposure is hedged only if it is expected to be cost effective.

The Group does not hedge its cash, deposits and borrowings denominated in other than functional currency.

The Group is also exposed to currency translation risk arising from its net investments in foreign subsidiaries. The investments in foreign subsidiaries are not hedged due to the long-term nature of those investments, except for the net investments in NBPOL group whereby the foreign currency borrowings related to the acquisition of the subsidiary of USD982.5 million (equivalent to RM4,342.4million) (2021: USD982.5 million (equivalent to RM4,103.7 million)) are designated as a natural hedge against the net investment. The foreign currencies exchange losses of RM208.9 million (2021: foreign currencies exchange losses of RM138.9 million) in relation to the net investment hedge was adjusted to other comprehensive income. There was no ineffectiveness to be recorded from net investment hedge in NBPOL group.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows:

GROUP	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2022					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**22,496**	**22,496**
Trade and other receivables (net)					
– non-current	**–**	**–**	**–**	**34,644**	**34,644**
– current	**169,392**	**19,458**	**301,065**	**1,748,235**	**2,238,150**
Bank balances, deposits and cash	**70,010**	**1,589**	**76,206**	**487,188**	**634,993**
Amounts due from related parties	**–**	**–**	**–**	**424**	**424**
Derivative assets	**13,194**	**262**	**794**	**142,648**	**156,898**
Long-term borrowings	**(2,387,395)**	**–**	**–**	**(1,245,292)**	**(3,632,687)**
Short-term borrowings	**(851,582)**	**–**	**–**	**(1,612,219)**	**(2,463,801)**
Lease liabilities					
– non-current	**–**	**–**	**(71,612)**	**(75,783)**	**(147,395)**
– current	**–**	**–**	**(3,641)**	**(21,229)**	**(24,870)**
Amounts due to related parties	**–**	**–**	**–**	**(9,886)**	**(9,886)**
Trade and other payables					
– non-current	**–**	**–**	**(34,932)**	**(7,763)**	**(42,695)**
– current	**(55,492)**	**(4,330)**	**(198,726)**	**(1,574,622)**	**(1,833,170)**
Derivative liabilities	**(26,899)**	**(885)**	**(300)**	**(33,710)**	**(61,794)**
	(3,068,772)	**16,094**	**68,854**	**(2,144,869)**	**(5,128,693)**
2021 (Re-presented)					
Investments at FVOCI					
– non-current	–	–	–	29,639	29,639
Trade and other receivables (net)					
– non-current	–	–	–	88,721	88,721
– current	380,613	968	199,090	2,000,272	2,580,943
Bank balances, deposits and cash	40,688	536	35,513	525,826	602,563
Amounts due from related parties	–	–	–	305	305
Derivative assets	22,436	84	764	3,109	26,393
Long-term borrowings	(2,467,416)	–	–	(1,551,145)	(4,018,561)
Short-term borrowings	(1,382,924)	–	–	(849,191)	(2,232,115)
Lease liabilities					
– non-current	–	–	(70,884)	(84,175)	(155,059)
– current	–	–	(6,564)	(16,450)	(23,014)
Amounts due to related parties	–	–	–	(19,160)	(19,160)
Trade and other payables					
– non-current	–	–	(29,888)	(6,330)	(36,218)
– current	(71,859)	(9,398)	(214,176)	(1,331,358)	(1,626,791)
Derivative liabilities	(51,264)	(1)	(681)	(177,333)	(229,279)
	(3,529,726)	(7,811)	(86,826)	(1,387,270)	(5,011,633)

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows: (continued)

COMPANY	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2022					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**22,337**	**22,337**
Trade and other receivables (net)	**893**	**–**	**40,212**	**84,886**	**125,991**
Bank balances, deposits and cash	**48,181**	**72**	**–**	**57,519**	**105,772**
Amounts due from related parties	**–**	**–**	**–**	**320**	**320**
Amounts due from subsidiaries					
– non-current	**362,912**	**19,578**	**16,061**	**109,847**	**508,398**
– current	**43,568**	**2,137**	**7,614**	**509,162**	**562,481**
Long-term borrowings	**(2,387,395)**	**–**	**–**	**(750,000)**	**(3,137,395)**
Short-term borrowings	**(617,689)**	**–**	**–**	**(978,000)**	**(1,595,689)**
Lease liabilities					
– non-current	**–**	**–**	**–**	**(5,664)**	**(5,664)**
– current	**–**	**–**	**–**	**(444)**	**(444)**
Amounts due to related parties	**–**	**–**	**–**	**(6,328)**	**(6,328)**
Amounts due to subsidiaries					
– current	**(924,881)**	**(18,642)**	**(287,568)**	**(1,016,531)**	**(2,247,622)**
Trade and other payables					
– non-current	**–**	**(34,824)**	**–**	**(13)**	**(34,837)**
– current	**(318,166)**	**(5,290)**	**(295)**	**(8,516)**	**(332,267)**
	(3,792,577)	**(36,969)**	**(223,976)**	**(1,981,425)**	**(6,034,947)**

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows: (continued)

COMPANY	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2021					
Investments at FVOCI					
– non-current	–	–	–	26,070	26,070
Trade and other receivables (net)	71,451	691	40,347	272,693	385,182
Bank balances, deposits and cash	23,282	72	–	161,024	184,378
Amounts due from related parties	–	–	–	2,989	2,989
Amounts due from subsidiaries					
– non-current	297,015	84,055	59,433	149,077	589,580
– current	22,754	1,471	937	139,796	164,958
Derivative assets	997	84	–	–	1,081
Long-term borrowings	(2,467,416)	–	–	(500,000)	(2,967,416)
Short-term borrowings	(819,859)	–	–	(104,000)	(923,859)
Lease liabilities					
– non-current	–	–	–	(5,886)	(5,886)
– current	–	–	–	(400)	(400)
Amounts due to related parties	–	–	–	(17,076)	(17,076)
Amounts due to subsidiaries					
– non-current	(511,656)	–	–	–	(511,656)
– current	(11,882)	(18,744)	(53,099)	(1,220,373)	(1,304,098)
Trade and other payables					
– non-current	–	(40,113)	–	(16)	(40,129)
– current	(6,084)	(6,754)	(538)	(316,452)	(329,828)
Derivative liabilities	(2,254)	–	–	–	(2,254)
	(3,403,652)	20,762	47,080	(1,412,554)	(4,748,364)

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

The following table illustrates the effects of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2022 and 31 December 2021, both before and after taking into account the hedge instruments. If the major currencies strengthened by the following percentage at the end of the financial reporting year, the Group's and the Company's profit after tax will improve/(decline) by:

Major currency	Strengthened against RM by	Net monetary item RM'000	Hedged RM'000	Impact on profit after tax Before hedge RM'000	Impact on profit after tax After hedge RM'000
GROUP					
2022					
United States Dollar					
– Assets	**1%**	**252,596**	**163,168**	**1,920**	**680**
– Liabilities	**1%**	**(3,321,368)**	**(55,492)**	**(25,242)**	**(24,821)**
European Union Euro					
– Assets	**2%**	**21,309**	**4,865**	**324**	**250**
– Liabilities	**2%**	**(5,215)**	**–**	**(79)**	**(79)**
2021					
United States Dollar					
– Assets	1%	443,737	210,538	3,372	1,772
– Liabilities	1%	(3,973,463)	(303,334)	(30,198)	(27,893)
European Union Euro					
– Assets	1%	1,588	968	12	5
– Liabilities	1%	(9,399)	–	(71)	(71)

Major currency	Strengthened against RM by	Net monetary item RM'000	Hedged RM'000	Impact on profit after tax Before hedge RM'000	Impact on profit after tax After hedge RM'000
COMPANY					
2022					
United States Dollar					
– Assets	**1%**	**455,554**	**–**	**3,463**	**3,463**
– Liabilities	**1%**	**(4,248,131)**	**–**	**(32,286)**	**(32,286)**
European Union Euro					
– Assets	**2%**	**21,787**	**–**	**331**	**331**
– Liabilities	**2%**	**(58,756)**	**–**	**(893)**	**(893)**
2021					
United States Dollar					
– Assets	1%	415,499	36,153	3,158	2,883
– Liabilities	1%	(3,819,151)	–	(29,026)	(29,026)
European Union Euro					
– Assets	1%	86,373	–	657	657
– Liabilities	1%	(65,611)	–	(499)	(499)

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure which arises from certain of the Group's and the Company's borrowings is managed through the use of floating debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

The percentages of fixed rate borrowings, both before and after taking into account the interest rate swap contracts, to the total of borrowings at the end of the financial year are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total of borrowings	**6,096,488**	6,250,676	**4,733,084**	3,891,275
Fixed rate borrowings	**1,011,530**	984,318	**–**	–
Floating rate borrowings (swapped to fixed)	**–**	160,805	**–**	160,805
Total fixed rate after swaps	**1,011,530**	1,145,123	**–**	160,805

Percentage of fixed rate borrowings over total of borrowings.

	GROUP		COMPANY	
	2022 %	2021 %	2022 %	2021 %
– before swaps	**17**	16	**–**	–
– after swaps	**17**	18	**–**	4

As at 31 December 2022, all of the Group's and the Company's floating rate borrowings (after interest swap contracts) stood at RM5,084.9 million (2021: RM5,105.6 million) and RM4,733.1million (2021: RM3,730.5 million) respectively. The following tables demonstrate the effects of changes in interest rate on floating rate borrowings. If the interest rate increased by 0.5% (2021: 0.5%), the Group's and the Company's profit after tax will be lower/ higher by:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit after tax	**23,166**	23,752	**17,985**	14,787

A 0.5% (2021: 0.5%) decrease in interest rate would have an equal but opposite effect.

The following table demonstrates the effect of changes in interest rate on the fair value of the interest rate swap contracts which are designated as cash flow hedge. If the interest rate increased by 0.5% (2021: 0.5%), the Group's and the Company's hedging reserve will be higher by:

	GROUP/COMPANY	
	2022 RM'000	2021 RM'000
Hedging reserve	**–**	382

A 0.5% (2021: 0.5%) decrease in interest rate would have an equal but opposite effect.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(ii) Interest rate risk (continued)

London interbank offered rate ("LIBOR") is the most widely used benchmark for short-term interest rates. Following the recent annnouncement by Financial Conduct Authority ("FCA"), all LIBOR settings for all currencies will either cease or no longer be representative in staggered basis.

The Bank Negara of Malaysia ("BNM") has announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative risk-free benchmark reference rates ("RFRs") for Malaysia and the MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR") with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. BNM had on 1 January 2023 announced the discontinuation of the publication of the 2-month and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts.

International Accounting Standard Board ("IASB") has issued phase 1 and 2 amendments to provide reliefs in applying MFRS 9 "Financial Instruments" on the financial instruments during the transition period of the IBOR reform and useful information to the stakeholders.

In managing the interest rate risk on the impending cessation of LIBOR in June 2023, management is in intensive discussions with the respective financial institutions to review the benchmark reference rates, the credit adjustments, the appropriate spread and/or the fallback language in the financing contracts. The Group and the Company have applied the practical expedients offered under 'phase 2' of the amendments on the financial instruments and there is no financial impact.

The following table contains details of the Group's and the Company's borrowings which have yet to be transitioned to an alternative rate benchmark:

GROUP	LIBOR RM' million	KLIBOR RM' million	Total RM' million
2022			
Type of loan			
Term loans	**928**	**510**	**1,438**
Revolving credits	**2,162**	**438**	**2,600**
	3,090	**948**	**4,038**
2021			
Type of loan			
Term loans	1,554	510	2,064
Revolving credits	2,222	304	2,526
	3,776	814	4,590

COMPANY	LIBOR RM' million	KLIBOR RM' million	Total RM' million
2022			
Type of loan			
Term loans	**898**	**500**	**1,398**
Revolving credits	**1,895**	**438**	**2,333**
	2,793	**938**	**3,731**
2021			
Type of loan			
Term loans	1,454	500	1,954
Revolving credits	1,621	104	1,725
	3,075	604	3,679

The Group and the Company will continue to follow up with the respective financial institutions on the above borrowings.

This expedient is only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis of determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk

Credit risk arises on sales made on credit terms, derivatives with positive fair value and deposits with banks.

A) Risk management

The Group and the Company seek to control credit risk by dealing with customers and joint venture partners of appropriate credit history and transact and deposit with bank and financial institution with good credit ratings. Third party agencies' ratings are considered, if available. In addition, the customers' most recent financial statements, payment history and other relevant information are considered in the determination of credit risk. Customers are assessed at least annually and more frequently when information on significant changes in the customers' financial position becomes known. Credit terms and limit are set based on the assessment. Where appropriate, guarantees or securities are obtained to limit credit risk. Sales to customers are usually suspended when earlier amounts are overdue exceeding 180 days.

B) Collateral

The Group and the Company have a maximum exposure which approximate the carrying amount as stated in the statements of financial position less collateral received amounting to RM348.5 million and RM38.4 million (2021: RM179.9 million and RM7.4 million) respectively.

C) Impairment of financial assets and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group and the Company have the following financial instruments that are subject to the ECL model:

Measurement of ECL – simplified approach

- Trade receivables
- Intercompany receivables (trade) – inclusive of amounts due from associates, joint ventures, subsidiaries and related parties

Measurement of ECL – general 3-stage approach

- Intercompany receivables (non-trade) - inclusive of amounts due from subsidiaries
- Advances for plasma plantation projects
- Financial guarantee contracts issued
- Interest receivables
- Other receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

Reconciliation of loss allowance for trade and other receivables, intercompany receivables (trade and non-trade) and advances for plasma plantation projects.

GROUP	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from joint ventures RM'000	Advances for plasma plantation projects RM'000	Total RM'000
2022						
At 1 January		**13,394**	**8,313**	**44,407**	**22,190**	**88,304**
Charge for the financial year	6(e)	**5,309**	**1,346**	**7,664**	**4,124**	**18,443**
Write offs		**(367)**	**(2,642)**	**–**	**–**	**(3,009)**
Reversal for the financial year	7	**(12)**	**–**	**–**	**–**	**(12)**
Exchange differences		**(128)**	**350**	**–**	**(1,339)**	**(1,117)**
At 31 December		**18,196**	**7,367**	**52,071**	**24,975**	**102,609**
2021						
At 1 January		28,186	3,573	44,567	21,853	98,179
Charge for the financial year	6(e)	–	2,582	–	7,692	10,274
(Write offs)/write-back		(2,708)	2,130	(160)	–	(738)
Transfer to non-current assets held for sales		(7,342)	–	–	(7,641)	(14,983)
Reversal for the financial year	7	(4,545)	(3)	–	–	(4,548)
Exchange differences		(197)	31	–	286	120
At 31 December		13,394	8,313	44,407	22,190	88,304

COMPANY	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from joint ventures RM'000	Amount due from subsidiaries RM'000	Total RM'000
2022						
At 1 January		**755**	**4,410**	**40,000**	**308,430**	**353,595**
Charge for the financial year	6(e)	**–**	**–**	**–**	**3,841**	**3,841**
Write offs		**(367)**	**(2,642)**		**–**	**(3,009)**
Reversal for the financial year	7	**–**	**–**	**–**	**(2,465)**	**(2,465)**
At 31 December		**388**	**1,768**	**40,000**	**309,806**	**351,962**
2021						
At 1 January		1,146	1,871	40,160	321,390	364,567
Charge for the financial year	6(e)	–	2,547	–	1,782	4,329
Write offs		(391)	(8)	(160)	–	(559)
Reversal for the financial year	7	–	–	–	(14,742)	(14,742)
At 31 December		755	4,410	40,000	308,430	353,595

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

A summary of the assumptions underpinning the Group's and the Company's ECL are as follows:

- Trade receivables using simplified approach

The ECL rates are based on 5-year historical credit losses experienced by the Group and the Company. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. However, based on the Group's and the Company's assessment, the ability to collect has minimal correlation with macroeconomic factors as these are consumers products. No significant changes to estimation techniques or assumptions were made during the reporting year.

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2022				
Upstream				
Local customers:				
Current	**88,632**	**0.0%**	**(6)**	**88,626**
Past due by:				
– 1 to 30 days	**30,337**	**1.4%**	**(420)**	**29,917**
– 31 to 60 days	**1,288**	**0.0%**	**–**	**1,288**
– 61 to 90 days	**50**	**0.0%**	**–**	**50**
– 91 to 180 days	**130**	**0.0%**	**–**	**130**
– 181 to 360 days	**4,704**	**75.8%**	**(3,567)**	**1,137**
– more than 360 days	**336**	**100.0%**	**(336)**	**–**
	125,477		**(4,329)**	**121,148**
Export customers:				
Current	**7**	**0.0%**	**–**	**7**
Past due by:				
– 1 to 30 days	**6,871**	**0.0%**	**–**	**6,871**
	6,878		**–**	**6,878**

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2022 (continued)				
Downstream				
Local customers:				
Current	**595,426**	**0.2%**	**(1,219)**	**594,207**
Past due by:				
– 1 to 30 days	**341,624**	**0.0%**	**(146)**	**341,478**
– 31 to 60 days	**76,805**	**0.0%**	**–**	**76,805**
– 61 to 90 days	**16,453**	**3.4%**	**(559)**	**15,894**
– 91 to 180 days	**1,345**	**20.1%**	**(271)**	**1,074**
– 181 to 360 days	**1,628**	**3.2%**	**(52)**	**1,576**
– more than 360 days	**11,942**	**84.2%**	**(10,059)**	**1,883**
	1,045,223		**(12,306)**	**1,032,917**
Export customers:				
Current	**625,435**	**0.0%**	**–**	**625,435**
Past due by:				
– 1 to 30 days	**133,099**	**0.0%**	**(65)**	**133,034**
– 31 to 60 days	**7,827**	**0.0%**	**–**	**7,827**
– 61 to 90 days	**2,122**	**20.1%**	**(427)**	**1,695**
– 91 to 180 days	**136**	**100.0%**	**(136)**	**–**
– 181 to 360 days	**962**	**10.3%**	**(99)**	**863**
– more than 360 days	**834**	**100.0%**	**(834)**	**–**
	770,415		**(1,561)**	**768,854**

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2022 (continued)				
Other Operations				
Local customers:				
Current	1,182	0.0%	–	1,182
Past due by:				
– 1 to 30 days	3,189	0.0%	–	3,189
– 31 to 60 days	1,207	0.0%	–	1,207
– 61 to 90 days	2,396	0.0%	–	2,396
– 91 to 180 days	174	0.0%	–	174
– 181 to 360 days	4	0.0%	–	4
– more than 360 days	1	0.0%	–	1
	8,153		–	8,153
Export customers:				
Current	510	0.0%	–	510
Past due by:				
– 1 to 30 days	3,984	0.0%	–	3,984
– 31 to 60 days	25	0.0%	–	25
	4,519		–	4,519

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021				
Upstream				
Local customers:				
Current	18,070	0.0%	–	18,070
Past due by:				
– 1 to 30 days	40,599	0.0%	–	40,599
– 31 to 60 days	2,175	0.0%	–	2,175
– 61 to 90 days	6	0.0%	–	6
– 91 to 180 days	5	0.0%	–	5
– more than 360 days	473	82.0%	(388)	85
	61,328		(388)	60,940
Export customers:				
Current	253,933	0.0%	–	253,933
Past due by:				
– 1 to 30 days	6,070	0.0%	–	6,070
– 31 to 60 days	47	0.0%	–	47
– 61 to 90 days	18	0.0%	–	18
– 91 to 180 days	368	0.0%	–	368
– 181 to 360 days	476	0.0%	–	476
– more than 360 days	8	0.0%	–	8
	260,920		–	260,920
Downstream				
Local customers:				
Current	597,029	0.0%	–	597,029
Past due by:				
– 1 to 30 days	332,507	0.0%	–	332,507
– 31 to 60 days	80,254	0.0%	–	80,254
– 61 to 90 days	30,509	4.1%	(1,253)	29,256
– 181 to 360 days	610	41.6%	(254)	356
– more than 360 days	13,295	80.6%	(10,714)	2,581
	1,054,204		(12,221)	1,041,983

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

GROUP	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021 (continued)				
Downstream (continued)				
Export customers:				
Current	515,471	0.0%	(18)	515,453
Past due by:				
– 1 to 30 days	74,192	0.1%	(90)	74,102
– 31 to 60 days	18,659	2.1%	(384)	18,275
– 61 to 90 days	5,567	0.0%	–	5,567
– 91 to 180 days	4,022	0.0%	–	4,022
– 181 to 360 days	659	37.9%	(250)	409
– more than 360 days	276	0.0%	–	276
	618,846		(742)	618,104
Other Operations				
Local customers:				
Current	8,563	0.0%	–	8,563
Past due by:				
– 1 to 30 days	443	0.0%	–	443
– 31 to 60 days	39	0.0%	–	39
– 61 to 90 days	4	0.0%	–	4
– 91 to 180 days	3	0.0%	–	3
– 181 to 360 days	36	0.0%	–	36
– more than 360 days	97	44.3%	(43)	54
	9,185		(43)	9,142

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

COMPANY	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2022				
Upstream				
Local customers:				
Current	**30,685**	**0.0%**	**–**	**30,685**
Past due by:				
– 1 to 30 days	**2,646**	**0.0%**	**–**	**2,646**
– 31 to 60 days	**23**	**0.0%**	**–**	**23**
– 61 to 90 days	**10**	**0.0%**	**–**	**10**
– more than 360 days	**388**	**100.0%**	**(388)**	**–**
	33,752		**(388)**	**33,364**
Export customers:				
Past due by:				
– 1 to 30 days	**803**	**0.0%**	**–**	**803**
	803		**–**	**803**
2021				
Upstream				
Local customers:				
Past due by:				
– 1 to 30 days	495	0.0%	–	495
– more than 360 days	401	91.3%	(366)	35
	896		(366)	530
Export customers:				
Past due by:				
– 1 to 30 days	985	0.0%	–	985
– 181 to 360 days	1	0.0%	–	1
– more than 360 days	2	0.0%	–	2
	988		–	988

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of trade receivables for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's and the Company's maximum exposure to credit risk on these assets: (continued)

COMPANY	Gross receivables RM'000	Expected credit loss rate %	Loss allowances RM'000	Carrying amount (net of loss allowance) RM'000
2021 (continued)				
Downstream				
Local customers:				
Current	154,449	0.0%	–	154,449
Past due by:				
– 1 to 30 days	12,435	0.0%	–	12,435
– 31 to 60 days	1,953	0.0%	–	1,953
– 61 to 90 days	1,427	1.5%	(22)	1,405
– more than 360 days	367	100.0%	(367)	–
	170,631		(389)	170,242
Export customers:				
Current	67,692	0.0%	–	67,692
Past due by:				
– 1 to 30 days	50,871	0.0%	–	50,871
– 91 to 180 days	1,027	0.0%	–	1,027
	119,590		–	119,590

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

C) Impairment of financial assets and financial guarantee contracts (continued)

- **Intercompany receivables (trade) – inclusive of amounts due from associates, joint ventures, subsidiaries and related parties using simplified approach**

  Intercompany receivables (trade) represent amounts outstanding arising from sales of goods. In arriving at loss allowance, the same assumptions as trade receivables have been applied. As a result, management is of the view that adequate loss allowance has been recognised as at the date of reporting.

- **Intercompany receivables (non-trade) – inclusive of amounts due from subsidiaries using general 3-stage approach**

  The Company provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Company monitors the performance of the subsidiaries regularly.

  Management has assessed the loss allowance for amount due from subsidiaries individually taking into consideration of the financial position and the plans in place for the respective subsidiaries. As at the reporting date, management is of the view that adequate loss allowance has been recognised.

- **Advances for plasma plantation projects using general 3-stage approach**

  In Indonesia, oil palm plantation owners/operators are required to participate in selected programs to develop plantations for smallholders (herein referred to as "plasma farmers"). The Group is involved in "Perusahaan Inti Rakyat Transmigrasi" and "Kredit Koperasi Primer untuk Anggotanya" which require the Group to serve as a contractor for developing the plantations, train and develop the skills of the plasma farmers, and purchase the fresh fruit bunches harvested by plasma farmers at prevailing prices determined by the Indonesian Government.

  The advances made by the Group in the form of plasma plantation development costs are recoverable from the plasma farmers upon the completion of the plasma plantation projects, either from the plasma farmers directly, through the assignment to plasma farmers of the loans obtained for the projects or netted-off with the FFB purchased from the plasma farmers. Impairment losses are made when the estimated recoverable amounts are less than the outstanding advances.

- **Financial guarantee contracts using general 3-stage approach**

  The Group is exposed to credit risk arising from financial guarantee contracts given to banks for joint ventures' and plasma stakeholders' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the joint ventures or plasma stakeholders. Management has reviewed the financial position of the joint ventures and plasma stakeholders as at the reporting date and was of the view that the financial guarantee contracts are unlikely to be called by the lenders.

  The Company is exposed to credit risk arising from financial guarantee contracts given to banks for joint ventures' and subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the joint ventures and subsidiaries. Historically, the Group and the Company have not defaulted in any borrowings and with the stringent monitoring over the treasury process, management is of the view that the financial guarantee contracts are unlikely to be called by the joint ventures' and subsidiaries' lenders.

- **Other receivables using general 3-stage approach**

  The Group's and the Company's net other receivables balances are RM276.8 million and RM81.7 million (2021: RM579.5 million and RM81.6 million) respectively as at 31 December 2022. Management has assessed the other receivables which comprises mainly of amounts due from brokers, arising from the Group's trading operations individually and determined that the majority of the other receivables were fully recoverable and adequate loss allowance has been recognised.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iv) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group's and the Company's exposure to these risks arise primarily from the mismatch of maturities of financial assets and liabilities. To mitigate these risks to an acceptable level, the Group maintains sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group maintains centralised treasury functions where all strategic funding requirements are managed.

The Company's current liabilities exceeded its current assets by RM3,392.9 million as at 31 December 2022 (2021: RM1,594.1 million).

In considering going concern and liquidity risk, the Directors have reviewed the Company's cash flow projections for the next 12 months from the date of approval of the financial statements. The Company has undrawn credit facilities of RM1.5 billion as at 31 December 2022, and is currently in discussions with banks for new long term credit facilities which are expected to be finalised in financial year 2023.

The Directors therefore believe that the Company will be able to meet its obligations when it is due and fund its operating and anticipated capital expenditure having considered the above factors.

The undiscounted contractual cash flows of the Group's and the Company's financial liabilities are as follows:

GROUP	On demand or within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2022						
Trade and other payables	**1,810,876**	**–**	**–**	**39,885**	**1,850,761**	**1,850,761**
Borrowings						
– principal	**2,463,801**	**2,516,477**	**644,228**	**471,982**	**6,096,488**	**6,096,488**
– interest	**43,425**	**51,149**	**43,149**	**40,899**	**178,622**	**21,630**
Amounts due to related parties	**9,886**	**–**	**–**	**–**	**9,886**	**9,886**
Lease liabilities	**30,952**	**33,191**	**44,671**	**131,717**	**240,531**	**172,265**
Derivatives						
Net-settled commodities, futures and forward contracts						
– payments	**34,409**	**–**	**–**	**–**	**34,409**	**34,409**
	4,393,349	**2,600,817**	**732,048**	**684,483**	**8,410,697**	**8,185,439**
2021 (Re-presented)						
Trade and other payables	1,610,484	–	–	35,727	1,646,211	1,646,211
Borrowings						
– principal	2,232,115	763,253	2,782,646	472,662	6,250,676	6,250,676
– interest	51,269	59,479	30,485	68,536	209,769	15,697
Amounts due to related parties	19,160	–	–	–	19,160	19,160
Lease liabilities	29,925	26,503	50,526	149,812	256,766	178,073
Derivatives						
Net-settled commodities options, futures and forward contracts						
– payments	222,800	–	–	–	222,800	222,800
	4,165,753	849,235	2,863,657	726,737	8,605,382	8,332,617

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(iv) Liquidity and cash flow risks (continued)

The undiscounted contractual cash flows of the Group's and the Company's financial liabilities are as follows: (continued)

COMPANY	On demand or within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2022						
Trade and other payables	**318,248**	**–**	**–**	**–**	**318,248**	**318,248**
Borrowings						
– principal	**1,595,689**	**2,500,667**	**636,728**	**–**	**4,733,084**	**4,733,084**
– interest	**20,436**	**37,062**	**2,250**	**–**	**59,748**	**8,726**
Intra-group payables	**2,253,950**	**–**	**–**	**–**	**2,253,950**	**2,253,950**
Lease liabilities	**855**	**855**	**2,565**	**4,133**	**8,408**	**6,108**
	4,189,178	**2,538,584**	**641,543**	**4,133**	**7,373,438**	**7,320,116**
2021						
Trade and other payables	322,305	–	–	–	322,305	322,305
Borrowings						
– principal	923,859	215,387	2,752,029	–	3,891,275	3,891,275
– interest	20,436	37,062	2,250	–	59,748	2,231
Intra-group payables	1,321,174	511,656	–	–	1,832,830	1,832,830
Lease liabilities	855	855	2,565	5,130	9,405	6,286
	2,588,629	764,960	2,756,844	5,130	6,115,563	6,054,927

As at 31 December 2022, the Group's and the Company's maximum potential liabilities under financial guarantee contracts amounted to RM149.7 million and RM582.7 million respectively (2021: RM77.6 million and RM600.0 million respectively). Financial guarantee contracts are assumed to be immediately payable on demand.

(v) Price risk

The Group and the Company are largely exposed to commodity price risk due to fluctuations in crude palm oil and other palm products futures prices.

The Group and the Company enter into commodities options and futures contracts to minimise exposure to adverse movements in crude palm oil and other palm products prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's and the Company's expected purchase, sale or usage requirements. Contracts that are not held for the purpose of physical delivery are accounted for as derivatives and are disclosed in Note 29(b).

The following table contains details of the commodities options and futures contracts that are accounted as derivatives.

(i) Cash flow hedges

GROUP	Notional Amount RM'000	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
2022				
Sale contracts	**175,881**	**Less than 12**	**36,250**	**4,852**
2021				
Sale contracts	377,182	Less than 12	131,600	2,866

46. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(v) Price risk (continued)

(ii) Non-hedging derivatives

GROUP	Notional Amount RM'000	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
2022				
Sale contracts	**803,735**	**Less than 12**	**130,419**	**6,163**
Purchase contracts	**290,347**	**Less than 12**	**69,988**	**4,149**
2021				
Sale contracts	575,949	Less than 12	105,004	5,485
Purchase contracts	139,609	Less than 12	29,583	4,719

There is no derivatives being entered in 2022 and 2021 to hedge the price risk of the Company.

(b) Financial instruments measured at fair value

In estimating the financial instruments carried at fair value, there are, in general, three different levels which can be defined as follows:

(i) Level 1 – Quoted prices in active markets for identical assets or liabilities;
(ii) Level 2 – Valuation inputs (other than level 1 input) that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 – Valuation inputs that are not based on observable market data.

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at the end of the reporting period based on the three different levels as defined above:

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Financial assets				
Investments at FVOCI	**–**	**–**	**22,496**	**22,496**
Derivatives				
– commodities futures contracts	**37,490**	**–**	**–**	**37,490**
– commodities forward contracts	**–**	**104,744**	**–**	**104,744**
– forward foreign exchange contracts	**–**	**14,664**	**–**	**14,664**
	37,490	**119,408**	**22,496**	**179,394**
Financial liabilities				
Derivatives				
– commodities futures contracts	**(9,575)**	**–**	**–**	**(9,575)**
– commodities forward contracts	**–**	**(24,834)**	**–**	**(24,834)**
– forward foreign exchange contracts	**–**	**(27,385)**	**–**	**(27,385)**
	(9,575)	**(52,219)**	**–**	**(61,794)**

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at the end of the reporting period based on the three different levels as defined above: (continued)

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets				
Investments at FVOCI	–	–	29,639	29,639
Derivatives				
– commodities options and futures contracts	3,123	–	–	3,123
– commodities forward contracts	–	7,301	–	7,301
– forward foreign exchange contracts	–	15,969	–	15,969
	3,123	23,270	29,639	56,032
Financial liabilities				
Derivatives				
– commodities futures contracts	(177,333)	–	–	(177,333)
– commodities forward contracts	–	(45,467)	–	(45,467)
– forward foreign exchange contracts	–	(5,213)	–	(5,213)
– interest rate swap contracts	–	(1,266)	–	(1,266)
	(177,333)	(51,946)	–	(229,279)

COMPANY	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Financial assets				
Investments at FVOCI	**–**	**–**	**22,337**	**22,337**
2021				
Financial assets				
Investments at FVOCI	–	–	26,070	26,070
Derivatives				
– forward foreign exchange contracts	–	1,081	–	1,081
	–	1,081	26,070	27,151
Financial liabilities				
Derivatives				
– forward foreign exchange contracts	–	(988)	–	(988)
– interest rate swap contracts	–	(1,266)	–	(1,266)
	–	(2,254)	–	(2,254)

If quoted market prices in active markets are available, these are considered Level 1. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category. It is classified into the Level 3 category if significant unobservable inputs are used.

The fair values of derivatives are determined using quoted price of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quoted for similar instruments, appropriately adjusted or present value techniques, based on available market data, or option pricing models are used. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

There were no transfers between the levels of the fair value hierarchy during the financial year.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments measured at amortised costs

The carrying amounts of non-current financial assets and liabilities are measured at amortised cost.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Short-term financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(ii) Long-term financial instruments

The fair value of the Group's long-term financial instruments approximate their carrying values and it is estimated by discounting the future contractual cash flows at the current market rate available to the Group for similar instruments.

47. CAPITAL MANAGEMENT

(a) Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholder value. This is achieved through reviewing and managing its equity, debt and cash. Equity attributable to equity holders of the Company includes share capital, reserves and retained earnings.

The Group seeks to achieve optimal capital structure taking into account returns expected by shareholders, cost of debts, capital expenditure, investment opportunities, projected cash flows and externally imposed financial covenants. The Group has consistently paid out around 50% to 70% of its recurring annual profit attributable to equity holders of the Company as dividends and reinvests the rest. Whilst the current practice provides a reasonable balance between expansion and cash dividends, the Group may adjust the dividend payout, equity levels and debt levels to achieve the optimal capital structure.

(i) Rating by External Rating Agencies

The Company and its capital market programmes are rated by both local and international rating agencies:

Rating Agency	Company/Programme	Rating as at	Rating
Fitch Ratings	Company and the USD1.5 billion Multi-currency Sukuk Programme	27.03.2023	BBB
Moody's Investors Service	Company and the USD1.5 billion Multi-currency Sukuk Programme	01.09.2022	Baa2
Malaysian Rating Corporation Berhad	RM3.0 billion Perpetual Subordinated Sukuk Programme (Perpetual Sukuk)	04.10.2022	AAIS

(ii) Gearing ratio and interest cover

Gearing ratio and interest cover are some of the ratios used in capital management. Gearing ratio is calculated as gross debt divided by total equity. Gross debt is calculated as the total of borrowings and amount due to a subsidiary (including "current and non-current" as shown in the Company's statement of financial position). Interest cover is calculated as profit before interest and tax excluding impairment on investments in subsidiaries and joint ventures divided by total finance costs (gross).

The ratios are as follows:

	GROUP		COMPANY	
	2022	2021 (Re-presented)	2022	2021
Gearing ratio (%)	**32.1**	35.0	**43.8**	33.7
Interest cover (times)	**17.9**	26.3	**5.8**	26.2

(b) Externally imposed financial covenants and capital structure

In addition to optimising capital structure and complying with externally imposed financial covenants, the Group is also required to comply with statutory requirements in certain countries where the Group operates. This includes minimum capital requirement and the requirement to maintain legal reserves which are non-distributable.

The Group was in compliance with externally imposed financial covenants and capital requirements for the financial year ended 31 December 2022 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

(i) Subsidiaries which are active as at 31 December 2022 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
Agri Sumber Prestari Sdn Bhd	Malaysia	**100.0**	100.0	1	Supply of local manpower and related services to agriculture industry
Chartquest Sdn Bhd	Malaysia	**61.1**	61.1	1	Cultivation of oil palm
Chermang Development (Malaya) Sdn Bhd	Malaysia	**83.9**	83.9	1	Investment holding
Consolidated Plantations Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Guthrie Industries Malaysia Sendirian Berhad	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Guthrie International Investments (L) Ltd	Labuan, Malaysia	**100.0**	100.0	1	Investment holding
Kumpulan Jelei Sendirian Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Mostyn Palm Processing Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sanguine (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm
Sime Darby Plantation Agri-Bio Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing and marketing of rat baits and trading of agricultural related products
Sime Darby Plantation Austral Holdings Berhad	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Oils Bintulu Sdn Bhd	Malaysia	**60.0**	60.0	1	Processing of palm oil and palm kernel oil
Sime Darby Oils Biodiesel Sdn Bhd	Malaysia	**100.0**	100.0	1	Production and sale of biodiesel and related products
Sime Darby Plantation Biotechnology Lab Sdn Bhd	Malaysia	**100.0**	100.0	1	Provision of oil palm tissue culture services
Sime Darby Plantation Consulting Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Oils Nutrition Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing of Palm Tocotrienol Vitamin E
Sime Darby Oils North America Inc.	United States	**100.0**	100.0	4	Marketing of vegetables oil and fat products and provision of technical product support
Sime Darby Oils Professional Sdn Bhd	Malaysia	**100.0**	100.0	1	Distribution and marketing of cooking oil, tocotrienols and palm related products

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
Sime Darby Oils Trading Sdn Bhd	Malaysia	**100.0**	100.0	1	Trading of crude palm oil and palm oil products and as sub-marketing agent of commodities for its related companies
Sime Darby Plantation Global Berhad	Malaysia	**100.0**	100.0	1	Special purpose vehicle for the issuance of securities programme
Sime Darby Oils Trading (Labuan) Limited	Labuan, Malaysia	**100.0**	100.0	1	Trading of commodities
Sime Darby Oils Pasir Gudang Refinery Sdn Bhd	Malaysia	**100.0**	100.0	1	Processing of edible oil and related products
Sime Darby Plantation Latex Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment property company
Sime Darby Plantation (Sabah) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Sime Darby Plantation (Sarawak) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Sime Darby Plantation Childcare Centre Sdn Bhd	Malaysia	**100.0**	100.0	1	Operating childcare services to employees
Sime Darby Plantation Intellectual Property Sdn Bhd	Malaysia	**100.0**	100.0	1	Acquiring, developing and investing in trademarks, patents and intellectual property rights
Sime Darby Plantation Thailand Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Plantation Research Sdn Bhd	Malaysia	**100.0**	100.0	1	Research and development services to group companies in relation to tropical agriculture
Sime Darby Plantation Renewable Energy Sdn Bhd	Malaysia	**100.0**	100.0	1	Renewable energy business covering biogas, solar and biomass projects
Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd	Malaysia	**100.0**	100.0	1	Agricultural research and advisory services, production and sale of oil palm seeds and seedlings
Sime Darby Plantation Technology Centre Sdn Bhd	Malaysia	**100.0**	100.0	1	Research and development services in biotechnology and agriculture
Sime Darby Plantation Ecogardens Sdn Bhd	Malaysia	**100.0**	100.0	1	Business of owning, operating and managing rest/guest house, cafeterias/canteens and renting of conventional and recreational facilities

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
The China Engineers (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Wangsa Mujur Sdn Bhd	Malaysia	**72.5**	72.5	1	Cultivation of oil palm
PT Aneka Intipersada	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Aneka Sawit Lestari	Indonesia	**100.0**	100.0	2	Production and sale of oil palm planting materials
PT Anugerah Sumbermakmur	Indonesia	**100.0**	100.0	2	Investment holding
PT Asricipta Indah	Indonesia	**90.0**	90.0	2	Investment holding
PT Bahari Gembira Ria	Indonesia	**99.97**	99.97	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bersama Sejahtera Sakti	Indonesia	**91.12**	91.12	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bhumireksa Nusasejati	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Bina Sains Cemerlang	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Budidaya Agrolestari	Indonesia	**100.0**	100.0	2	Cultivation of oil palm
PT Sime Darby Oils Pulau Laut Refinery	Indonesia	**100.0**	100.0	2	Processing of palm oil products
PT Guthrie Pecconina Indonesia	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Indotruba Tengah	Indonesia	**50.0**	50.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Kartika Inti Perkasa	Indonesia	**60.0**	60.0	2	Investment holding
PT Kridatama Lancar	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Ladangrumpun Suburabadi	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Laguna Mandiri	Indonesia	**88.6**	88.6	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
PT Lahan Tani Sakti	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Langgeng Muaramakmur	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Minamas Gemilang	Indonesia	**100.0**	100.0	2	Investment holding
PT Muda Perkasa Sakti	Indonesia	**100.0**	100.0	2	Investment holding
PT Padang Palma Permai	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Paripurna Swakarsa	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Perkasa Subur Sakti	Indonesia	**100.0**	100.0	2	Processing of palm oil and palm kernel
PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	**100.0**	100.0	2	Cultivation of oil palm
PT Sajang Heulang	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sandika Natapalma	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sime Darby Oils International Indonesia	Indonesia	**100.0**	100.0	2	Investment holding, trade and services
PT Sime Darby Oils Utama Indonesia	Indonesia	**100.0**	100.0	2	Investment holding, trade and services
PT Sime Darby Plantation Agri Bio	Indonesia	**100.0**	100.0	2	Trading of agricultural related products
PT Sime Darby Oils Indonesia	Indonesia	**100.0**	100.0	2	Provision of procurement, marketing and sale of edible oils
PT Sedjahtera Indo Agro	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sritijaya Abaditama	Indonesia	**60.0**	60.0	2	Investment holding
PT Swadaya Andika	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Tamaco Graha Krida	Indonesia	**90.0**	90.0	2	Cultivation of oil palm and processing of palm oil and palm kernel

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
PT Teguh Sempurna	Indonesia	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Tunggal Mitra Plantations	Indonesia	**60.0**	60.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
Kula Palm Oil Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
New Britain Palm Oil Limited	Papua New Guinea	**100.0**	100.0	2	Investment holding, cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Poliamba Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Ramu Agri-Industries Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and growing canes, cattle rearing, processing and sale of palm oil, palm kernel oil, sugar, ethanol and beef
Markham Farming Company Limited	Papua New Guinea	**100.0**	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel, palm kernel oil and coconut
Guadalcanal Plains Palm Oil Limited	Solomon Islands	**80.0**	80.0	3	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
New Britain Plantation Services Pte. Ltd.	Singapore	**100.0**	100.0	2	Investment holding and management of oil palm plantations and seed production
Sime Darby Oils Carey Island KCP Sdn Bhd	Malaysia	**100.0**	100.0	1	Processing of palm kernel and related products and export and import of palm kernel oil, expellers and its derivatives.
Sime Darby Oils Commodities Sdn Bhd	Malaysia	**100.0**	100.0	1	Trading of crude palm oil and palm oil products and as sub-marketing agent of commodities for its related companies.
Sime Darby Oils Langat Refinery Sdn Bhd	Malaysia	**100.0**	100.0	1	Processing and sales of edible oil and related products.
Sime Darby Oils Port Klang Refinery Sdn Bhd	Malaysia	**100.0**	100.0	1	Processing of edible oil and related products.
Sime Darby Oils Trading Private Limited	Singapore	**100.0**	100.0	2	Trading of palm oil, coconut oil and other edible oils
Ultra Oleum Pte. Ltd.	Singapore	**100.0**	100.0	2	Investment holding

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	Group's effective interest (%) 2021	Auditors	Principal activities
Sime Darby Oils Liverpool Refinery Limited	United Kingdom	**100.0**	100.0	2	Refining of crude palm oil
Sime Darby Oils International Limited	Singapore	**100.0**	100.0	2	Management consultancy services and investment holding
Sime Darby Oils Singapore Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Plantation Investment (Liberia) Private Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Plantation China Oils And Fats Company Limited	Hong Kong SAR	**100.0**	100.0	2	Investment holding
Sime Darby Plantation Hong Kong Nominees Limited	Hong Kong SAR	**100.0**	100.0	2	Investment holding
Sime Darby Oils Nonthaburi Co., Ltd	Thailand	**99.9**	99.9	2	Processing of soya bean oil and related products
Sime Darby Oils Morakot Public Company Limited	Thailand	**99.9**	99.9	2	Processing and marketing of edible oil and related products
Sime Darby Oils Holdings (Thailand) Limited	Thailand	**100.0**	100.0	2	Investment holding
The China Engineers (Thailand) Limited	Thailand	**99.9**	99.9	2	Investment holding
SD Plantation International Investments Limited	Cayman Islands	**100.0**	100.0	4	Investment holding
Golden Hope Overseas Capital	Mauritius	**100.0**	100.0	2	Investment holding
Mulligan International B.V.	Netherlands	**100.0**	100.0	2	Investment holding and provision of employee services to group companies in the Netherlands
Sime Darby Oils Netherlands B.V.	Netherlands	**100.0**	100.0	2	Investment holding
Sime Darby Oils Zwijndrecht Refinery B.V.	Netherlands	**100.0**	100.0	2	Refining and modification of vegetable oils, selling and marketing of edible oils and related products
Sime Darby Oils Europe B.V.	Netherlands	**100.0**	100.0	2	Trading of crude and processed vegetable oils, raw material procurement, logistics and management of operational risk within the Group

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
Sime Darby Oils Speciality Ingredients B.V.	Netherlands	**100.0**	100.0	2	Acquiring, processing, producing and selling of special ingredients for use in food, feed, nutritional, pharmaceutical and cosmetical industry and consumer market
Sime Darby Oils South Africa (Pty) Ltd.	South Africa	**100.0**	100.0	2	Refining and marketing of edible oil related products
PT Sime Darby Oils Sei Mangkei Refinery	Indonesia	**100.0**	–	2	Industry Separation/Fractionation Crude Oil
PT Sime Darby Plantation Commodities Trading (formerly known as PT Sime Darby Commodities Trading)	Indonesia	**100.0**	100.0	2	Wholesale trade of fruit-containing oil

(ii) Joint ventures which are active as at 31 December 2022 are as follows:

Name of company	Country of business	2022	2021	Auditors	Principal activities
Emery Oleochemicals UK Limited	United Kingdom	**50.0**	50.0	3	Distribution of specialty chemical products
SD Plantation TNB Renewables Sdn Bhd	Malaysia	**51.0**	51.0	1	Production and sale of renewable energy using palm oil effluents
Guangzhou Keylink Chemicals Co. Ltd.	China	**49.0**	49.0	3	Manufacturing of surface active agents
Rizhao Sime Darby Oils & Fats Co. Ltd.	China	**45.0**	45.0	4	Storage and marketing of palm oil related products

(iii) Associates which are active as at 31 December 2022 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
Barlow Bulking Sdn Bhd	Malaysia	**32.0**	32.0	3	Provision of bulking and marketing facilities for edible oil producers and millers
Nescaya Maluri Sdn Bhd	Malaysia	**40.0**	40.0	3	Investment holding and licensing
Muang Mai Guthrie Public Company Limited	Thailand	**49.0**	49.0	3	Processing of rubber
Thai Eastern Trat Co., Ltd.	Thailand	**40.0**	40.0	2	Processing of palm oil and palm kernel
Yayasan Sime Darby	Malaysia	**@**	@	1	Administration of scholarship awards and educational loans, undertake sports, environmental conservation and sustainability projects

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2022 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2022	2021	Auditors	Principal activities
Derawan Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Jerai Sendirian Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Linggi Sendirian Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Sua Betong Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Tebong Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Kumpulan Temiang Sdn Berhad	Malaysia	**100.0**	100.0	1	Dormant
Sahua Enterprise Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Bukit Talang Smallholders Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Sime Darby Plantation (Peninsular) Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
Golden Hope Overseas Sdn Bhd	Malaysia	**100.0**	100.0	1	Dormant
PT Guthrie Abdinusa Industri	Indonesia	**70.0**	70.0	2	Dormant
Sime Darby Edible Products Tanzania Limited	Tanzania	**100.0**	100.0	4	Dormant
Trolak Estates Limited	Scotland	**100.0**	100.0	5	Dormant
Dusun Durian Plantations Limited	United Kingdom	**100.0**	100.0	5	Dormant
Kinta Kellas Rubber Estate Plc.	United Kingdom	**100.0**	100.0	5	Dormant
Malaysian Estates Plc.	United Kingdom	**100.0**	100.0	5	Dormant
The Kuala Selangor Rubber Plc.	United Kingdom	**100.0**	100.0	5	Dormant
The London Asiatic Rubber and Produce Company Limited	United Kingdom	**100.0**	100.0	5	Dormant
The Pataling Rubber Estates Limited	United Kingdom	**100.0**	100.0	5	Dormant

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

48. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2022 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2022	2021		
The Straits Plantations Limited	United Kingdom	**100.0**	100.0	5	Dormant
The Sungei Bahru Rubber Estates Plc.	United Kingdom	**100.0**	100.0	5	Dormant
Sime Darby Oils CleanerG B.V.	Netherlands	**100.0**	100.0	4	Dormant

(v) Subsidiaries placed under members' voluntary liquidation/deregistered are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2022	2021		
Eminent Platform Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Golden Hope Agrotech Consultancy Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Golden Hope Fruit Industries Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Nature Ambience Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Sime Darby Plantation Cameroon Ltd.	Cameroon	**100.0**	100.0	4	In members' voluntary liquidation
Sime Darby Oils & Fats Sdn Bhd	Malaysia	**100.0**	100.0	4	In members' voluntary liquidation
Vertical Drive Sdn Bhd	Malaysia	**–**	100.0	4	Liquidated
Sime Darby Edible Products India Private Limited	India	**–**	100.0	4	Liquidated

Notes:

1. Subsidiaries, joint ventures and associates which are audited by PricewaterhouseCoopers PLT, Malaysia.
2. Subsidiaries, joint ventures and associates which are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.
3. Subsidiaries, joint ventures and associates which are audited by firms other than member firms of PricewaterhouseCoopers International Limited.
4. No legal requirement to appoint statutory auditors.
5. Subsidiaries which are exempted from having their financial statements audited in UK pursuant to exemption available under section 480 of the UK Companies Act 2006.

\+ Notwithstanding that the Group holds more than 50% equity interest in SD Plantation TNB Renewables Sdn Bhd, the investment is classified as a joint venture (and not a subsidiary) as significant decisions require unanimous consent from all its shareholders.

@ Yayasan Sime Darby is a company without share capital, limited by guarantee.

49. SUBSEQUENT EVENTS AFTER REPORTING DATE

(a) USCBP allegations against the Group

In July 2020, a non-governmental organisation, Liberty Shared ("the petitioner"), made public a summary of a petition it had filed against the Group to the United States Customs and Border Protection ("USCBP"). Subsequently, the Group engaged the petitioner and the USCBP, seeking clarification on the allegations and appropriate next steps.

On 30 December 2020, the USCBP had issued a press release stating that a Withhold Release Order ("WRO") had been imposed on the palm products produced in the Group's Malaysian operations. The Group engaged with the USCBP, as well as relevant Malaysian authorities, customers, financiers, investors, analysts, and various other key stakeholders to address any and all concerns. On 28 January 2022, the USCBP issued a notice of finding on the palm products produced in the Group's Malaysian operations.

On 1 March 2021, the Group appointed an ethical trade consultancy, Impactt Limited ("Impactt"), to conduct a comprehensive third-party evaluation of the labour practices across its Malaysian operations, mapped against the International Labour Organisation's 11 indicators of forced labour. The Group's Board Sustainability Committee has undertaken the important oversight function over the evaluation exercise.

On 15 February 2022, the Group announced several improvements and changes to its governance structures, policies and procedures and the implementation of new measures, all with the primary goal of ensuring the wellbeing of its workers. The Group has reimbursed foreign workers currently within its employ who may have paid recruitment fees to unethical persons, in contravention of the Group's policies, to secure employment with the Group. A sinking fund has also been established to reimburse former foreign workers who may have paid recruitment fees to secure employment with the Group. The amount payable for the remediation recruitment fees has been disclosed in Note 40. Additionally, the Group has established an improved Responsible Recruitment Procedure to ensure that tighter controls are in place for the protection of new recruits. The Group has also established new platforms for better social dialogue with its workers.

On 26 April 2022, the Group's submission to the USCBP was undertaken by the Group's lawyers in the United States. The submission included details of the Group's operations mapped against the International Labour Organisation ("ILO") indicators of forced labour, reports from third party consultants and relevant supporting documents.

On 3 February 2023, the USCBP announced that it had modified the forced labour finding against the Group. This follows a thorough review of the Group's submission to the USCBP detailing the holistic approach the Group had taken and the various measures implemented to ensure the Group's operations are free of forced labour. With this modification, the Group's palm products produced in its Malaysian operations can now be freely exported into the United States.

(b) Proposed disposal of 100% equity interest in PT LSI and PT SHE

PT Anugerah Sumbermakmur ("ASM") and PT Minamas Gemilang ("MGG") (ASM and MGG collectively, "Sellers"), both wholly-owned indirect subsidiaries of Sime Darby Plantation Berhad had on 14 April 2023 entered into two Conditional Shares Sale and Purchase Agreements ("CSPAs") with PT Global Berkat Usahatama ("PT GBU" or "Purchaser"), a company incorporated in the Republic of Indonesia, for the disposal of the Seller's cumulative 100% equity interest in PT LSI and PT SHE at a combined total cash consideration of IDR1,750 billion (equivalent to approximately RM518 million) ("Sale Consideration") only subject to the terms and conditions as contained in the CSPAs ("Proposed Disposal"). Upon completion of the Proposed Disposal, PT LSI and PT SHE will cease to be indirect subsidiaries of the Group.

The CSPAs are subject to the fulfilment of the Conditions Precedents ("CPs") by the Sellers and Purchaser. The Sellers' CPs are as follow:

(i) Announcement of the Proposed Disposal in one daily newspaper in the Indonesian language with national circulation within Indonesia's territory and the notification to the employees of PT LSI and PT SHE to comply with the provisions of the Indonesian company law.

(ii) Each of the Sellers have adopted the required corporate approvals as required by its respective articles of association evidencing the authorisation of the execution and delivery by the Sellers of the CSPA.

(iii) Release of PT LSI and PT SHE Online Single Submission ("OSS") System from any blockage.

(iv) The 30-day newspaper announcement period as stated in Sellers' CP(i) above has lapsed.

(v) Shareholders' Resolution to approve the Proposed Disposal and the change of the compositions of the Board of Directors and the Board of Commissioners of PT LSI and PT SHE have been adopted.

(vi) Novation or termination of the guarantee agreement pursuant to which PT LSI acts as a guarantor of a loan agreement entered into by PT LSI and/or its affiliates, with PT Bank CIMB Niaga Tbk, including its amendments and/or addendum from time to time ("CIMB") ("Plasma Loan Agreement"), or release of PT LSI as the guarantor for the Plasma Loan Agreement by CIMB, or waiver of the change in control covenant under the Plasma Loan Agreement by CIMB.

(vii) The completion of the CSPAs of PT SHE and PT LSI of share disposal is inter conditional, upon completion of the two CSPAs of PT LSI and PT SHE respectively.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2022

49. SUBSEQUENT EVENTS AFTER REPORTING DATE (CONTINUED)

(b) Proposed disposal of 100% equity interest in PT LSI and PT SHE (continued)

The Purchaser's CP is as follows:

(i) The deed of settlement as the final and binding court decision based on the Settlement Agreement entered into between PT Asa Karya Multipratama ("AKMP") and Sime Darby Plantation Berhad ("SDPB"), the Sellers and two other wholly-owned subsidiaries of SDPB, Guthrie International Investments (L) Limited ("GIIL") and Mulligan International B.V. (Mulligan) (SDPB, Sellers, GIIL and Mulligan collectively referred to as "Defendants") has been issued.

This Settlement Agreement relates to the civil claim filed by AKMP against the Defendants alleging that an agreement between AKMP and the Sellers in respect of the sale and purchase of shares in PT LSI and PT SHE for the sum of IDR1.65 trillion (approximately RM488.4 million) had been established based on the correspondences between AKMP and the Sellers. See Note 44(d) on the details of the civil claim against the Group.

50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 19 April 2023.

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) Of The Companies Act 2016

We, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas and Mohamad Helmy Othman Basha, two of the Directors of Sime Darby Plantation Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 129 to 250 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the Board of Directors dated 19 April 2023.

TAN SRI DATO' SERI HAJI MEGAT NAJMUDDIN DATUK SERI DR HAJI MEGAT KHAS
DIRECTOR

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
19 April 2023

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, Renaka Ramachandran, the Officer primarily responsible for the financial management of Sime Darby Plantation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 129 to 250 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

RENAKA RAMACHANDRAN
OFFICER

Subscribed and solemnly declared by the abovenamed Renaka Ramachandran at Selangor, Malaysia on 19 April 2023.

Before me,

PESURUHJAYA SUMPAH
B644
Sollehan Shafura binti Zainuddin
BC/S/2446
1.6.2021 - 31.12.2023
MALAYSIA

B-2-13, Capital 2, Oasis Square,
No. 2, Jln PJU 1A/7A,
Ara Damansara,
47301, Petaling Jaya, Selangor.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members Of Sime Darby Plantation Berhad
(Incorporated in Malaysia) Registration No. 200401009263 (647766-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sime Darby Plantation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 129 to 250.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of the carrying value of the goodwill arising from the New Britain Palm Oil Limited ("NBPOL") acquisition Refer to Notes 3(g)(i), 3(l)(i), 4(a) and 22(i) to the financial statements. The intangible assets of the Group include goodwill of RM2,245.2 million which arose from the acquisition of NBPOL group during the financial year ended 30 June 2015. The goodwill was partly allocated to PT Minamas Gemilang and its subsidiaries ("Minamas Group") cash generating unit ("CGUs") as the Minamas Group operations are expected to benefit from the additional planting material synergies arising from the acquisition of NBPOL. In accordance with the Group's accounting policy, the Group undertakes an impairment assessment of goodwill on an annual basis or more frequently whenever events or circumstances occur indicate that an impairment may exist. Management performed impairment assessments of the two CGUs based on the value-in-use ("VIU") determined using discounted cash flow models, which were approved by the Directors. A range of sensitivity analysis was also performed by management. We focused on the recoverability of the carrying amount of goodwill due to the significance of the amount and significant judgement involved in determining the key assumptions used to derive the recoverable amounts of the CGUs, comprising the projection period, fresh fruit bunches ("FFB") yields, crude palm oil ("CPO") selling prices and the discount rates as disclosed in Note 22 (i) to the financial statements. Based on management's assessment, no impairment was required as the recoverable amounts exceeded the carrying amount of goodwill in the two CGUs as at 31 December 2022.	We performed the following audit procedures in relation to the impairment assessment of the carrying value of goodwill: 1. Evaluated the reasonableness of the key assumptions used by management in the approved cash flow projections by: a) agreeing the projection period to the remaining lease period for the respective CGUs; and b) comparing the FFB yields and CPO selling prices to historical results, forecasted commodity prices and industry data where appropriate. 2. Assessed the reliability of management's cash flow projections by comparing the Group's previous years' forecasted results against past trends of actual results. 3. Involved our valuation experts to independently assess the discount rates used in determining the recoverable amounts of the respective CGUs, and determined whether the change in the discount rates used compared to the rates used in the previous financial year is reasonable. 4. Assessed the appropriateness of sensitivity analysis performed by management, including the disclosures of a reasonable possible change in the key assumptions and the corresponding effect on the respective recoverable amounts by re-performing the sensitivity analysis. 5. Checked the mathematical accuracy of the VIU cash flows. Based on the above procedures, we did not note any material exception to management's assessment of the recoverability of the Group's carrying amount of goodwill arising from the acquisition of NBPOL as at 31 December 2022.

We have determined that there are no key audit matters to report for the Company.

INDEPENDENT AUDITORS' REPORT

To The Members Of Sime Darby Plantation Berhad
(Incorporated in Malaysia) Registration No. 200401009263 (647766-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the remaining sections of the 2022 Annual Report of Sime Darby Plantation Berhad, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 48 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SRIDHARAN NAIR
02656/05/2024 J
Chartered Accountant

Kuala Lumpur
19 April 2023

PROPERTIES OF THE GROUP

As at 31 December 2022

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES						
Malaysia						
Kedah Darul Aman						
Anak Kulim, Bukit Hijau, Bukit Selarong, Jentayu, Padang Buluh, Somme, Sungai Dingin	Freehold	18,741	1978-2006	17	Oil palm and rubber estates and a palm oil mill	384
Bukit Hijau	Leasehold expiring 2068	9	2006	–	Rubber estate	^
Perak Darul Ridzuan						
Bagan Datoh, Bikam, Chersonese, Cluny, Elphil, Flemington, Holyrood, Kalumpong, Kamuning, Kinta Kellas, Sabrang, Selaba, Seri Intan, Sogomana, Sungai Samak, Sungei Wangi, Tali Ayer	Freehold	36,871	1978-2001	13-29	Oil palm and rubber estates and 5 palm oil mills	1,116
Chersonese, Cluny, Kalumpong, Kamuning, Kinta Kellas, Sogomana, Sungai Samak, Tali Ayer	Leasehold expiring 2035-2897	5,446	1978-1987	–	Oil palm estates	75
Pahang Darul Makmur						
Chenor, Jabor, Jentar, Kerdau, Mentakab, Sungai Mai	Freehold	9,318	1985-2006	26	Oil palm estates and 2 palm oil mills	311
Bukit Puteri, Chenor, Kerdau, Sungai Mai	Leasehold expiring 2057-2086	10,621	1985-1992	16-26	Oil palm estates and a palm oil mill	113
Selangor Darul Ehsan						
Banting, Bestari Jaya, Bukit Cheraka, Bukit Kerayong, Bukit Lagong, Bukit Rotan, Bukit Talang, Dusun Durian, East Carey Island, Sabak Bernam, Sepang, Sungai Buloh, Teluk Panglima Garang, Tennamaram, West Carey Island	Freehold	35,524	1978-2013	5-31	Oil palm estates, 4 palm oil mills, biodiesel and kernel crushing plants, rat bait factory, laboratories, research centres, warehouse and a training centre	1,282
East Carey Island, Port Klang, Sungai Buloh, Tennamaram	Leasehold expiring 2029-2086	170	1978-2010	46	Oil palm estates and a bulking plant	18
Negeri Sembilan Darul Khusus						
Bradwall, Bukit Pelandok, Bukit Pilah, Kok Foh, Labu, New Labu, P.D. Lukut, Pertang, Salak, Sengkang, Siliau, Sungai Gemas, Sungai Sabaling, St Helier, Sua Betong, Sungai Bharu, Tampin Linggi, Tanah Merah	Freehold	36,019	1978-2009	10-25	Oil palm and rubber estates, 4 palm oil mills and a research laboratory	783
Kok Foh, Sungai Bharu	Leasehold expiring 2034-2072	146	1982-1993	–	Oil palm estates	2

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Malaysia (continued)						
Melaka						
Bukit Asahan, Diamond Jubilee, Kempas, Kemuning, Serkam	Freehold	14,738	1978-2011	15-23	Oil palm estates and 2 palm oil mills	298
Bukit Asahan, Diamond Jubilee, Kempas, Kemuning, Serkam	Leasehold expiring 2025-2071	470	1982-1992	–	Oil palm estates	2
Johor Darul Takzim						
Batu Anam, Bukit Badak, Bukit Benut, Bukit Paloh, CEP Nyior, CEP Renggam, Cha'ah, Gunung Mas, Hadapan, Kempas Klebang, Kulai, Lambak, Lanadron, Layang, Muar River, New Pagoh, North Labis, Pagoh, Pengkalan Bukit, Sembrong, Seri Pulai, Sungai Senarut, Sungai Simpang Kiri, Tangkah, Tun Dr. Ismail, Ulu Remis, Welch, Yong Peng	Freehold	54,207	1978-2012	5-26	Oil palm and rubber estates, 4 palm oil mills, a research centre and 2 rubber factories	1,485
Cenas, CEP Nyior, Cha'ah, Lanadron, Layang, Muar River, Pekan, Sembrong, Sungai Senarut, Sungai Simpang Kiri, Ulu Remis	Leasehold expiring 2068-2918	18,611	1978-2012	26-30	Oil palm estates and 2 palm oil mills	232
Sabah						
Binuang, Bombalai, Giram, Imam, Jeleta Bumi, Kunak, Melalap, Merotai, Mostyn, Sandakan Bay, Sapong, Segaliud, Sentosa, Sungang, Table, Tiger, Tigowis, Tingkayu, Tun Tan Siew Sin, Tunku	Leasehold expiring 2038-2940	53,645	1978-1983	15-36	Oil palm estates, 5 palm oil mills, a bulking plant and a research centre	1,478
Sarawak						
Bayu, Belian, Chartquest, Damai, Derawan, Dulang, Kelida, Lavang, Paroh, Pekaka, Rajawali, Rasan, Ruai, Sahua, Samudera, Semarak, Takau	Leasehold expiring 2045-2082	46,999	1990-2004	19-27	Oil palm estates and 4 palm oil mills	975
Upstream Malaysia Properties		341,535				8,554

PROPERTIES OF THE GROUP

As at 31 December 2022

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Indonesia						
Kalimantan – West						
Awatan, Beturus, East, Karya Palma, Kelampai, Lembiru, Pelanjau, Sei Mawang, Sungai Putih, West	Leasehold expiring 2030	36,880	2001-2013	11-20	Oil palm estates, 2 palm oil mills and a bulking plant	265
Kalimantan – Central						
Baras Danum, Batang Garing, Hatan Tiring, Kawan Batu, Kuala Kuayan, Pemantang, Sapiri, Sekunyir, Seruyan, Sukamandang	Leasehold expiring 2033-2034	39,116	2001-2018	14-25	Oil palm estates, 3 palm oil mills, a bulking plant and a kernel crushing plant	407
Kalimantan – South						
Angsana, Bakau, Banjarbaru, Bebunga, Betung, Binturung, Gunung Aru, Gunung Kemasan, Lanting, Laut Timur, Matalok, Mustika, Pantai Bonati, Pantai Timur, Pondok Labu, Rampa, Randi, Rantau, Sangkoh, Sekayu, Selabak, Sesulung, Sungai Cengal	Leasehold expiring 2032-2054	86,646	2001-2012	5-26	Oil palm estates, 8 palm oil mills, 2 bulking plants and a kernel crushing plant	1,521
Sulawesi – Central						
Ungkaya	Leasehold expiring 2024	4,712	2001-2011	10-27	Oil palm estate, a palm oil mill and a bulking plant	98
Sumatera – Jambi						
Panjang	Leasehold expiring 2038	4,000	2001-2007	14	Oil palm estate and a palm oil mill	42
Sumatera – South						
Bumi Ayu, Bukit Pinang, Karang Ringin, Mangun Jaya, Napal, Rantau Panjang, Sungai Jernih, Sungai Pinang	Leasehold expiring 2033-2034	21,075	2001-2002	19-21	Oil palm estates and 2 palm oil mills	316
Sumatera – East Aceh						
Batang Ara, Blang Simpo 1 & 2, Tamiang	Leasehold expiring 2027-2037	8,742	2001-2008	24-39	Oil palm estates and a palm oil mill	153
Sumatera – Riau						
Alur Damai, Aneka Persada, Mandah, Menggala 1 – 3, Nusa Lestari, Nusa Persada, Pekanbaru, Pinang Sebatang, Rotan Semelur, Teluk Bakau, Teluk Siak	Leasehold expiring 2031-2036	54,836	2001-2015	8-26	Oil palm estates, 5 palm oil mills and a research centre	926
Upstream Indonesia Properties		256,007				3,728

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
UPSTREAM PROPERTIES (CONTINUED)						
Papua New Guinea						
West New Britain, Morobe, Oro, Milne Bay, New Ireland, Markham Valley	Leasehold expiring 2023-2113	138,331	2018	2-49	Oil palm estates, a sugar cane, plantation, grazing, pastures, a refinery, 2 biogas plants, a sugar factory, 12 palm oil mills, 6 kernel crushing plants, and 2 abattoirs	3,359
Solomon Islands						
Guadalcanal	Leasehold expiring 2043-2065	8,315	2015	6-16	Oil palm estates, a palm oil mill and a kernel crushing plant	304
Upstream Properties		744,188				15,945
DOWNSTREAM AND OTHERS PROPERTIES						
Malaysia						
Selangor Darul Ehsan						
Teluk Panglima Garang	Freehold	2	2012	–	Vacant land	4
North Port Edible Oil Refinery Complex, Teluk Panglima Garang	Leasehold expiring 2076-2105	17	2006-2012	11-13	Refineries	129
Johor Darul Takzim						
Pasir Gudang	Leasehold expiring 2035-2043	6	1974-1985	46	Refinery	10
Sarawak						
Kawasan Perindustrian Kidurong, Bintulu	Leasehold expiring 2072	14	2004	8-14	Refinery and a kernel crushing plant	25
Downstream and Others Properties – Malaysia		39				168
OVERSEAS						
Indonesia						
Desa Sei Taib, Kecamatan Pulau Laut, Kalimantan	Leasehold expiring 2044	32	2014	7-8	Refinery	119
Sumatera North	Leasehold expiring 2052	16	2022	–	Refinery	41
Thailand						
Sukhumvit Road, Bangkok	Freehold	–	1986-2011	14-33	Office buildings	5
Poochaosamingprai Road, Samut Prakan	Freehold	5	1986	2-33	2 Refineries	31
Tiwanon Road, Nonthaburi	Freehold	13	2014	36-41	Crushing and refining plant and office building	85

PROPERTIES OF THE GROUP

As at 31 December 2022

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
OVERSEAS (CONTINUED)						
The Netherlands						
Lindtsedijk, Zwijndrecht	Freehold	11	2002	8-90	Refinery and a research centre	137
South Africa						
Boksburg	Leasehold expiring 2023	1	2004	10	Refinery	^
United Kingdom						
Liverpool	Leasehold expiring 2034	3	2015	7-12	Refinery and office building	87
Papua New Guinea						
Markham Valley, Madang, Buka	Leasehold expiring 2033	1	2018	5-12	2 copra mills	167
Downstream and Others Properties – Overseas		82				672
Downstream and Others Properties		121				840
GENERAL						
Malaysia						
Selangor Darul Ehsan						
Plantation Tower, Oasis, Ara Damansara	Freehold	2	2012	8	Office complex	234
Negeri Sembilan Darul Khusus						
Port Dickson	Freehold	3	2018	27-63	Holiday bungalow	8
Pahang Darul Makmur						
Cameron Highlands	Leasehold expiring 2026-2082	2	2018	35-92	Holiday bungalow	2
Plantation Properties – General		7				244
Total Plantation Properties		744,316				17,029

\+ The age of building is in respect of the building, mill and plant

^ NBV less than RM1 million

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2023

Total Number of Issued Shares	: 6,915,714,601
Class of Shares	: Ordinary Shares
Voting Rights	: One vote per ordinary share in the case of a poll and one vote per person on a show of hand

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,848	11.47	70,500	0.00
100 to 1,000	6,102	24.59	3,652,897	0.05
1,001 to 10,000	11,811	47.59	39,180,801	0.57
10,001 to 100,000	3,123	12.58	85,988,359	1.24
100,001 to less than 5% of issued capital	933	3.76	2,267,703,465	32.79
5% and above of issued capital	3	0.01	4,519,118,579	65.35
Total	24,820	100.00	6,915,714,601	100.00

Classification of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	20,335	81.93	120,044,527	1.73
Banks/Finance Companies	67	0.27	4,482,724,151	64.82
Investment Trusts/Foundations/Charities	17	0.07	653,521	0.01
Industrial and Commercial Companies	536	2.16	73,385,928	1.06
Government Agencies/Institutions	2	0.01	2,424,590	0.04
Nominees	3,861	15.55	2,236,376,609	32.34
Others	2	0.01	105,275	0.00
Total	24,820	100.00	6,915,714,601	100.00

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

As disclosed in the Directors' Report of the Financial Statements as set out on page 124, save for Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas, no other Directors of the Company have any interest, direct or indirect, in shares, or debentures of, the Company or in a related corporation.

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2023

TOP 30 SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	% of Issued Shares
1	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	3,185,356,777	46.06
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	895,892,290	12.95
3	Kumpulan Wang Persaraan (Diperbadankan)	437,869,512	6.33
4	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	162,023,064	2.34
5	AmanahRaya Trustees Berhad Amanah Saham Malaysia	156,966,854	2.27
6	Permodalan Nasional Berhad	105,497,723	1.53
7	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	92,041,237	1.33
8	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	63,085,937	0.91
9	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	57,887,917	0.84
10	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	53,650,000	0.78
11	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	50,212,379	0.73
12	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	47,332,369	0.68
13	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	47,244,170	0.68
14	Lembaga Tabung Haji	46,850,000	0.68
15	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	43,199,049	0.62
16	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	40,462,700	0.59
17	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	39,015,928	0.56
18	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	36,811,111	0.53

No.	Name of Shareholder	No. of Shares Held	% of Issued Shares
19	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	33,519,453	0.48
20	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Kuwait Investment Office (KIO)	29,493,700	0.43
21	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	26,263,600	0.38
22	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (1)	25,613,500	0.37
23	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	21,303,700	0.31
24	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	20,187,200	0.29
25	Citigroup Nominees (Asing) Sdn Bhd CB Spore GW for Government of Singapore (GIC C)	19,799,808	0.29
26	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	18,069,884	0.26
27	AmanahRaya Trustees Berhad Public Islamic Equity Fund	17,584,198	0.25
28	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CGS CIMB)	17,279,287	0.25
29	Cartaban Nominees (Tempatan) Sdn Bhd PBTB for Takafulink Dana Ekuiti	17,236,699	0.25
30	Pertubuhan Keselamatan Sosial	16,277,135	0.24
Total		**5,824,027,181**	**84.21**

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	No. of Shares Held (Direct Interest)	% of Issued Shares	No. of Shares Held (Indirect/ Deemed Interest)	% of Issued Shares
1	AmanahRaya Trustees Berhad				
	– Amanah Saham Bumiputera	3,185,356,777	46.060	–	–
2	Employees Provident Fund Board	895,892,290	12.954	102,969,599	1.489
3	Kumpulan Wang Persaraan (Diperbadankan)	438,334,512	6.338	23,050,700	0.333

ADDITIONAL COMPLIANCE INFORMATION

Information pertaining to Sime Darby Plantation Berhad (SDP or Company) and Group for the financial year under review is as follows:

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There was no proceed raised from corporate proposals during the financial year ended 31 December 2022.

AUDIT AND NON-AUDIT FEES

(i) The amount of audit fees paid or payable to the external auditors, Messrs PricewaterhouseCoopers PLT (PwC) and their affiliated companies for services rendered to the Group for the financial year ended 31 December 2022 is RM13.0 million. The amount paid or payable to PwC for services rendered to the Company is RM1.9 miilion.

(ii) The amount of non-audit fees paid or payable to the external auditors, PwC, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2022 amounted to RM4.1 million and RM1.8 million, respectively.

MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving interests of Directors and Major Shareholders during the financial year ended 31 December 2022.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Group has established appropriate procedures to ensure that all Related Party Transactions (RPTs) and recurrent RPTs are tracked and recorded in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Report on RPTs and recurrent RPTs is submitted to the Governance & Audit Committee on a quarterly basis for monitoring purposes.

The Company did not seek the approval of its shareholders on any mandate for its recurrent RPTs during the financial year ended 31 December 2022.

FINANCIAL CALENDAR

For the financial year ended 31 December 2022

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

1st Quarter ended 31 March 2022	:	20 May 2022
2nd Quarter ended 30 June 2022	:	23 August 2022
3rd Quarter ended 30 September 2022	:	22 November 2022
4th Quarter ended 31 December 2022	:	17 February 2023

DIVIDEND

	Announcement Date	Entitlement Date	Payment Date
Interim dividend of 10 sen per ordinary share	23 August 2022	4 November 2022	18 November 2022
Final single tier dividend of 6.04 sen per ordinary share	17 February 2023	28 April 2023	15 May 2023

20TH ANNUAL GENERAL MEETING

Notice Date	:	28 April 2023
Meeting Date	:	15 June 2023

SHARE PRICE MOVEMENT

For the financial year ended 31 December 2022

	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
Highest (RM)	4.07	4.91	5.30	5.34	5.27	4.91	4.36	4.71	4.44	4.50	4.46	4.77
Lowest (RM)	3.53	3.52	4.90	4.95	4.90	4.04	3.83	4.11	4.08	3.93	4.25	4.25
Volume Traded (Million shares) (RHS)	36.43	212.18	213.84	172.42	156.36	107.09	57.50	65.63	55.65	54.94	72.71	70.82

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting (AGM) of Sime Darby Plantation Berhad (SDP or Company) will be held virtually from Grand Ballroom, Level 2, DoubleTree by Hilton Shah Alam i-City, i-City Finance Avenue, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia as the Broadcast Venue and via the TIIH Online website at https://tiih.online on Thursday, 15 June 2023 at 10.00 a.m. for the transaction of the following businesses:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and the Auditors thereon.
   Refer to Explanatory Note 1

2. To approve the payment of Directors' remuneration to the Non-Executive Directors as disclosed in the Audited Financial Statements for the financial year ended 31 December 2022. **(Resolution 1)**
   Refer to Explanatory Note 2

3. To approve the payment of Directors' fees to the Non-Executive Directors up to an amount of RM7,500,000 from 1 January 2023 until the next AGM of the Company. **(Resolution 2)**
   Refer to Explanatory Note 2

4. To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM1,200,000 from 1 January 2023 until the next AGM of the Company. **(Resolution 3)**
   Refer to Explanatory Note 2

5. To re-elect the following Directors who retire in accordance with Rule 81.2 of the Constitution of the Company and who being eligible, offer themselves for re-election:

   (i) Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani **(Resolution 4)**
   (ii) Dato' Idris Kechot **(Resolution 5)**
   (iii) Dato' Sri Sharifah Sofianny Syed Hussain **(Resolution 6)**
   (iv) Datuk Seri Amir Hamzah Azizan. **(Resolution 7)**
   Refer to Explanatory Note 3

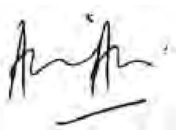
6. To re-elect Dato' Mohd Nizam Zainordin who retires in accordance with Rule 103 of the Constitution of the Company and who being eligible, offers himself for re-election. **(Resolution 8)**
   Refer to Explanatory Note 3

7. To appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Board of Directors to determine their remuneration. **(Resolution 9)**
   Refer to Explanatory Note 4

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to participate at this 20th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 63 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 6 June 2023. Only a depositor whose name appears on the Record of Depositors as at 6 June 2023 shall be entitled to participate at the said meeting or appoint proxies to participate and/or vote on his/her behalf.

By Order of the Board



Azrin Nashiha Abdul Aziz
(LS0007238)
(SSM Practicing Certificate No. 202208000233)
Company Secretary

Selangor Darul Ehsan, Malaysia
28 April 2023

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Virtual Meeting

1. The venue of the 20th Annual General Meeting (AGM) is strictly a Broadcast Venue as the conduct of the 20th AGM will be a virtual meeting. The Broadcast Venue is also for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

2. Shareholders will not be allowed to attend the 20th AGM in person at the Broadcast Venue on the day of the meeting.

3. Shareholders are to attend (including posing questions in real time to the Board in the form of typed texts) and vote (collectively, participate) remotely at the 20th AGM through the Remote Participation and Voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn Bhd through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the 20th AGM.

Proxy and/or Authorised Representative

1. A member of the Company entitled to participate at the 20th AGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to participate at the 20th AGM on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a member of the Company.

2. A member of the Company may appoint any person to be his/her proxy without any restriction as to the qualification of such person.

3. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 20th AGM of the Company shall be put to vote by way of a poll.

4. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.

5. Where a member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.

6. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised, or in any other manner authorised by the Constitution of the Company. Any alteration to the instrument appointing a proxy must be initialled.

7. The appointment of proxy(ies) may be made in a hardcopy form or by electronic means as follows:

   (i) In Hardcopy Form

   The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur no later than Wednesday, 14 June 2023 at 10.00 a.m.

   (ii) By Tricor Online System (TIIH Online)

   The Form of Proxy can be electronically lodged with the Share Registrar of the Company via TIIH Online (applicable to individual share owner only). The website to access TIIH Online is https://tiih.online (Kindly refer to the Administrative Details for the 20th AGM on the "Procedure for Electronic Lodgement of the Form of Proxy" on how to submit the e-Proxy).

Explanatory Notes

1. Audited Financial Statements for the Financial Year Ended 31 December 2022

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (CA 2016) for discussion only. The Audited Financial Statements do not require shareholders' approval and as such, will not be put forward for voting.

2. **Directors' Remuneration – Fees and Benefits Payable to the Non-Executive Directors**

Rule 82.1 of the Constitution of the Company provides that the fees and benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting. Pursuant to Section 230 of CA 2016, fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board agreed that shareholders' approval be sought on the Directors' remuneration in three (3) separate resolutions as follows:

(i) **Resolution 1 – Payment of Directors' Remuneration to the Non-Executive Directors for the Financial Year Ended 31 December 2022**

Please refer to page 160 of the Notes to the Financial Statements for the amount of Directors' Remuneration at Sime Darby Plantation Berhad (SDP) and the Group levels, to be approved at the 20th Annual General Meeting (AGM) comprising fees and benefits to the Non-Executive Directors (NED) amounting to RM4.374 million. The remuneration of each Director is set out in the Corporate Governance Report on pages 57 to 59.

(ii) **Resolution 2 – Payment of Directors' Fees to the Non-Executive Directors from 1 January 2023 until the next AGM of the Company**

The proposed payment of Directors' fees for the NEDs for the period from 1 January 2023 until the next AGM of the Company is based on the following fee structure which has not changed since the previous AGM:

Company	Board/Board Committee	Chairman (per year)	Member (per year)
Sime Darby Plantation Berhad	Board	RM600,000	RM240,000
	Governance & Audit Committee	RM80,000	RM50,000
	Other Board Committees	RM60,000	RM35,000
PT Minamas Gemilang & PT Anugerah Sumbermakmur	Board	RM80,000	RM50,000
	Governance & Audit Committee	RM20,000	RM12,000
Sime Darby Oils International Limited	Board	SGD27,000	SGD20,000
	Governance & Audit Committee	SGD7,000	SGD5,000
New Britain Palm Oil Limited	Board (SDP Nominee)	PGK102,600	PGK85,250
	Audit Committee	Nil	Nil

(iii) **Resolution 3 – Payment of Benefits Payable to the Non-Executive Directors**

The benefits payable to the NEDs comprise allowances and other emoluments payable to the Chairman and members of the Board, Board Committees and boards of subsidiaries.

The Company is seeking shareholders' approval for benefits payable to the NEDs from the period of 1 January 2023 until the next AGM in accordance with the benefits structure, set out below:

Description	Sime Darby Plantation Berhad		Major Subsidiary Companies: PT Minamas Gemilang & PT Anugerah Sumbermakmur	Sime Darby Oils International Limited	New Britain Palm Oil Limited
	Chairman	Member	Chairman & Member	Chairman & Member	Chairman & Member
Meeting Allowances (per meeting)					
(i) Board	RM1,500	RM1,500	RM1,000	SGD300	PGK750
(ii) Board Committees	RM1,000	RM1,000	Nil	Nil	Nil
Benefits	• Company car, petrol and driver. • Telecommunication devices/facilities, medical and insurance coverage.	• Telecommunication devices/facilities, medical and insurance coverage.			

NOTICE OF ANNUAL GENERAL MEETING

In determining the estimated total amount of Directors' fees and benefits payable for the NEDs, the Board has considered various factors including the number of scheduled and special meetings for the Board, Board Committees and boards of subsidiaries, based on the current number of NEDs including a provisional sum as a contingency for future appointment of NEDs on the Board, Board Committees and boards of subsidiaries as well as changes in foreign exchange rate.

The proposed Resolutions 2 and 3, if passed, will give authority to the Company to pay the Directors' fees and benefits payable on a quarterly basis and/or as and when incurred. The decision in respect of fees and benefits payable by the subsidiary will be made by the shareholder of the subsidiaries in accordance with the laws applicable in its jurisdiction. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' fees and benefits on a quarterly basis and/or as and when they are incurred, particularly after the Directors have discharged their responsibilities and rendered their services to the Company and its subsidiaries.

Any NED who is a shareholder of the Company will abstain from voting on Resolutions 1, 2 and 3 concerning remuneration to the NEDs at the 20th AGM of the Company.

3. Resolutions 4 to 8 – Re-election of Directors in accordance with Rule 81.2 and Rule 103 of the Constitution

(i) Rule 81.2 of the Constitution of the Company stipulates that a Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board, shall hold office until the conclusion of the next AGM of the Company and shall be eligible for re-election at such meeting.

Datuk Seri Dr Nik Norzrul Thani Nik Hassan Thani, Dato' Idris Kechot and Dato' Sri Sharifah Sofianny Syed Hussain who were appointed during the financial year as well as Datuk Seri Amir Hamzah Azizan who was appointed on 17 February 2023 being eligible, have offered themselves for re-election at the 20th AGM pursuant to Rule 81.2 of the Constitution of the Company.

(ii) Rule 103 of the Constitution of the Company expressly states that at least one-third (1/3) of the Directors for the time being shall retire from office at each AGM. A Director retiring at a general meeting shall retain office until the conclusion of the meeting. In addition, Rule 104 of the Constitution states that all Directors shall retire from office once at least in each three (3) years. A retiring Director shall be eligible for re-election.

Dato' Mohd Nizam Zainordin being eligible, has offered himself for re-election at the 20th AGM in accordance with Rule 104 of the Constitution.

(iii) The NRC has considered the performance and contribution (including fit and proper assessment) of each of the retiring Directors and has also conducted an independence assessment for Independent NEDs.

Based on the results of the Board & Directors' Effectiveness Evaluation conducted for the financial year ended 31 December 2022, the retiring Directors met the performance criteria required of an effective and high-performance Board. The Directors have also met the overarching fit and proper criteria of the Company.

(iv) The Board has endorsed the NRC's recommendation to seek shareholders' approval for the re-election of the retiring Directors. All Directors standing for re-election have abstained from deliberation and decision on their own eligibility to stand for re-election at the relevant Board meeting and will continue to abstain from deliberations and decisions on their own eligibility to stand for re-election at this AGM.

(v) Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas, Non-Independent Non-Executive Chairman, has informed the Board of his intention to retire and therefore will not be seeking re-election at the AGM. Hence, he will retain office until the conclusion of this AGM in accordance with Rule 103 of the Constitution.

4. **Resolution 9 – Re-appointment of Auditors**

The Governance & Audit Committee (GAC), at its meeting held on 17 April 2023, undertook an annual assessment of the suitability and independence of the external auditors, PricewaterhouseCoopers PLT (PwC), in accordance with the Policy on External Auditor Appointment & Selection. The GAC considered the following factors in its assessment:

(i) Calibre of external audit firm
(ii) Quality of processes/performance
(iii) Audit team
(iv) Independence and objectivity
(v) Audit scope and planning
(vi) Audit fees
(vii) Audit communications.

In addition, the GAC has also considered the information in the Annual Transparency Report of the external audit firm with reference to Guidance 9.3 of the MCCG 2021.

The GAC was satisfied with the suitability of PwC based on the quality of audit, performance and competency provided by PwC to the SDP Group as prescribed under Paragraph 15.21 of the MMLR. The GAC was also satisfied in its review that the provision of non-audit services by PwC to the Group and the Company for the financial year ended 31 December 2022 did not in any way impair their objectivity and independence as the external auditors of the Company.

The Board has, at its meeting held on 19 April 2023, agreed with the GAC's recommendation that shareholders' approval be sought at the 20th AGM on the appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2023, as set out under Resolution 9. The present external auditors, PwC, have indicated their willingness to continue their services for the financial year ending 31 December 2023.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profile of the Directors who are standing for re-election as enumerated in Resolutions 4 to 8 above at the 20th AGM of Sime Darby Plantation Berhad are set out in the Board of Directors section on pages 91 to 93 of the Company's Annual Report 2022.

The details of any interest in securities held by the said Directors are set out in the "Directors' Report" section on page 125 of the Company's Annual Report 2022.

SIME DARBY PLANTATION BERHAD
Registration No.: 200401009263 (647766-V)

Main Block, Level 10, Plantation Tower
No. 2, Jalan PJU 1A/7, Ara Damansara
47301 Petaling Jaya, Selangor
Malaysia

Tel: (603) 7848 4000 Fax: (603) 7848 4172

www.simedarbyplantation.com