ANNUAL REPORT 2020

BREAKTHROUGH INNOVATION

BREAKTHROUGH INNOVATION

GROWING RESPONSIBLY

As a leader in sustainability, it is our responsibility to lead the charge in transforming our industry into one that is free of deforestation and where sustainable oil is universal. We also understand the duality between profitability and sustainability, and recognise that the two can co-exist if the right balance is achieved. We believe the answer to that lies in breakthrough innovation which will allow us to produce more with less. Our unwavering focus on continuous innovation emphasises a multi-faceted approach to productivity and efficiency and is anchored by our commitment towards responsible growth. Through breakthrough innovation, we can achieve a more sustainable future for palm oil.

ABOUT THIS REPORT

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

Reporting Framework

This Report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> framework and represents the third year of SDP's integrated reporting journey. This Report is also aligned to Global Reporting Initiative (GRI) standards, the United Nations Sustainable Development Goals (SDGs) as well as the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad.

The GRI Content Index is available online in the Sustainability section at https://www.simedarbyplantation.com

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

Reporting Scope and Boundary

The scope of this Integrated Report covers the financial year period from 1 January 2020 to 31 December 2020 (FY2020) unless otherwise stated and encompasses all business operations of SDP including our subsidiaries and joint ventures.

Forward-looking Statements

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

THIS REPORT IS AVAILABLE ONLINE:
www.simedarbyplantation.com

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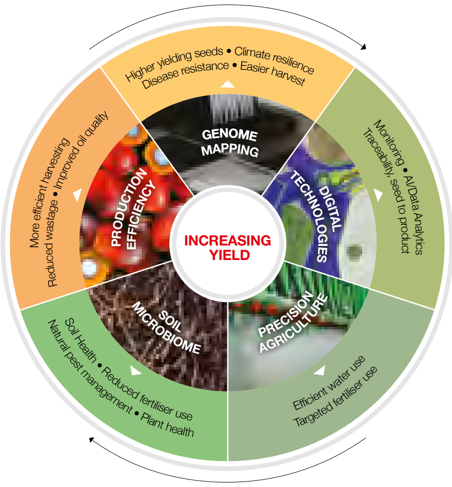
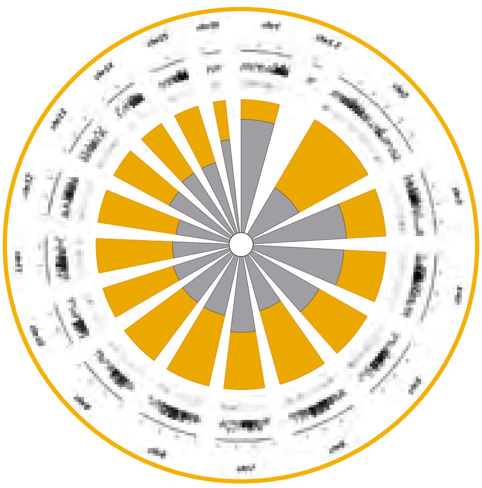
BREAKTHROUGH INNOVATION

Our strong innovation focus in the past decade has borne fruit, as evidenced in our breakthrough in genome research.





08

GROWING RESPONSIBLY

We promote responsible growth in the palm oil industry through transparent reporting and innovation.

10

OUR COMMITMENT TO HUMAN RIGHTS

We are committed to human rights in all our operations and across our supply chain.

GROUP AT A GLANCE

Our Vision

To be the leading integrated global palm oil player

Our Values

Integrity

Respect & Responsibility

Enterprise

Excellence

OUR DIVISIONS

Upstream

Upstream operations encompass 241 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 (CPO).

Read more about Upstream performance on page 42

R&D

Our R&D capabilities encompass all research area requirements across the value chain. Through our strategic and operational R&D, we are committed to developing, applying and transferring relevant knowledge, research findings and technologies to improve our plantation yields, milling processes and customise our Downstream products.

Read more about our R&D performance on page 54

Sime Darby Oils

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

Read more about Sime Darby Oils performance on page 48

Renewables

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

Read more about Renewables performance on page 52

KEY HIGHLIGHTS

Total Landbank

342,408 ha
in Malaysia

256,247 ha
in Indonesia

146,646 ha
in Papua New Guinea and Solomon Islands

Business Presence

15 countries*

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

Innovation Footprint

5
Research & Development Centres

1
Fully Operational Genetic Testing Facility

3
Innovation Centres

190
Scientists and Technicians

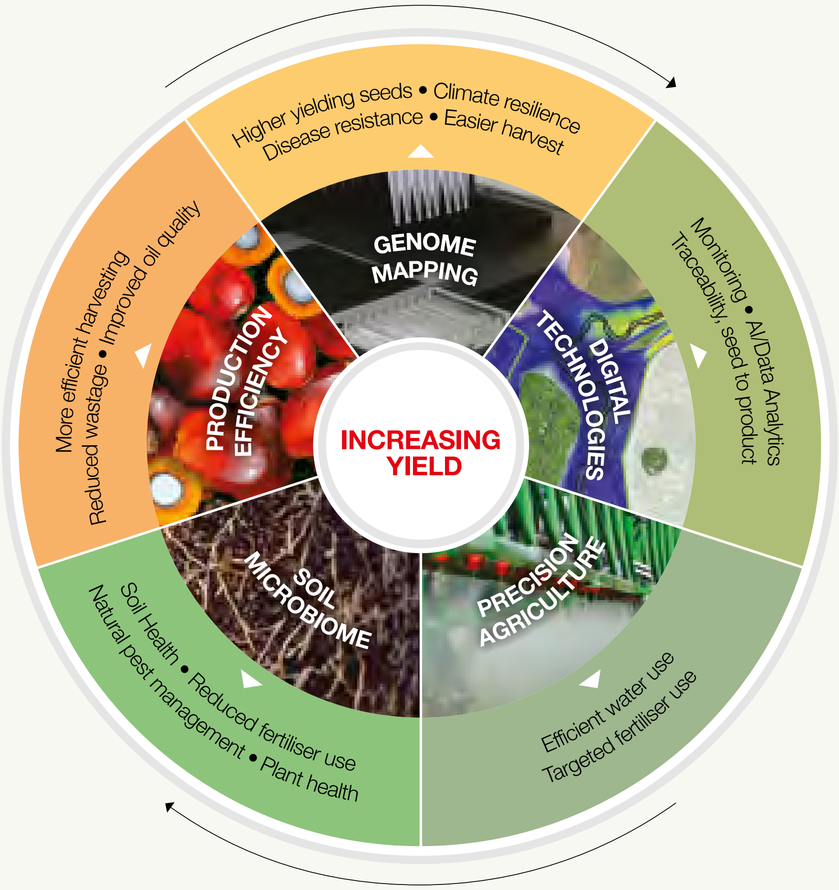
Sustainable Energy

20 MW
project commenced operations in SDP's estates

18%
reduction in carbon emission through the use of biogas

BREAKTHROUGH INNOVATION

Breakthrough innovation comes in many forms and covers the spectrum from genome mapping to satellite monitoring, from creating a healthy soil microbiome to improving efficiency in our harvesting and milling processes. Each part drives our collective effort forward to operate and grow responsibly.



GENOME RESEARCH

Since 2009, we have invested over RM150 million into the research and development (R&D) of GenomeSelect™, our higher yielding seed, which in its first commercial harvest showed 20% increase in yield compared to our best planting material to date. This underpins our confidence in the potential of our genome research to deliver a step change in yield improvement. To date, we have planted 3,362 hectares with GenomeSelect™ seeds.

Led by our Chief R&D Officer, Dr Harikrishna Kulaveerasingam, we have established one of the largest genotyping labs in Southeast Asia. From the outset, our work has been guided by our Scientific Advisory Committee, chaired by Professor Anthony J. Sinskey from Massachusetts Institute of Technology (MIT).

We are now expanding our R&D and breeding programmes into other traits that are crucial to the future success of the industry, including climate resilience and disease resistance. Meanwhile, we are scaling up production of our higher-yielding seeds to meet our own replanting needs. Within three years, we expect to produce over 10 million GenomeSelect™ seeds annually, allowing us to sell this higher yielding material into the commercial market.

DIGITAL TECHNOLOGIES

- Using multispectral imaging satellites, flyovers by drones and data analytics we can cover much more ground, in much more detail than ever before, reducing the time required to develop our replanting plans by 45% compared to conventional methods.
- Using RFID tagging, we track the seeds from their origination at the oil palm, into the labs, to the nurseries and out into the fields – closing the loop between breeding trials and commercial performance.

PRECISION AGRICULTURE

- Geospatial mapping and monitoring systems provide greater operational precision, enabling more efficient water management in the plantations.
- Satellite imaging gives us greater visibility on areas that require harvesting, helping us to get the ripe fruit to the mill faster, which helps improve oil quality.

"Our ambition is to halt deforestation in the palm oil industry and that requires us to continuously tap into innovative opportunities, to create the right business environment for a better tomorrow and long-term value for our shareholders."

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

SOIL MICROBIOME

- Protecting nutrients in the soil is a high priority. So, we target fertiliser which both preserves soil quality and reduces fertiliser costs.
- Our Crop Protection Research Unit has developed breakthrough approaches to environmentally friendly and economically viable pest and disease control methods that we now employ across our plantations.

PRODUCTION EFFICIENCY

- Collecting fresh fruit bunches (FFB) is one of the most labour intensive tasks in our estates.
- To improve efficiency of the process, our R&D team partnered with the research team that leads design thinking in agricultural tools and processes at MIT. Together, we designed a Mechanical Buffalo Scissor Lift vehicle, purpose-built for our estates. Compact and agile, it can manage the conditions of the estate and allows us to simplify the collection process.

GROWING RESPONSIBLY

CROSSCHECK 2.0

Responsible long-term growth in the palm oil industry means achieving a deforestation-free supply chain and traceability is at the forefront of that challenge.

In 2019, we launched Crosscheck, an open-source online transparency tool developed to trace palm oil supply back to its source down to the mill level. The objective was to enable us, our customers and stakeholders to inspect our supply chain from wherever they are in the world, identify risks, and raise alerts for actions. The tool has also assisted Sime Darby Plantation (SDP) in expediting our approach to solve some of the environmental and social issues on the ground.

As at 31 December 2020, we have achieved 97% traceability to the mill level. In 2020, we revealed a new and improved version of the tool, Crosscheck 2.0, which maps supply to the plantation and in many instances, even to the smallholder level. It is designed to support our customers' supply chain assessments, which is vital to providing them with the confidence they need that the products they buy are not contributing to deforestation. Additionally, investors are assured and have evidence that their financing is deforestation-free.

> "The rapid rate of deforestation is an urgent challenge for the world that demands a meaningful response. As the leading producer of sustainable palm oil, we are committed to bring collaborative solutions to draw the line on deforestation."
>
> **RASHYID REDZA**
> Head of Group Sustainability

A more collaborative effort was launched in 2019 alongside nine customers and other leading producers – we co-financed Global Forest Watch's Radar for Detecting Deforestation (RADD). RADD's spatial mapping enabled by satellite technologies is a powerful tool that brings even greater transparency, with near real-time visibility of the landscape, improving the efficiency and efficacy of supply chain analysis.

We know there is a long way to go to achieve no-deforestation across the palm oil industry, but we are heartened by our close partnerships as we work together to accelerate and scale initiatives.

PUBLISHING OUR GENOME MAP

In this new era of innovation we believe in knowledge-sharing opportunities for the palm oil industry to grow responsibly, meeting increased demand while drawing the line on deforestation.

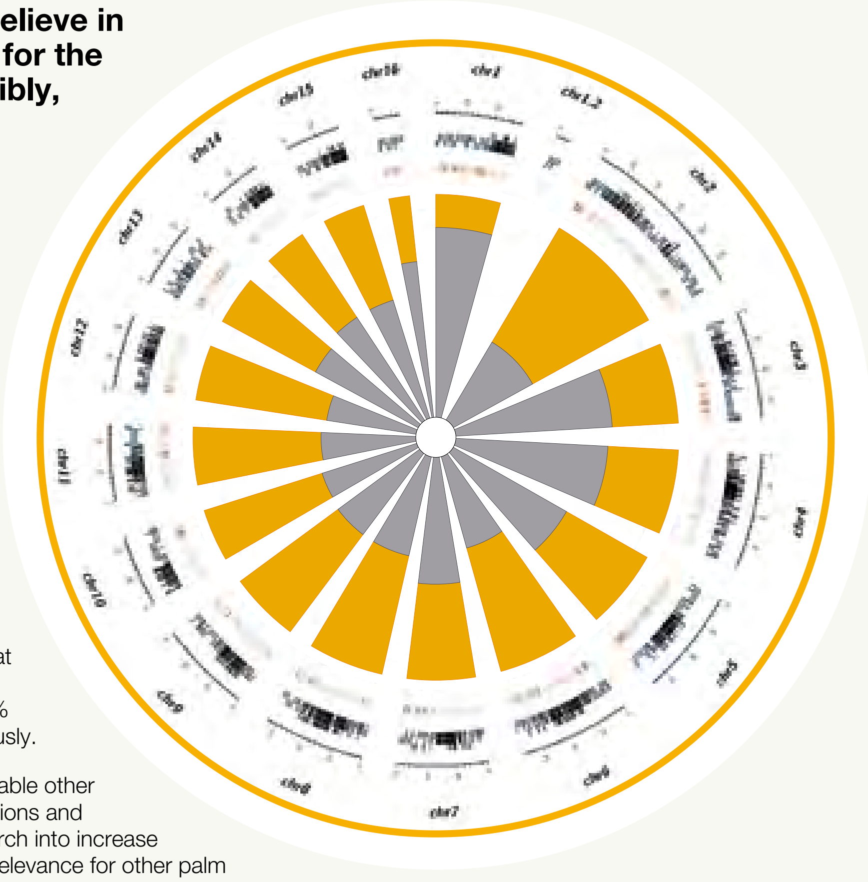
The World Resources Institute (WRI) estimates to satisfy the increased demand for food from the growing population worldwide on current agricultural practices would require 593 million hectares of new land by 2050[1].

This is why it is more urgent than ever that in the palm oil industry we find new innovative opportunities in increasing yield, so we can produce more oil from the same land or lesser. Breakthrough innovation will play an essential role in achieving that, whilst safeguarding the industry.

In 2020, we made the decision to publish our genome map. A genome is the code of life: an organism's complete set of DNA. For a decade, our R&D team worked to map the genetic sequence of oil palm and identify genetic markers with traits that will produce better planting materials. The genome sequence we put into the public domain is up to 79% more detailed than anything publicly available previously.

By sharing our research and findings, we hope to enable other companies, research & development centres, institutions and interested parties in accelerating their ability or research into increase of palm oil yield. In addition, the new sequence has relevance for other palm industries, including date and coconut, that are also seeking to step change their ability to produce more crop from less land.

The publication of our genome map is another step in our journey to help create a deforestation-free industry. We hope this research can inspire a vision for the entire industry to meet the long-term demand to produce more oil with less land.



Key:
- **Sime Darby Plantation Oil Palm Genome Sequence 2020**
- **Publicly Available Oil Palm Genome Sequence 2013**

From lab to plantation

2009	2011	2015	2016	2017	2018	2019	2020
• Initial sequencing of genome • Started research	• Started large scale genetic analysis • Commercial roadmap	• Developed DNA markers for yield traits	• First commercial planting of GenomeSelect™ on 100 hectares	• Planted 2,300 new GenomeSelect™ mother palms	• Scaled up commercial planting to 1,000 hectares/year • Started research to improve genome sequence • Prioritised research into climate and disease resistant traits	• Commercially available seeds with genetic traceability • First commercial harvest of GenomeSelect™ – with 20% yield increase observed	• Completed 1st year commercial yield recording of GenomeSelect™ • Seed production scaled up • Publication of genome sequence – 79% more complete than any version published to date

[1] https://www.wri.org/blog/2018/12/how-sustainably-feed-10-billion-people-2050-21-charts

OUR COMMITMENT TO HUMAN RIGHTS

In 2015, at Sime Darby Plantation (SDP), we established our Human Rights Taskforce to strengthen the processes that uphold human rights across our operations. In 2017, we published our Human Rights Charter because we believe that it is our responsibility to respect and protect the rights of people within our sphere of influence, including our employees and contract workers, our business partners and third party operators, and the communities surrounding our estates. We strive continuously to integrate respect for human rights into our company culture.

At SDP, our foremost responsibility is always the health and safety of workers throughout our operations and we know this is an area where we must continue to raise the bar.

THE COVID-19 PANDEMIC

2020 was an unprecedented year, in which we grappled with the COVID-19 pandemic, while maintaining the supply of a key global commodity. We educated our workforce on how best to safeguard their health in these circumstances. We introduced prevention techniques in our facilities to contain the spread of the virus, including Personal Protective Equipment (PPE) for staff, temperature checks, and ensuring social distancing is observed within our operations. In our estates, we set up dedicated health centres to treat workers and maintained supplies of essential items, such as rice, at on-site food stores. We will continue to adapt our operations in accordance with national regulations and provide health advice wherever we operate.

OUR WORKFORCE

During 2020, we also took steps forward in safeguarding the rights of our workforce by enhancing our processes for grievance reporting, rolling out a third-party reporting hotline to all our workers in Malaysia, available in the languages our workers speak. We are seeing increased confidence in the use of the service and are running outreach programmes to increase awareness and understanding of how to use it.

Migrant workers are a large part of our workforce and we recognise that unrestricted access to their documents, including passports, is their right. To provide free and immediate access to their documents, we have given every worker their own secure locker on the estate where they work.

At SDP, we believe that businesses have a responsibility to respect, support and uphold fundamental human rights as expressed, amongst others, in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights.

HUMAN RIGHTS

Within our commitment to Human Rights, we continue to stand up for gender rights. We moved into our second year of the Female Manager Development Programme, with the aim of accelerating opportunities for women to lead and manage estates and mills in the company.

The protection of children's rights is essential to our commitments. We aim to ensure the protection and safety of children in our facilities and are working to eliminate child labour across the value chain. We have set up crèches and schools for children of estate workers, so they can be confident that their children are taken care of and have access to education during the working day.

We are a large company and a large employer and we take our responsibilities on human rights seriously. We work hard to embed our policies and practices throughout our operations and, where an adverse impact is identified, it receives our immediate attention. We seek to address, mitigate, remedy and prevent the recurrence of that issue in a timely and effective manner.

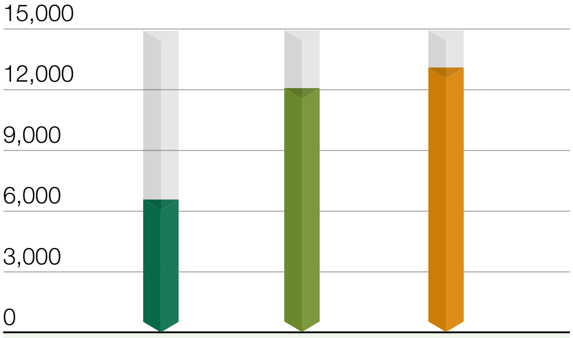
U.S. CUSTOMS AND BORDER PROTECTION (U.S. CBP)

In 2020, the U.S. Customs and Border Protection (U.S. CBP) received allegations of forced labour in our Malaysian Upstream operations. This is a serious matter and, in response, we have launched an assessment of all 11 ILO Forced Labour Indicators. When this assessment is complete, should any issues or breaches be found, we will act quickly to solve them.

Tackling human rights issues effectively is complex and extends beyond the reach of any one company. That is why we will continue to partner with a wide range of stakeholders, including other palm oil producers, NGOs and regulators, to work together on driving systemic challenges out of our industry.

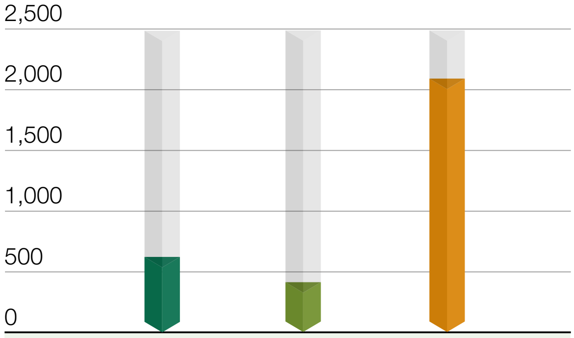
FINANCIAL HIGHLIGHTS

REVENUE**
(RM MILLION)



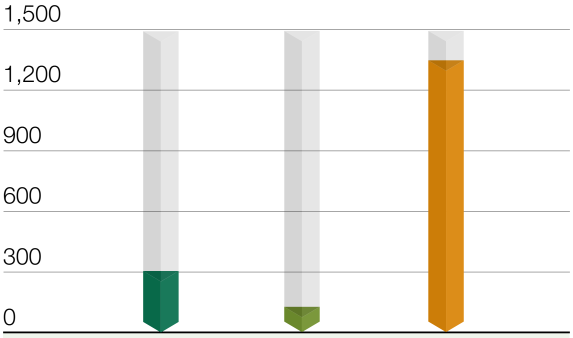
FP2018*	FY2019	**FY2020**
6,518	12,062	**13,081**

PROFIT BEFORE INTEREST AND TAX**
(RM MILLION)



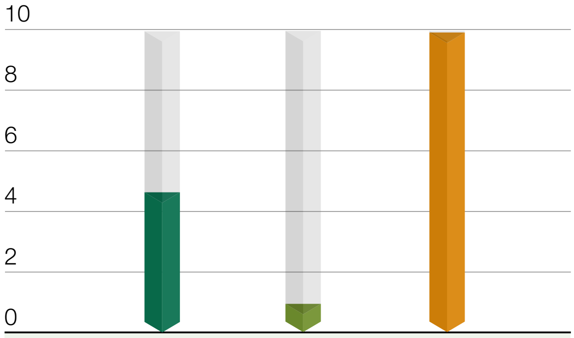
FP2018*	FY2019	**FY2020**
615	406	**2,089**

NET EARNINGS**
(RM MILLION)



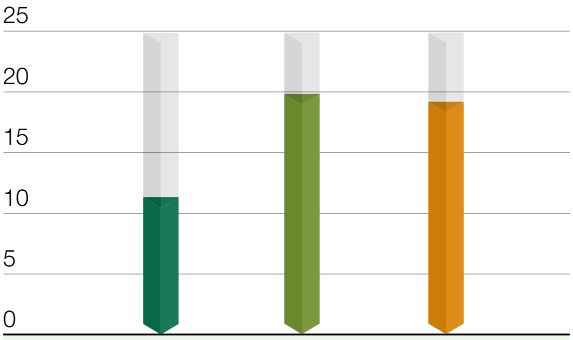
FP2018*	FY2019	**FY2020**
300	122	**1,347**

RETURN ON SHAREHOLDERS' EQUITY**
(%)



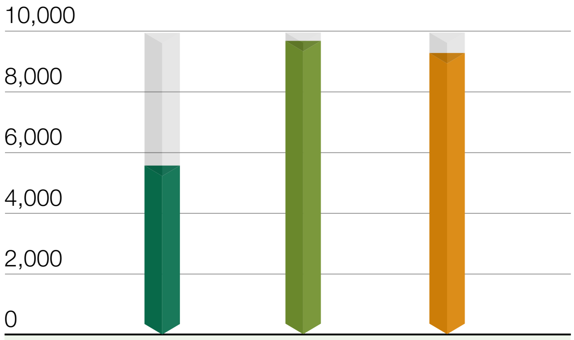
FP2018*	FY2019	**FY2020**
4.6	0.9	**9.9**

FFB YIELD
(MT PER HA)



FP2018*	FY2019	**FY2020**
11.25	19.77	**19.14**

FFB PRODUCTION
('000 MT)



FP2018*	FY2019	**FY2020**
5,556	9,679	**9,278**

* Six-month financial period ended 31 December 2018

** The Group's financial results from continuing operations

CORPORATE INFORMATION

AS AT 2 APRIL 2021

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

DATUK ZAITON MOHD HASSAN
Senior Independent Non-Executive Director

DATO' HALIPAH ESA
Independent Non-Executive Director

ZAINAL ABIDIN JAMAL
Non-Independent Non-Executive Director

DATO' HENRY SACKVILLE BARLOW
Independent Non-Executive Director

DATO' MOHD NIZAM ZAINORDIN
Non-Independent Non-Executive Director

TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS
Non-Independent Non-Executive Director

TAN TING MIN
Independent Non-Executive Director

LOU LEONG KOK
Independent Non-Executive Director

GROUP MANAGING DIRECTOR

MOHAMAD HELMY OTHMAN BASHA

SECRETARY

AZRIN NASHIHA ABDUL AZIZ (LS 0007238)

REGISTERED OFFICE

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47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
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Fax : +(603) 7848 5360
Email : communications@simedarbyplantation.com
Website : www.simedarbyplantation.com

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

Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium
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59200 Kuala Lumpur, Malaysia.

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PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia.
Tel : +(603) 2173 1188
Fax : +(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

Our focus on innovation enables us to imagine how ecologically-driven growth and sustainability can transform our industry, bringing us closer to a climate-friendly future where business priorities can co-exist in harmony with the natural world.

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

DEAR VALUED SHAREHOLDERS,

It is my privilege to share Sime Darby Plantation Berhad's ("SDP" or the "Group") 2020 Annual Report. As prescribed by the International Integrated Reporting Council (IIRC), we have subscribed to the principles of integrated reporting to present a true narrative on our strategies, goals and performance for the financial year ended 31 December 2020 (FY2020). This report endeavours to present relevant and credible information on the Group's key operational performance during the year under review, across our innovation and transformation initiatives, as well as sustainability management efforts, in our pursuit to create real and additional value for our multiple stakeholders.

AN EXTRAORDINARY YEAR

2020 has etched itself into history as an extraordinary year. At the time of writing, the COVID-19 pandemic continues to pose real and present dangers for all of us. We are still dealing with the ripple effects and the impact it has wrought upon life, in both corporate and personal spheres.

Malaysia has been under nationwide movement restrictions for the better part of 2020, causing disruptions along our value chain. However, despite the uncertainties, the Group has moved forward, cautious but confident that our foundational values and vision will keep us on course and allow us to reinforce our focus on breakthrough innovations to support robust and sustainable business growth.

STEERING TOWARDS SUCCESS IN AN UNCHARTED LANDSCAPE

As we continue to face uncertainty unmatched in recent history, we recognise that the key to ongoing sustainability and resilience lies in making the most of our resources and enabling our people to achieve their best. As the greatest culture-carriers of the Group's vision and values, our employees have demonstrated their resilience, character and agility in the face of multiple challenges over the past year. Their dedication is the engine that powers the Group's tenacity, allowing us to maximise the inherent strengths of our business to unlock long-term value.

Our diversified business model and disciplined approach to capital management have also allowed us to preserve and fortify our fundamentals in a difficult year, enabling us to further strengthen our financial position. As a result of our solid fundamentals, the Group has achieved a commendable 8% increase in full-year revenue from RM12.06 billion in FY2019 to RM13.08 billion in FY2020. This positive set of results is encouraging and adds to my confidence that we will emerge from this global crisis in a position of strength and stability.

TRUST – THE BEDROCK OF OUR SUCCESS

As the world's largest producer of Certified Sustainable Palm Oil (CSPO), SDP is committed to embedding responsible agricultural practices across all facets of our operations and supply chain. This commitment goes to the core of who we are – an organisation that aims at all times to do our best by and for our stakeholders. We value the trust placed in us by all, from our workforce of 85,000 people across 12 countries, to our customers and partners with whom we have forged enduring relationships. Our stakeholders appreciate our efforts to promote and uphold human rights across our supply chain. They support our commitment to environmental governance and promotion of sustainable and resilient agricultural practices. Taking active measures to ensure dignity and safety in the workplace, combatting climate change and working towards a deforestation-free palm oil industry falls squarely within this set of goals.

BREAKTHROUGH INNOVATION FOR SUSTAINABLE GROWTH

As leaders in disrupting the status quo, the Group strongly believes in the long-term potential of breakthrough innovation to open up new markets and positively transform the way customers interact with us. As such, throughout our history, we have consistently adopted a balanced approach towards growth through innovation. Our focus on exploring new and better ways of increasing and maximising yields from our existing landbank enables us to reimagine the future for the industry.

In a journey that began over a decade ago, from genome mapping of the oil palm to adopting mechanisation and automation to boost productivity and efficiency, we strive to ensure the best potential yield from our entire plantation. The results of our extensive research on oil palm genome sequencing have enabled us to produce higher yielding seeds known as GenomeSelect™, which we began planting in 2016.

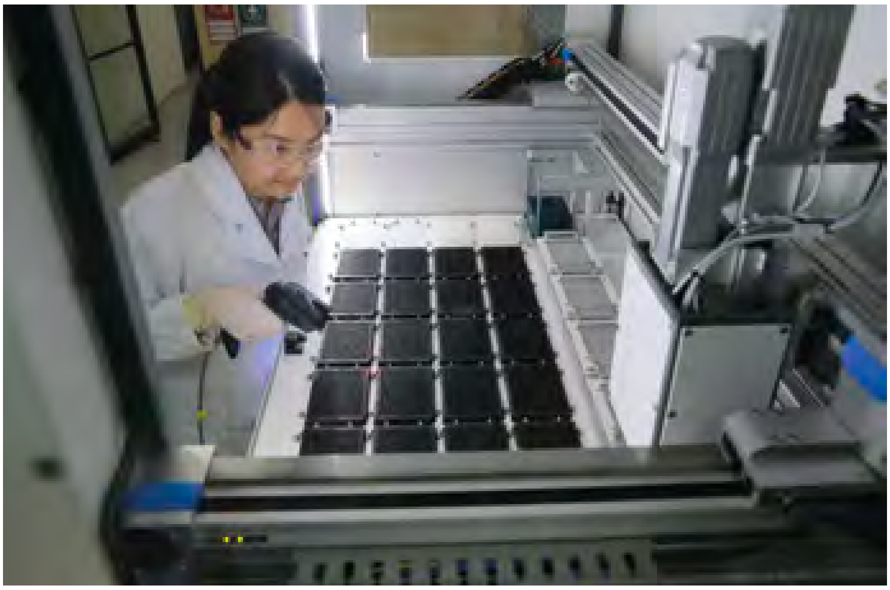
In FY2020, we planted an additional 1,117 hectares, bringing the total planted area of GenomeSelect™ to 3,362 hectares. I am pleased to report that we are on track to produce enough seeds for the 2023 replanting season.

The Group also released our genome map into the public domain in November 2020. The genome sequence we shared is 79% more complete than anything publicly available previously. It is our hope that through the unified efforts of key stakeholders such as research institutions and other major industry players, the industry can fast track its work towards improving yields and removing deforestation from our industry.

Revenue
RM13.08 b

Net Profit
RM1,185 m

The results of our GenomeSelect™ research lend confidence to our aspiration to achieve ecologically sustainable yield improvement without additional acreage



LEADING THE CHARGE IN TRANSPARENCY AND ACCOUNTABILITY

Issues such as climate change and human rights have become forefront issues in the collective social conscience and thus, stakeholder expectations for palm oil businesses to operate in an environmentally and socially responsible manner, continue to increase. As an industry leader, it is our view that improved supply chain traceability is a fundamental step to help move the industry towards greater transparency and accountability in responsible and sustainable production of palm oil.

Our release of Crosscheck in FY2019 – a first-of-its-kind open-source transparency tool that traces the impact of palm oil across all our mills and refineries, including third-party suppliers, on a digital map – represents our commitment to improve supply chain traceability. Since its initial launch, we have released an updated and improved version called Crosscheck 2.0.

With Crosscheck 2.0, we continue to make headway in our efforts to promote a deforestation-free supply chain through enhanced traceability functions that allow users to view Sime Darby Oils' (SDO) end-to-end supply chain. With a view to achieving 100% traceability, to date, we have attained 97% overall traceability to the mill, and 50% overall traceability to the plantation.

UPHOLDING INTEGRITY, EMPATHY AND WELL-BEING

The safety and well-being of our people are our utmost priority. SDP has established strong social and governance policies and processes that frame our commitment to providing a safe and nurturing workplace. The Group maintains strict adherence to ethical business practices and has zero tolerance for any forms of human rights violations or exploitation including criminal offences in our operations and supply chain.

It is precisely because of who we are, how we conduct ourselves and our Core Values, that we are fully committed to addressing the Withhold Release Order (WRO) issued by the United States Customs and Border Protection (U.S. CBP). Since the petition to ban SDP's palm oil for the US market was made known to us in July 2020, we have engaged with multiple stakeholders to better understand the issues raised in suspicion against us. Our intentions are clear and honest; we will close any gaps that may exist in our business as expeditiously as possible.

To provide further assurance of operational integrity, the Group has appointed credible third-party assessors to review and audit our operations. SDP will leave no stone unturned in our quest to provide a completely secure and safe work environment, regardless of gender or nationality. The Board of Directors is monitoring the situation closely and we continue to commit to transparent and timely disclosure.

Geo-spatial intelligence and satellite imaging for large-scale detection and health monitoring have enhanced harvesting precision and improved resource utilisation

The safety and well-being of our people are our utmost priority. SDP has established strong social and governance policies and processes that frame our commitment to providing a safe and nurturing workplace.

Total planted area of GenomeSelect™

3,362 hectares

Overall traceability to the mill

97%

IN APPRECIATION OF OUR COLLEAGUES, CUSTOMERS AND COMMUNITIES

It is an understatement to describe FY2020 as "a challenging year". Be that as it may, SDP remains competitive and well-positioned to seize growth opportunities. I am proud to report that we successfully preserved the twin priorities we identified at the onset of the pandemic – to protect jobs and conserve cash. In fact, we have been able to reduce our gearing ratio further, a testament to our strong financial discipline.

On behalf of the Board, I wish to acknowledge the valuable contributions of the members of SDP's Senior Management, as well as all our workers and employees in the past year. Their dedication and work ethic have been inspirational. We deeply appreciate their resilience, positive spirit and exemplary professionalism through these turbulent times.

I hereby record my gratitude and appreciation to the former Chairman, Tan Sri Dato' Abdul Ghani Othman, for his enormous contributions to the Group during his seven-year tenure as Chairman of the Board. The Board also thanks Tan Sri Datuk Dr Yusof Basiran and Bapak Muhammad Lutfi for their dedication and commitment during their tenure of service as Independent Non-Executive Directors of the Company.

We are always on the lookout for members with skill sets, knowledge and experience that will augment our Board composition. During the year, we welcomed Dato' Halipah Esa as an Independent Non-Executive Director of the Company.

Dato' Halipah has extensive experience across senior positions in the Economic Planning Unit (EPU) of the Prime Minister's Department and was the Director-General of EPU prior to her retirement from the civil service in 2006. We are confident that Dato' Halipah's experience and skill set will engender a more robust exchange of ideas and viewpoints which will be of significant benefit to the Board. Her appointment strengthens the Board's composition and enhances the gender diversity of the Board.

Finally, SDP is grateful to all our stakeholders and customers for their trust, loyalty and confidence in us. Their commitment to sustainable sourcing and understanding of our efforts to ensure our operations are managed responsibly and sustainably, has played a key role in the Group's enduring success. We look forward to your continued partnership and collaboration.

While the COVID-19 pandemic and its effects are likely to dominate our operating landscape for some time to come, I am confident that SDP is well poised to surmount challenges and capitalise on emerging opportunities in this new playing field.

Women bring valuable skills, talent and experience to our workforce. We strive to foster an inclusive and enabling culture that promotes mutual respect and gender equality throughout our operations

AWARDS & RECOGNITION IN 2020

Recognition	Awarding Body
SDP received recognition for our leadership in environmental protection within the sustainability sphere.	Prime Minister's Hibiscus Award "Environmental Performance"
SDP received acknowledgement for our support, cooperation and partnership as one of Nasfund's contributing employers.	NBPOL – Nasfund awards of "2020 Employer of the Year/Chairman's Awards" and the "2020 Most Compliant in Benefit Payments Awards"
SDP was named the 2nd Runner Up in the Renewable Energy Awards – On-Grid (Local Grid) category for our project submission – Captive Power Generation for KKS Merotai from Renewable Energy derived from Palm Oil Mill Effluent at the Merotai Biogas Power Plant.	2020 National Energy Awards (NEA): Winner for Category 2 – Renewable Energy 2020 ASEAN Energy Awards (AEA): 2nd Runner-Up – Renewable Energy
The MSWG-ASEAN Corporate Governance Awards identifies the Top 100 Malaysian PLCs based on an assessment of the disclosures of 866 PLCs in 2019 using the ASEAN CG Scorecard. This was a 2019 award that was given in end 2020 as the original ceremony was delayed due to COVID-19.	MSWG-ASEAN Corporate Governance Scorecard Awards 2019 (ASEAN LEVEL & DOMESTIC)

GROUP MANAGING DIRECTOR'S Q&A

We have shown tremendous resilience and strength of character against a backdrop of great uncertainty and have delivered a solid set of results this year.

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

Q HOW HAS SIME DARBY PLANTATION (SDP) RESPONDED TO THE COVID-19 PANDEMIC?

A The pandemic and the global response to it impacted us quite significantly, as it did countless businesses across the world. I believe some of the effects will likely continue to be felt even after the lockdowns are lifted.

2020 confirmed what I have always known; our people are dedicated and resilient. Regardless of the situation, everyone will aim to do their best. When faced with adversity, our people met new challenges calmly. It was not easy to continue operations with the various movement restrictions in place, but with all the measures we put in place to help everyone work effectively from home, SDP managed to get through 2020 successfully.

The fact that our Core Values and Code of Business Conduct are so deeply entrenched helped us to continue delivering value to our stakeholders, despite the challenges presented by the pandemic.

Operationally, we have not experienced significant disruption except in the early months of COVID-19 pandemic, but we are facing a foreign labour shortage due to the movement restrictions imposed in Malaysia. This has affected our Upstream operations in Malaysia in the form of lower crop quality because our harvesting intervals and crop recovery were affected. We are actively recruiting local talent to address this shortage.

I am extremely proud of our teams across all our operations. Their health and well-being are my utmost priority, and we continue to establish stringent preventive measures across our operations to ensure everyone stays safe, and mentally and physically healthy.

Q CAN YOU COMMENT ON THE GROUP'S FINANCIAL PERFORMANCE IN FY2020?

A We have delivered a solid set of results this year despite the challenging operating environment. SDP is back in the black with a full year revenue increase of 8% year-on-year to RM13.1 billion and net profit of RM1,185 million compared to a net loss of RM200 million in FY2019.

Our Upstream business from continuing operations saw a 3% decline in fresh fruit bunch (FFB) output to 9.28 million metric tonnes and a decline in oil extraction rate of 0.14 percentage points to 21.44%. The lower extraction rate has been mitigated by an uptrend in crude palm oil (CPO) and palm kernel (PK) prices, which has in turn resulted in higher sales margins. This has enabled SDP to register significantly better performance in FY2020 even with a 2% dip in sales volume to 3.77 million metric tonnes and a decrease of 0.11 percentage point in capacity utilisation to 64% in our Downstream business.

On the back of these results, the Group has declared a final single-tier dividend of 5.42 sen per share for FY2020, which together with the interim dividend, special interim dividend and special final dividend, amounts to a total of 11.57 sen per share.

Q HOW IMPORTANT IS THE ROLE OF INNOVATION IN ENSURING SUSTAINABLE GROWTH?

A To increase yield and ensure long-term FFB and OER sustainability without expanding landbank, we need tangible and actionable breakthrough solutions to transform traditional agricultural practices. This is why the Group has always been focussed on innovation. From pioneering ground-breaking innovation to making relevant incremental improvements to existing processes, SDP is committed to driving meaningful change and producing more with less.

Over the years there have been many important breakthroughs, but few were as game-changing as the mapping of the oil palm genome. Our GenomeSelect™ seeds have yielded up to 20% more than our current best-performing planting materials. As a result, the industry can now work towards eliminating deforestation within our value chain. We are currently scaling up production to meet our total replanting needs. Three years from now, we expect to produce more than 10 million GenomeSelect™ seeds a year. This will meet our annual replanting requirements in Malaysia with some excess for commercial sales.

On the other end of the spectrum, we are also focussed on incremental innovation through digitalisation, mechanisation, and automation of processes. One example of this is the use of monitoring technologies such as geospatial mapping, deployment of drones and satellite imaging. The adoption of these precision agriculture-driven methodologies has resulted in enhanced precision in our harvesting processes and improved resource usage efficiency, enabling us to achieve even greater cost reduction in our operations.

Q WHAT IS SDP'S GROWTH STORY?

A Our vision to be the leading integrated global palm oil player is supported by our strategic objectives. This year, we made considerable progress towards achieving our vision.

As the world's largest CSPO producer, our sustainability drive is built on the philosophy of growing productivity and profitability without acquiring more plantation acreage. This would mean raising overall productivity and offering more differentiated products from our Downstream segment through continuous product innovation. As such, we strongly believe that SDO is where SDP's growth story is.

Total Dividend in FY2020

11.57 sen per share

Oil Extraction Rate

21.44%

Our Downstream business will help to strengthen the Group's value chain and provide stability to the revenue

While the Upstream business is important and therefore the tendency to focus more on it when people think of SDP, SDO is just as essential to our success, completing our end-to-end integrated value chain. The Downstream segment is a key driver to further strengthening the Group's position across the value chain through providing insulation from commodity price fluctuations and thus, better stability to overall revenue.

SDO will allow us to extend the Group's footprint in non-food segments such as biodiesel and oleochemicals, and fulfil our ambition to become a global leader for sustainable oils and fats. We have set a target profit of RM1 billion worth of profits by 2025 for SDO as a clear signal of our intent to transform our Downstream business and enable SDO to realise its full potential.

We produced 9.28 million tones of FFB in FY2020

Q HOW ARE YOU RESPONDING TO THE WITHHOLD RELEASE ORDER (WRO) ISSUED BY THE U.S. CUSTOMS AND BORDER PROTECTION (U.S. CBP)?

A The well-being and safety of our employees and workers is paramount. This is non-negotiable. Hence, addressing the concerns of our stakeholders expeditiously on the WRO is our top priority. We are cooperating fully with the U.S. CBP and have been in engagement with them and other key stakeholders to address these allegations.

We took immediate steps to conduct our own internal assessments and investigations. This includes engaging an independent migrant worker rights specialist to review and strengthen our human rights commitments and compliance. Our internal assessments have indicated that there are no systemic issues in our operations.

However, we remain committed to proactively identifying and addressing gaps or salient issues that may exist, if any, across the business. The Group has appointed Impactt Ltd (Impactt), an ethical trade consultancy with specific expertise in international labour laws, to conduct a comprehensive third-party evaluation of labour practices across our Malaysian operations against the 11 ILO (International Labour Organisation) forced labour indicators. Impactt serves as part of a newly established Third-Party Human Rights Assessment Commission, which includes a Stakeholder Panel tasked with reviewing any proposed recommendations and corrective action plans, to provide our stakeholders the confidence of transparent oversight.

Q IN YOUR OPINION, WHAT IS THE OUTLOOK FOR SDP IN FY2021 AND BEYOND?

A Given the market forecast of elevated CPO prices, we are cautiously optimistic that a satisfactory overall performance is within reach in FY2021. The Group is taking a vigilant and prudent stance in view of the fact that across the globe, countries and corporations are still navigating the short-term impact of COVID-19 and long-term consequences remain to be seen. However, I am encouraged by positive developments in the rollout and availability of vaccines and I hope it will not take too long for vaccines to reach the masses, including other parts of the world where we operate.

According to the Organisation for Economic Co-operation and Development (OECD), the global economic outlook is improving with aggregate GDP projected to return to pre-crisis levels by end FY2021. With Malaysia's economy predicted to grow between 5% and 7% in 2021, a turnaround from the 5% contraction in FY2020, I am confident that we are well-positioned to seize emerging growth opportunities. Improving the balance of profit contribution between our Upstream and Downstream segments will certainly strengthen our fundamentals further, to capitalise on these opportunities as they arise.

Since early 2020, we have taken the necessary steps to adapt, improve and consolidate our operations with a view towards enhancing digitalisation and automation as well as operational and cost efficiency. We are keeping a close eye on structural trends such as the foreign labour shortage, adverse weather conditions and the upcoming biodiesel mandate as these have the potential to disrupt and reshape the oil palm industry.

Our progress in addressing the WRO issued by the U.S. CBP

SDP proactively and continuously engages in discussions with international and local stakeholders to elicit constructive dialogue and feedback.

APRIL 2020	• Petition for ban on SDP exports submitted by petitioner to U.S. CBP
JULY 2020	• Petition made public • SDP contacted petitioner to better understand details of the petition
OCTOBER 2020	• PwC Consulting Associates (M) Sdn Bhd appointed to establish platforms and channels of communication surrounding the issue with the petitioner • An international specialist on migrant worker rights appointed
DECEMBER 2020	• WRO issued by U.S. CBP
MARCH 2021	• Third-Party Human Rights Assessment Commission established • Impactt Ltd appointed as third-party assessor to the Commission
JUNE 2021	• Assessment targeted to be completed • Findings to be shared with key stakeholders and the public

For more details on our response to the WRO, please refer to page 74

Q WHAT IS THE GROUP'S LONG-TERM AMBITION FOR ITS SUSTAINABILITY STRATEGY?

A Sustainability has always been intrinsic to the way we operate our business. As we move into 2021 and beyond, we will continue to focus our efforts on how we can operate responsibly whilst continuing to strive to make a positive impact to the environment and to people. At the same time we strive to meet, if not exceed, the expectations of our wide range of stakeholders. This is an essential part of our pursuit of breakthrough innovation and our efforts to grow the business responsibly in working towards our vision of becoming the leading integrated global palm oil player and a leader in sustainability.

As part of our transition towards a decarbonised development path, the Group has committed to a 2030 target for reducing our carbon emissions intensity by 40% against a 2009 baseline. Our climate-related financial disclosures are also in line with recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We are currently compliant with many of the TCFD recommendations.

The observance of respect for human rights and workplace standards is integral to our sustainability purpose. We continue to take a proactive approach in ensuring that internationally-recognised practices around the respect for human rights are further embedded in every aspect of our operations and are extended to all workers throughout all levels of the supply chain.

SDO's Profit Target by 2025

RM1 billion

Reduction of Carbon Intensity by 2030 (2009 baseline)

40%

VALUE CREATION MODEL

Our value creation model highlights our agility and diversity as an integrated global palm oil business, and our ability to create sustainable value for our range of stakeholders.

OUR CAPITALS

Financial
- RM28.32 billion worth of total assets
- RM16.27 billion in total equity

Intellectual
- Brand values
- Industry best practices
- Intellectual property, expertise, knowledge and experience within the industry

Natural
- 745,301 ha land
- 241 estates

Manufactured
- 70 mills and 11 refineries
- 276,160 mt bulking terminal capacity
- 5 R&D Centres
- 3 Innovation Centres

Human
- Over 85,000 employees

Social & Relationship
- Vendor Development Programme
- Smallholders and supply chain collaboration
- Collaborative partnerships with customers and business partners
- Continuous engagement with communities, authorities and related stakeholders where we operate

OUR INTEGRATED VALUE CHAIN

UPSTREAM

Seed Production → Oil Palm Nursery → Estate Management → Mills – CPO & PK Production

Estate Management → Rubber/ Sugarcane/ Cattle Poducts

Smallholders Aggregation → Mills – CPO & PK Production

Mills – CPO & PK Production → Palm Fibres, Sludge Oil, POME, EFB, Kernel Shell → WASTE TO WEALTH

Compost | Biogas

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

OUR COMPETITIVE ADVANTAGE

- The World's Largest Oil Palm Plantation Group by Planted Area
- Leader in Sustainability
- Performance and Innovation Driven Culture
- Economies of Scale Through Value Chain Integration
- Wide and Diverse Geographical Reach

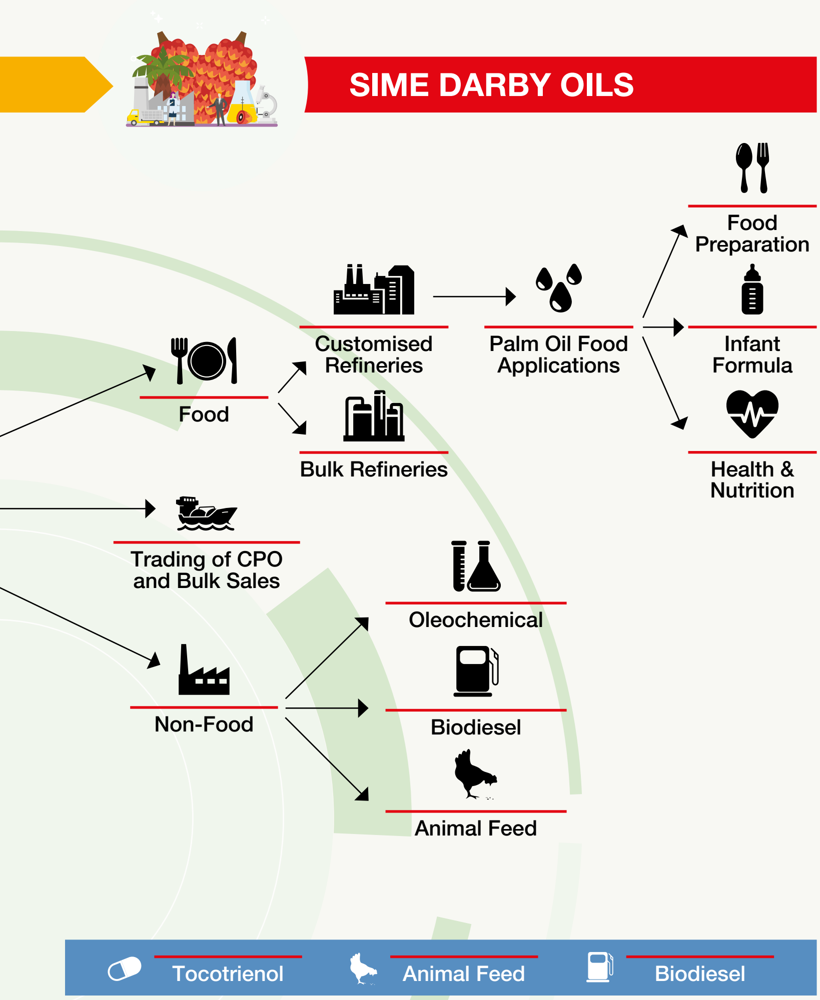
MATERIAL MATTERS WHICH ALIGN WITH OUR VALUE CREATION MODEL

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

Read more about Managing Our Material Matters on page 30

We measure the value we have created through financial and non-financial key performance indicators (KPIs). Read more about how we measure success on page 12

Effective risk management can help to protect and preserve the value we have created. Find out how we prevent the value we create from being eroded by principal risks on page 100



Read more about Our Strategies on page 32

VALUE CREATION ACTIVITIES

Generate

Achieve higher financial returns through operational excellence and high performance standards

Differentiate

De-commoditise sustainably produced palm oil products

Innovate

Pursue ongoing transformational efforts to establish a sustainable innovation ecosystem which improves productivity, optimises process efficiency and enhances product and service quality

Cultivate

Develop a skilled and healthy workforce driven by an innovative work culture

Contribute

Commit to ensuring socioeconomic development and environmental and carbon management in line with our growth strategy

HOW WE SHARE THE VALUE WE CREATE

Investors

- Total shareholder return
- Responsible investment
- Shariah-compliant

Customers

- Preferred supplier of certified sustainable palm-based products and quality food ingredients
- Customisation of products to fit specific needs
- Focus on value added/ differentiated products
- Focus on food safety

Employees

- Cultivation of winning mindsets (RISE)
- Continuous capability-building via structured development programmes for technical and leadership competency
- Enhanced quality of life through provision of a safe, healthy and conducive work-life environment
- Improvement in the livelihood of our employees

Local Communities

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

Government & Society

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

CORE VALUES THAT ACT AS GUIDING PRINCIPLES FOR VALUE CREATION

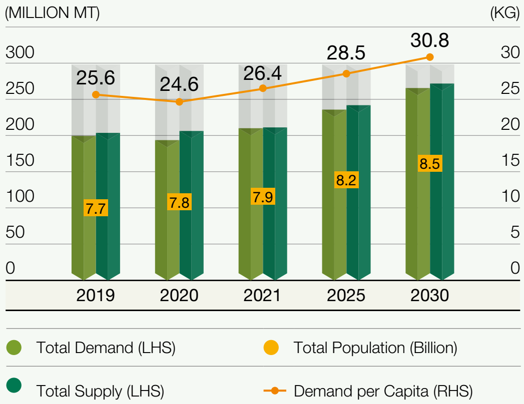
Integrity	Respect and Responsibility	Enterprise	Excellence

OUR MARKET LANDSCAPE

We have a large global presence in 15 countries and our complex operating environment necessitates an understanding of global trends and key market drivers that have an impact on the organisation.

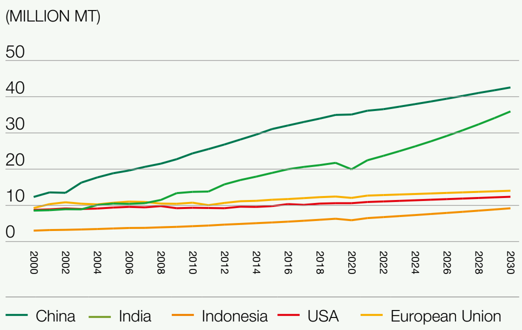
Trend	Impact to Sime Darby Plantation (SDP)	Our Response	Link to Strategy
Rising Demand for Vegetable Oils	Fundamentally, the long-term outlook for the vegetable oils business remains positive and relatively strong. Continuous demand for vegetable oils in both developing and developed nations are expected to grow in tandem with expanding populations and an increase in per capita intake especially in China, India, the European Union, the United States and Indonesia. Globally, palm oil is the most widely consumed vegetable oil making up 34% of total vegetable oil consumption.	• Strengthen productivity (using GenomeSelect™ seed) and efficiency to improve yields and produce more • Build, secure and maintain good relationships with customers by servicing them proactively, seamlessly and promptly via a robust supply chain model	

GLOBAL VEGETABLE OIL DEMAND & SUPPLY VS POPULATION



Source: LMC Oilseeds & Oils Report 2020

TOTAL FOOD DEMAND FOR VEGETABLE OILS IN LEADING CONSUMERS



Source: LMC Oilseeds & Oils Report 2020

Driving operational excellence in our Upstream sector

Serving our customers' evolving needs in our Downstream sector

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

Trend

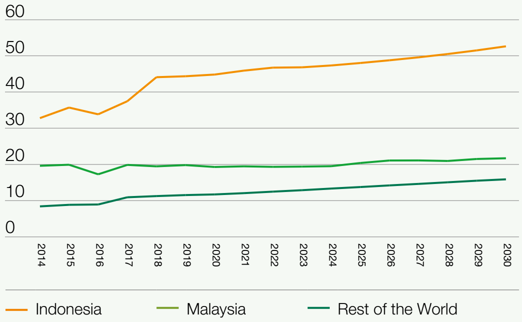
Supply Disruption of Palm Oil

Impact to SDP

There have been setbacks to palm oil production led by a severe foreign labour shortage partly due to stricter issuance of work permits and movement restrictions as a result of the COVID-19 pandemic.

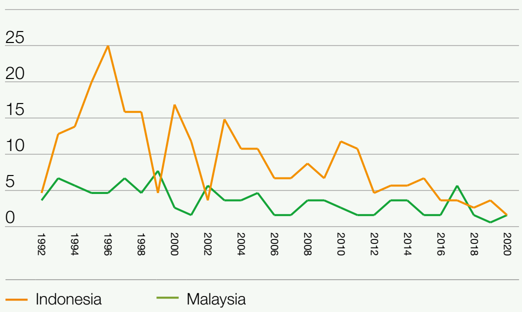
Unpredictable and extreme weather conditions have also exacerbated the supply issue of palm oil. However, long-term supply trends will still be determined primarily by fundamentals such as the growth of new planting and replanting exercises as well as improvements in planting materials and the deployment of new technologies in the planting exercise.

PALM OIL SUPPLY FORECAST
(MILLION MT)



Source: LMC Oilseeds & Oils Report 2020

YOY GROWTH IN OIL PALM HARVESTED AREA
(%)



Source: United States Department of Agriculture

Our Response

- Actively recruit more locals to address the acute labour shortage
- Invest in precision agriculture and new generation of mechanisation and automation to reduce reliance on manual labour
- Undertake initiatives in R&D and digitalisation space to explore more breakthrough innovation in palm oil production
- Increase use of higher yielding planting material i.e. GenomeSelect™

Link to Strategy

Trend	Impact to SDP	Our Response	Link to Strategy

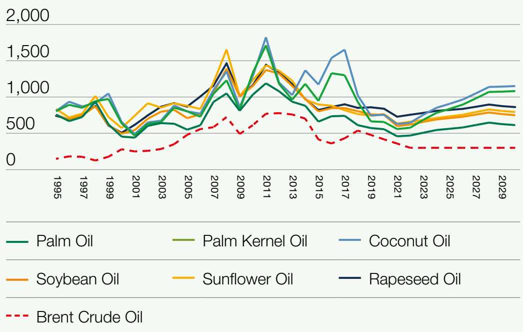
Volatility of Vegetable Oil Prices

Impact to SDP

There is a lot of uncertainty in the market given the volatility of palm oil prices due to the global supply crunch. This has resulted in a rally that saw CPO prices hit their highest level since 2011. Prices are expected to stay high in the short-term but are susceptible to changes in global demand, tariff structures in major consuming countries, biodiesel mandates and CPO inventory levels in Indonesia and Malaysia.

VEGETABLE OIL PRICES OUTLOOK

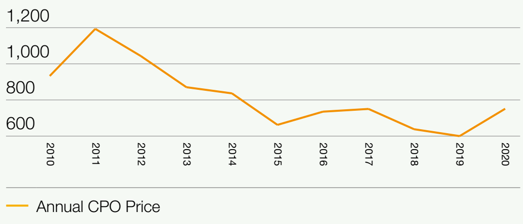
(USD/MT)



Source: LMC Oilseeds & Oils Report 2020

ANNUAL CPO PRICES

(USD/MT)



Source: World Bank

Our Response

- Strengthen and optimise supply chain network to ensure seamless connectivity and prompt response to customer needs
- Shift in focus to growing the Downstream business to minimise impact from price volatility
- De-commoditise palm oil production by increasing the ratio between commodity and differentiated products offerings to cushion any price volatility due to market shock
- Identify and tap on alternative revenue streams from renewable sources (i.e. solar, biogas and biomass)

Global Issues (Environmental, Social and Governance)

Impact to SDP

The palm oil industry is under great scrutiny over issues such as deforestation, climate change and human rights. There is a growing expectation for the sector to continue operating in an environmentally, socially and economically responsible manner. There are significant costs and loss of trust and credibility if palm oil players do not actively manage and mitigate these issues.

Our Response

- As a leader in our industry, we recognise our responsibility to take charge and tackle these important issues and we proactively seek to create a positive impact on economic, environmental, social and corporate governance matters

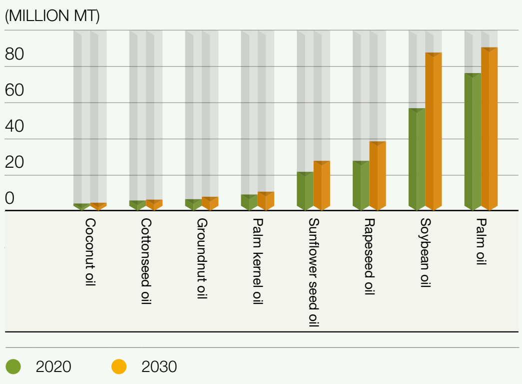
Driving operational excellence in our Upstream sector

Serving our customers' evolving needs in our Downstream sector

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

Trend	Impact to SDP	Our Response	Link to Strategy
Increased Competition from Other Edible Oils	Competing vegetable oils such as rapeseed oil, soybean oil and sunflower oil will continue to challenge the competitiveness of palm oil. In countries like Malaysia, Indonesia and Papua New Guinea, yields have stagnated as fertiliser and labour costs escalated due to insignificant progress in mechanisation across the industry. The high productivity of oil palm per hectare is counterbalanced by the labour intensity required by the crop, notably in harvesting.	• Intensify productivity and efficiency through precision agriculture, especially digitalisation, innovation, mechanisation and automation to improve yields and costs • Continue to focus on innovation for product differentiation, service offerings and value to customers	
Heightened Pressure from Regulatory Environments	Since early-2018, the European Union had called for a phase-out on the use of palm-based biofuels in Europe by 2030. The upcoming revisions in the biodiesel mandates in Malaysia and Indonesia will lead to higher domestic demand for palm oil and create a positive impact on CPO prices. In late 2020, the U.S. Customs and Border Protection (U.S. CBP) issued a 'withhold release order', banning palm oil imports from SDP Malaysia into the U.S. over allegations of labour and human rights abuses.	• Actively monitor and work closely with relevant regulators and governments to address business issues and create solutions • Proactively manage sustainability issues and work closely with relevant regulators and governments to address allegations, resolve disputes and create solutions • Our latest initiatives include the engagement of external parties and the establishment of Third-Party Human Rights Assessment Commission to reinforce the existing continuous improvement and commitment towards human rights and protection • Provide updates to key stakeholders through continuous ongoing engagement	

WORLD EDIBLE OILS PRODUCTION FORECAST



Source: LMC Oilseeds & Oils Report 2020

Read more about Our Strategies on page 32

STAKEHOLDER ENGAGEMENT

We actively engage with our key stakeholders to understand their concerns and expectations, so that we can better align our strategies and objectives with our wider group of stakeholders.

Key Stakeholders	Mode of Engagement	Frequency of Engagement
Customers Our customers support us by purchasing our products and services	• Engagement and virtual events, webinars and forums • Meetings • Brand perception – external customer survey and feedback • E-mails	
Employees Our people are our most important asset and we are steadfast in ensuring the safety and well-being of our workforce and that they are empowered with the right settings, culture and tools to drive performance excellence	• Employee Engagement Surveys • Volunteer programmes • Skills development workshops • Organisational Health Index (OHI) • Muster Briefings • Union Meetings • Gender Committee Meetings	
NGOs/Civil Society Organisations NGOs enable us to contribute more meaningfully by combining social impact with business performance	• Meetings and Forum Participation • Engagement Surveys • Collaborative Projects	
Industry Groups Industry groups allow us to share knowledge and expertise within the Group and stay abreast of current developments in the industry	• Working Groups • Task Forces • Technical Committees	
Government Agencies The government sets the rules and regulations that impact our business and the industry at large	• Meetings • On-Site Inspections • E-Correspondence	
Local Communities Our business activities have an impact on the people in the communities where we operate	• Community Meetings and Engagement Events • RSPO Complaints Panels • Grievance Panels	
Academic Institutions Academic institutions enable us to reach out to a broader audience, and also grant access to cross-disciplinary collaborations and strategic partnerships	• Collaborative Projects • Advisory Roles • Funding Applications	

Annually
Weekly
Quarterly
Daily
Monthly

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

Key Stakeholders' Concerns	How We Address Stakeholders' Concerns and Expectations
• Product quality, delivery and services • Short-term and long-term product pricing • Traceability • Environmental harm, social injustice or exploitation	• ISPO, RSPO, MSPO Certified Products • No Deforestation, No Peat, No Exploitation (NDPE) Policy • Crosscheck • Product Development specialists, 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
• Succession pipeline and talent bench strength • Performance and consequence management • Employee well-being, including implementation of safety measure(s) to mitigate the risk of COVID-19 • Learning and development • Worker's welfare • Wage & overtime work • Collective agreement	• Development interventions for Mission Critical Positions (MCP) successors and high potential talents • Alignment and strengthening of KPIs and robust performance conversations to achieve high performance culture • Identification of learning needs and implementation of structured development to build capabilities • Human Rights Charter • Suara Kami helpline, whistleblowing channel and creation of Employee Welfare Representative role • Occupational Safety and Health (OSH) Systems and Standards • Implementation of SDP's COVID-19 Sustainability Practices to ensure safety in all our Upstream and Downstream operations
• Free, Prior and Informed Consent (FPIC) • Environmental impact • Human rights and labour rights • Expansion plans • Deforestation • Traceability • Food security	• Traceability and transparency data through Crosscheck • Responsible Agriculture Charter • Human Rights Charter • Partnership (Third-Party Human Rights Assessment Commission) and other collaboration opportunities • Innovation and Productivity Charter • SDP's Sustainability Scorecard
• Certification-related issues • Regulatory pressures • Market forces (trade and business) • Sustainability issues	• Partnership opportunities • Task forces, working groups and other platforms • SDP's knowledge sharing on oil palm genome sequencing
• Regulatory compliance • Emerging regulatory changes	• Beyond Compliance Approach • Robust governance
• Land rights • Fire and haze prevention • Exploitation • Local ecosystems/employment • Smallholders	• NDPE Policy • Responsible Agriculture Charter • Human Rights Charter • Commitment to community development • FPIC • Philanthropic support • Smallholder schemes
• Awareness on sustainable palm oil production • Community engagement	• Partnership opportunities • Research collaborations • Collective action and commitments

MANAGING OUR MATERIAL MATTERS

Our material matters consist of issues that are of key importance to both the business and our key stakeholders as they influence the execution of our strategies.

Material Matters	Why Is This Material To Us?	What Is Our Response?
Operational Performance	Disruptive macro externalities and uncontrollable factors can negatively impact operational performance, production and throughput, which ultimately affects business profitability.	• Targeted focus and execution of initiatives to drive operational excellence, generate new value-adding revenue, alleviate leakage and wastage and manage costs prudently • Ongoing adoption of precision agriculture especially digitalisation, innovation and automation to mitigate adverse impacts from uncontrollable factors and global uncertainties
People Management	Our people play an integral role in delivering value to shareholders. Cultivating a positive organisational culture driven by innovation and industry best practices will drive and sustain performance excellence. Our aim for performance excellence includes our commitment to protect and safeguard the rights of our employees.	• Implementation of a New Performance Management Framework focussed on better clarity of goals and achievement of results • Recognition of Top 20 performers within business segments through differentiated rewards • Identification of Mission Critical Positions' (MCP) successors to build strong succession pipeline and high potential talent for healthy talent bench strength • Review of people processes and practices to identify improvement areas and implementation of action plans/governance model to address and monitor improvement areas, with the ultimate aim of safeguarding the rights of our workforce • Implementation of holistic and harmonised people processes via Workday People Management System
Macroeconomic Conditions	Fluctuations in commodity prices due to pandemic-driven factors, protectionist policies, political instability and conflicts, and competition can affect demand and supply trends, as well as erode revenue potential. Changes in legal and regulatory environments could exert additional pressure and increase cost of compliance and operations.	• Strengthening of business agility and flexibility to capitalise on changing market conditions • Pre-emptive management including scanning the business environment for changes or emerging risks, to leverage and take advantage of cyclicality and trends to deliver sustainable profit growth
Social and Environmental Impact	Business could be negatively impacted by negative environmental and social impacts as well as erosion of credibility and trust in the marketplace arising from reputational risks or real or perceived concerns related to environmental and social harm, traceability, food security and emissions.	• Proactive identification and management of environmental and social risks across the value chain with traceability and certified sustainable palm oil to generate net positive impact to surroundings • Ongoing socio-economic development and environmental and carbon footprint management in line with our growth strategy • Purposeful and meaningful engagement to strengthen stakeholder relationships
Occupational Safety and Health Performance	Unsafe or poor working conditions and fatalities, injuries or accidents of employees can adversely impact employees' morale and productivity.	• Reinforcement of safety and health awareness and education of employees and supply chain partners • Inculcating a strong health and safety culture via regular training and development for all employees and leaders emphasising health and safety as a driver for high performance
Capital Management	Prudent capital management is critical in mitigating risks associated with capital depreciation, financial distress, value destruction or corporate credit rating downgrades.	• Continuous improvement of balance sheet strength and profitability through prudent and resilient capital management • Establishment of robust and effective capital risk management frameworks and efficient inventory and capital deployment strategies

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

Read more about our Value Creation Model on page 22

Stakeholders Affected	Capitals Impacted
Investors **Suppliers/Business Partners** **Customers** **Employees**	Financial, Intellectual, Human
Investors **Employees**	Financial, Human
Investors **Suppliers/Business Partners** **Customers** **Employees**	Financial, Manufactured, Intellectual
Investors **Suppliers/Business Partners** **Customers** **Employees** **NGOs/Civil Society Organisations** **Government Agencies** **Local Communities** **Regulators**	Financial, Social & Relationship, Intellectual, Natural, Manufactured, Human
Investors **Employees** **NGOs/Civil Society Organisations** **Government Agencies** **Regulators**	Human
Investors **Suppliers/Business Partners** **Shareholders** **Employees**	Financial

OUR STRATEGIES

Our strategies built on our vision and values, and play to our core strengths and competitive advantages to enable us to deliver excellent performance and results.

Strategic Objectives	Our Progress in 2020
Driving Operational Excellence in Our Upstream Sector	**Accelerated Replanting** • More than 3,000 ha have been planted with high-yielding materials (GenomeSelect™ seed). **Yield & Cost Improvements** • More than 24,000 ha of planted areas have been successfully irrigated. • Monitoring the stability and recurrence of implemented operational efficiency, cost and process lab initiatives. • Reduction of dependency on workers via mechanisation. **Precision Agriculture** • Rolled out drone mapping on replanting areas to improve efficiency. • Achieved process automation along the fertiliser value chain through application in Malaysia. • Strengthened yield/FFB forecasts through the use of Machine Learning.
Serving Our Customers' Evolving Needs in Our Downstream Sector	**SDO Transformation** • Launch of Project Matterhorn – a transformation programme for Sime Darby Oils (SDO). • Transformation Sprints and Labs activities for all Downstream businesses in Malaysia and South Africa to drive transformational change. **Operations** • Continuous efforts in improving operational excellence and increasing sales in high growth key markets. **Commercial** • Continuous effort focussed on high margin differentiated products. • Greater focus on customers' evolving needs and trends on food products in terms of health, food safety and sustainability. **Digitalisation** • Developed a Customer Analytics dashboard to enhance customer experience. Explored margin optimisation through advanced analytics.
Maximising Returns Across the Palm Oil Value Chain by Leveraging on Our Intergrated Business Model	**Operations** • Optimised and strengthened supply chain network to ensure seamless connectivity, taking advantage of price spreads across locations. • Intensified trading around the assets by leveraging on Sime Darby Plantation's (SDP) assets in various countries. **Digitalisation** • Development of a centralised data analytics infrastructure to enhance efficiency and productivity throughout the Group. • Developed multiple reports and achieved process automation to support centralised logistics operations.

'RISE to APEX' is inextricably linked with our strategies and acts as a steering mechanism to ensure the value we create is optimised

DELIVER RESULTS
We drive results.
I exceed expectations.

CUSTOMER FIRST
We put customers first.
I win with the customer.

VALUE TALENT
We value talent.
I am a team player.

CONTINUOUS IMPROVEMENT
We improve and innovate.
I do better, every time.

EMPOWERED DECISIONS
We make empowered decisions.
I am responsible and proactive.

BUILD TRUST
We build trust.
I walk the talk.

Our vision is to be the leading integrated global palm oil player.

Read more about Managing Our Material Matters on page 30

Priorities for 2021	Our KPI's	Link to Material Matters
• Scale up the planting of GenomeSelect™ materials. • Deploy further digitalisation and mechanisation to improve productivity, efficiency and identify new cost reduction initiatives. • Enhance technical skills and invest in the welfare and well-being of people to improve efficiencies. • Recruit local workers to address the acute foreign labour shortage. • Drive digitalisation and automation initiatives to find permanent solutions to labour shortage. • Fertiliser planning & supply automation programme. • Further improvements on Yield Forecasts model including Integration of CPO forecasts with SDO supply planning and price risk management. • Data analysis for monitoring tree health.	**Financial Metrics** • Revenue • PBIT • Cost **Non-Financial Metrics** (Productivity & Efficiency) • FFB Production/Yield • OER & KER • Mill Utilisation • Replanting Implement all precision agriculture initiatives across the Group	**Operational Performance** **People Management** **Social and Environmental Impact** **Occupational Safety and Health Performance**
• Extend Matterhorn Transformation Sprints to SDO's other entities in Asia Pacific (APAC) and Europe, Middle East and Africa (EMEA). • Build up on the implementation discipline and momentum of identified bankable initiatives. • Reinforce the skills and capabilities that enable the new ways of working. • Focus on differentiated, sustainable and traceable higher value products. • Explore and expand opportunities to increase our presence in 15 key geographical markets (see page 5). • Enable digital infrastructure at refineries to improve manufacturing efficiency and build towards the vision of remote centralised operations. • Create value by marketing and stronger branding via enhanced digitalisation.	**Financial Metrics** • PBIT • Gross Profit (GP) Margin • Cost **Non-Financial Metrics** (Productivity & Efficiency) • Volume • Customised vs Commodity Ratio • Sales of Physical Certified Palm Oil • Customer Satisfaction Index • Oil Yield/Oil Loss • Refinery Utilisation/Refinery's Availability Empower customer-facing teams Enhance hedging strategy under volatile demand Support Overall Equipment Effectiveness (OEE) improvement through data-driven optimisations	**Operational Performance** **Macroeconomic Conditions** **Social and Environmental Impact** **Occupational Safety and Health Performance**
• Diversify our markets to mitigate country-specific risks. • Supply chain optimisation to meet food safety requirement and compliance. • Enhanced implementation of traceability and risk monitoring system. • Expansion of the infrastructure and establishment of overall data governance and operating model. • Further digitalisation and improvements for centralised logistics operations.	**Non-Financial Metrics** • Sustainability Policy Transparency Toolkit (SPOTT) Evaluation • Brand Index • Organisational Health Index (OHI) Drive data ownership and stewardship	**Operational Performance** **People Management** **Occupational Safety and Health Performance**

Read more about RISE TO APEX on page 34

RISE TO APEX

\+ APEX **Value Creation across 7 Workstreams** =

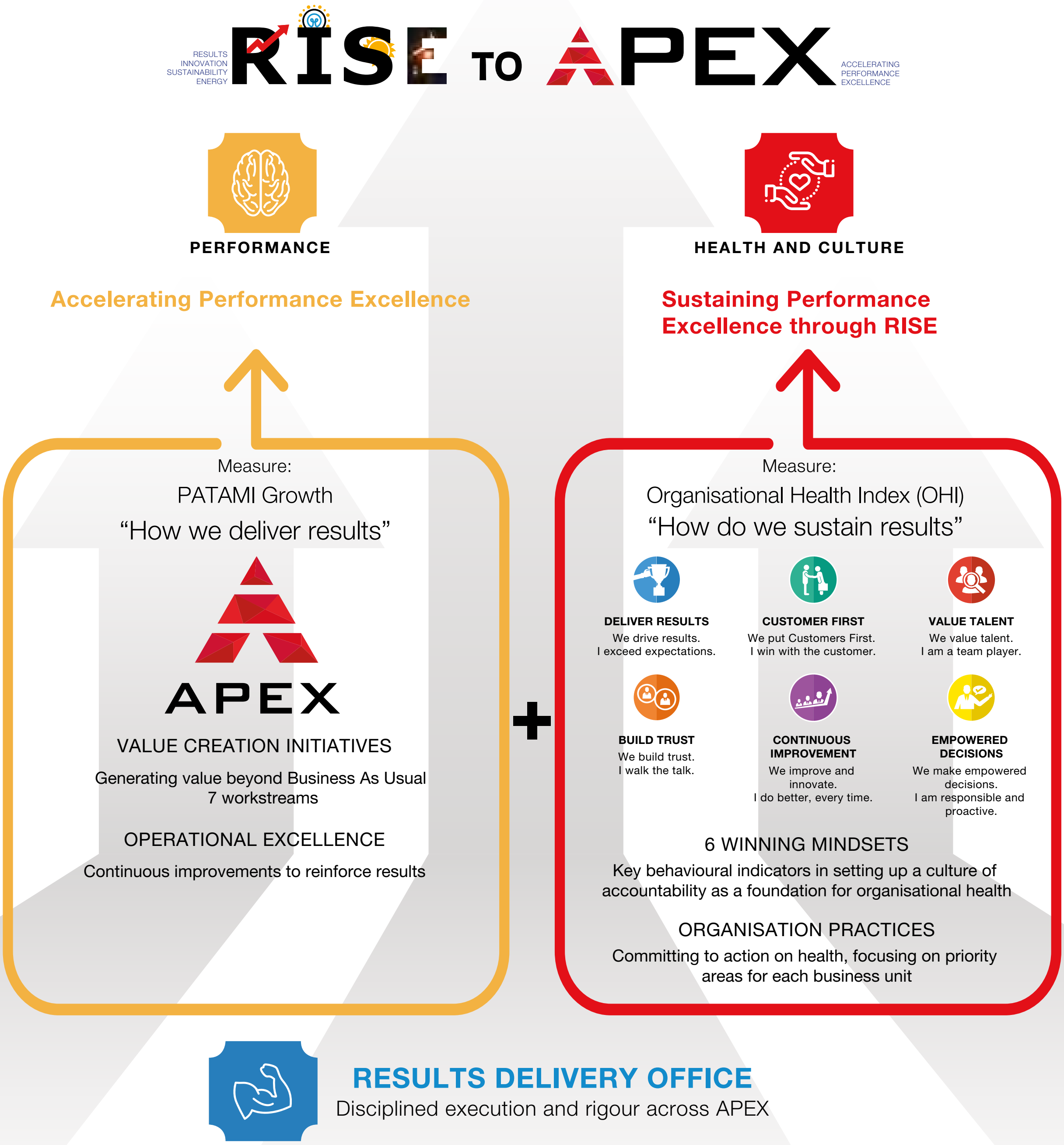
PERFORMANCE
Accelerating Performance Excellence

HEALTH AND CULTURE
Sustaining Performance Excellence through RISE

RISE TO APEX

RISE to APEX is the Group's transformational rallying call to superior performance through cultural change. It comprises the performance-driven RISE initiative incorporating 6 Winning Mindsets for a culture of accountability and the APEX value-creation programme aimed at accelerating operational excellence through results-driven initiatives. RISE unites us in a common culture that enables alignment to targets set by APEX across seven core workstreams, empowering our transformation to become the world's Leading Integrated Global Palm Oil Player.

- Accomplished three enabler labs in addition to five labs in 2019 – Process Rationalisation Replication in Indonesia, Centralised Logistics Operation and Foreign Workers Abscondment in Malaysia
- 1,587 value creation initiatives in the WAVE pipeline
- Formation of Sime Darby Oils (SDO) Transformation Office and launch of Project Matterhorn
- Launched Manufacturing and Commercial Transformation Sprints at SDO Business Units in Malaysia, Thailand and South Africa
- Completed Global Key Accounts Labs for SDO APAC and EMEA Commercial
- Completed APEX Mid-Way Journey Roadshow for six regions of Upstream Malaysia
- OHI Pulse Survey



Sime Darby Plantation (SDP) HQ

Simplified procurement and tender approval processes

As part of our ongoing transformation, the Management launched a deep-dive analysis from FY2019 to diagnose pain points that might inhibit SDP's progress towards greater efficiency. Comprising a series of Process Rationalisation Labs, the deep-dive explored three workstreams – "Simplifying Tender Process", "Streamlining Existing Reports" and "Consolidating Compliance-Related HQ Visits".

Several labs were conducted and solutions established. Implementation of the solutions from the labs began in FY2020 and has resulted in a renewed focus on core activities, improved procurement cycle efficiency and a simplified tender approval process.

Upstream Operations

Overtime reduction in Malaysian oil mills

During peak FFB processing months, our mills often run overtime (OT) beyond daily standard hours, resulting in higher OT-related costs. A cost rationalisation effort was initiated in April 2020, with inputs from Upstream Malaysia's Regional CEOs and Chief Engineers, culminating in an OT tiered concept whereby mills are classified into four tiers. Maximum allowable OT hours for each tier are based on assessed throughput compared against monthly FFB-processed volume, and in compliance with Jabatan Tenaga Kerja guidelines.

Since its implementation in May 2020, the system has successfully reduced average mill OT costs by 32% and 33% in absolute and unit cost respectively. Discussions are underway to replicate the model in other locations with modifications to comply with respective local statutory labour regulations.

Reducing electricity costs in Indonesia

SDP had been sustaining high energy costs in our Indonesian operating units due to heavy reliance on diesoline to power gensets for electricity supply. To remediate the situation, we switched from using gensets to leveraging Perusahaan Listrik Negara's (PLN) grid.

This effort has generated average energy savings of 25%. Some of our workers' housing areas, selected mills and regional offices of RUA, RSS, and KSS Region are currently powered by PLN. Efforts are underway in various stages of implementation to switch from diesoline to PLN in another seven estates and two mills in KSS region, PT ASM and PT ASL operations in RUA region and one mill and bulking operation in KTB region.

Centralised Procurement in Papua New Guinea (PNG) and Solomon Islands (SI)

Locally decentralised procurement methodologies in our PNG and SI Upstream operations led to inconsistent standards and specifications, as well as erratic pricing for annual planning and budgeting. In FY2020, we designated a selected group of high-consumption items comprising agricultural tools, agrochemicals, Personal Protective Equipment (PPE), tyres, lubricant, fertilisers and boiler chemicals, for centralised procurement.

The economies of scale gained through standardisation of procurement processes have enabled SDP to benefit from further cost savings and decrease overall cost of goods sold through more competitive pricing, bulk purchase discounts and improved consistency in product quality. We are looking to replicate the process for other items such as diesel and spare parts.

Sime Darby Oils

Reduced operating costs for Pulau Laut Refinery

SDO embarked on a project to construct and install a power grid substation last year to connect our Pulau Laut Refinery to the Perusahaan Listrik Negara (PLN) grid. The aim was to supply the Refinery with a cheaper and more stable source of electricity, instead of relying on diesel generator sets which are costlier and prone to maintenance downtime interruptions.

This initiative has enabled SDO to realise actual PBIT gains of 29% higher than original estimates. It was completed in two phases with 30% of SDO's total required electricity supply delivered in Phase 1 through a mix of 0.88MW from PLN and the balance supplied by two diesel generators. The Refinery is now 100% supported by PLN.

Raising our bottling and filling line capacity in Thailand

A capital expansion project was initiated to expand Morakot's bottling capacity, which had been running at near full capacity for three years, to support higher five-year growth expectations in the consumer and retail market for palm and soft oils. New PET bottle injection and blowing machines, and a new high-speed flexible line for 1L bottles at a capacity of 30,000 bph were installed, along with an automated storage and retrieval system to centralise warehousing systems and capacity. These upgrades have energised sales volumes for 1L bottle sizes and new efficiency gains from reduced material, maintenance and labour costs, resulting in PBIT growth of 121% above planned estimates.

Increased tank availability in Netherlands

In FY2020, we undertook a review to improve planning processes for inspections, maintenance and tank repairs in SDO Zwijndrecht Refinery to address the issue of increasing external storage costs due to low tank availability. Implementing the proposed improvements has successfully increased tank availability, reducing our need for external storage and delivering 233% higher actual PBIT against planned estimates.

Overcoming pandemic-related challenges to sustain biofuel production and profitability

Temporary closures of restaurants, hotels and catering businesses during the lockdown in Malaysia caused a significantly reduced supply and quality of Used Cooking Oil (UCO) feedstock, used by SDO Biodiesel Sdn Bhd (SDO Biodiesel) for refining and production of UCO Methyl Ester (UCOME) biofuel. To mitigate these challenges, SDO negotiated a pseudo-tolling agreement in our sales contract with Shell International Eastern Trading Company (SIETCO), where SIETCO would source the UCO feedstock for SDO Biodiesel to refine and process into UCOME.

This arrangement has successfully sparked incremental sales volumes with shipment orders of between 1,000 to 1,500 mt every two months since October 2019. To date, SDO Biodiesel has achieved three times more than its initial PBIT target and is continuing to ramp up sales volumes to meet our long-term biofuel business case projections.

GROUP FINANCIAL REVIEW

REVIEW OF OPERATIONS

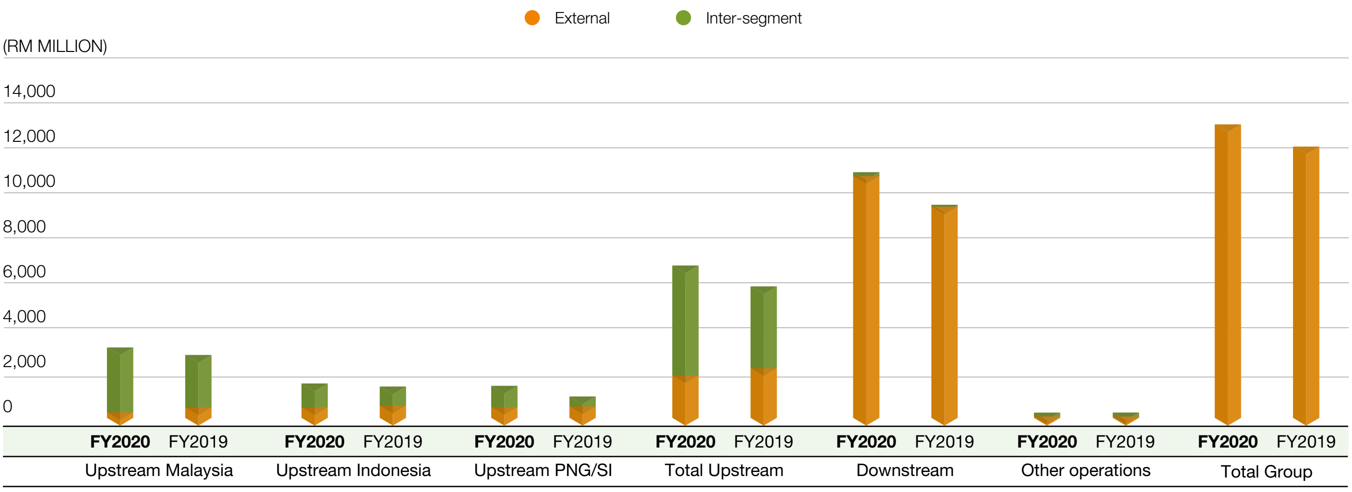
The financial year ended 31 December 2020 (FY2020) witnessed unprecedented global challenges as governments responded to the threats posed by the COVID-19 pandemic with the implementation of lockdowns and movement restrictions including closure of borders. Although palm oil was designated as an essential sector and therefore subjected to less operational disruptions, the border closures had a marked impact on the supply of foreign workers, resulting in acute labour shortages in Malaysia.

The Group reaped the benefit of higher average realised selling prices in FY2020. Although commodity prices were depressed in the first half of the financial year due to uncertainties surrounding the impact of COVID-19 on the global economy, a strong rebound and long rally in the crude palm oil (CPO) market prices since July 2020, due in part to anticipated decline in crop production in Malaysia and Indonesia, outweighed the impact of lower production and contributed to the Group's commendable results for FY2020.

GROUP PROFIT OR LOSS

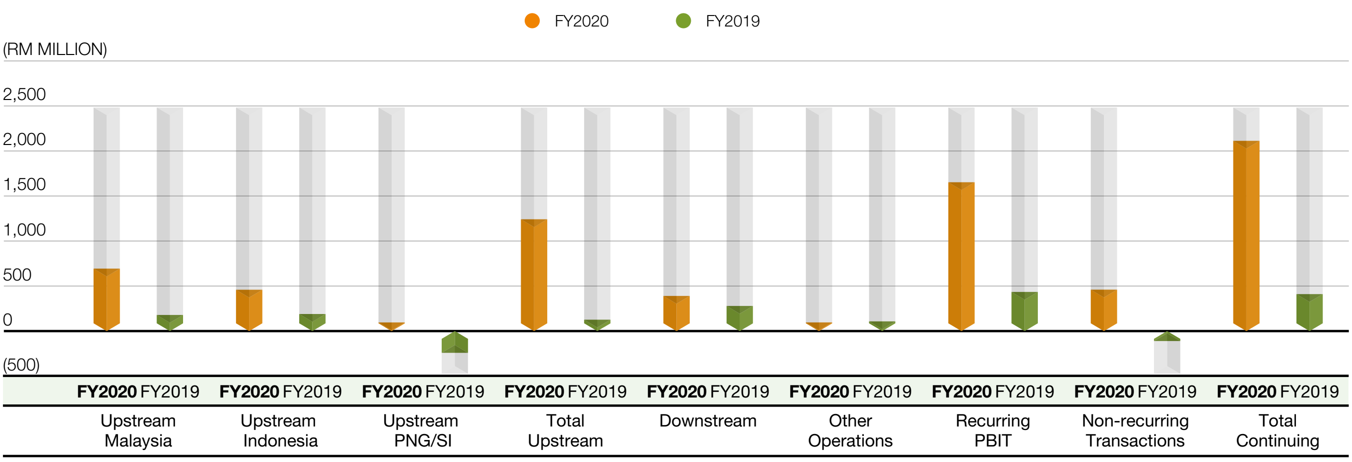
(RM'million)	FY2020	FY2019	%
Continuing Operations			
Revenue	**13,081**	12,062	8
Recurring profit before interest and tax	**1,634**	430	>100
Non-recurring transactions	**455**	(24)	
Profit before interest and tax	**2,089**	406	>100
Finance income	**17**	13	31
Finance costs	**(116)**	(168)	31
Profit before tax	**1,990**	251	>100
Tax (expense)/income	**(465)**	24	
Profit after tax	**1,525**	275	>100
Perpetual Sukuk	**(125)**	(124)	
Non-controlling interests	**(53)**	(29)	
Profit from continuing operations attributable to equity holders of the Company	**1,347**	122	>100
Discontinued Operations			
Loss from discontinued operations attributable to equity holders of the Company	**(162)**	(322)	50
Profit/(loss) attributable to equity holders of the Company	**1,185**	(200)	>100

REVENUE



Revenue from the Group's continuing operations for FY2020 was higher by 8% compared to the previous year, attributable to higher average CPO and palm kernel (PK) realised prices of RM2,532 per mt and RM1,463 per mt respectively (FY2019: CPO RM2,063 per mt; PK RM1,118 per mt), which mitigated the impact of the 3% decline in the fresh fruit bunch (FFB) production to 9.28 million mt (FY2019: 9.58 million mt).

PROFIT BEFORE INTEREST & TAX (PBIT)



For FY2020, the Group posted a profit before interest and tax (PBIT) from continuing operations of RM2.09 billion, as compared to RM406 million recorded in the previous year, due to higher recurring PBIT contributed by both the Upstream and the Downstream segments, and higher non-recurring PBIT arising from disposal of land and divestment of subsidiaries.

Upstream

For the year ended 31 December 2020, the Group's Upstream segment reported a recurring PBIT of RM1.2 billion from continuing operations, as compared to the RM125 million reported in the previous year. The stellar performance was largely due to:

i higher average CPO and PK realised prices, which increased by 23% and 31% respectively in the current year;

ii higher contribution from sugar operations in PNG as it recovered from the pest and disease issues of the previous year; and

iii fair value gains recorded on commodity futures and options of RM129 million, as compared to fair value losses of RM130 million incurred in the previous year.

The above factors partially cushioned the impact from the 3% decline in FFB production and the marginal decline in the average oil extraction rates (OER) to 21.44% in the current year.

The key operational drivers for the Upstream segment for FY2020 and comparison against the previous year are as follows:

	CPO Price Realised (RM per mt)			FFB Production (mt'000)		
	FY2020	FY2019	+/(-)	FY2020	FY2019	+/(-)
SEGMENT			%			%
Upstream Malaysia	**2,465**	2,069	19	**4,944**	5,102	(3)
Upstream Indonesia	**2,587**	2,048	26	**2,522**	2,663	(5)
Upstream PNG/SI	**2,606**	2,074	26	**1,812**	1,814	(0)
Continuing operations	**2,532**	2,063	23	**9,278**	9,579	(3)
Discontinued operations	**–**	2,037	(100)	**–**	100	(100)
Total	**2,532**	2,063	23	**9,278**	9,679	(4)

	PK Price Realised (RM per mt)			CPO Extraction Rate (%)		
	FY2020	FY2019	+/(-)	FY2020	FY2019	+/(-)
SEGMENT			%			%
Upstream Malaysia	**1,583**	1,220	30	**20.91**	21.18	(0.27)
Upstream Indonesia	**1,226**	933	31	**21.61**	21.92	(0.31)
Upstream PNG/SI	**–**	–		**22.50**	22.10	0.40
Continuing operations	**1,463**	1,118	31	**21.44**	21.58	(0.14)
Discontinued operations	**–**	399	(100)	**–**	22.35	(22.35)
Total	**1,463**	1,106	32	**21.44**	21.58	(0.14)

Downstream

The Group's Downstream segment reported a PBIT of RM386 million, 40% higher than the previous year, driven by improvements in its European refineries which compensated for the weaker performance from the Asia Pacific region. The Group's operations in Europe and Africa reported higher profits due to improved sales margins amid better selling prices and cost controls. This compensated for the impact of lower sales volume from the hotel, restaurant and cafe (HORECA) sector arising from restrictions placed by governments in view of the COVID-19 pandemic.

Despite recording improved margins, the Asia Pacific operations experienced a slowdown in exports in the first half of the financial year, as destination countries implemented COVID-19 lockdowns and related uncertainties affected demand, in addition to impact from the trade spat between India and Malaysia. Nevertheless, a recovery in exports to India in the second half of the year, boosted by the zero export tax in Malaysia, narrowed the decline in volume for FY2020.

Other operations

Other operations, the scope of which includes the sale of seeds and fertilisers, the provision of agronomic services and investment holding, registered a lower PBIT of RM21 million as compared to RM29 million in the previous year, mainly due to the impact of movement restrictions imposed by the government.

Hedge accounting

During the financial year, the Group commenced adoption of hedge accounting on its derivative contracts entered into to hedge against commodity price risks, which is expected to minimise volatility to the Group's profit. As at 31 December 2020, the Group has recognised a loss on derivatives that qualified for cash flow hedges of approximately RM235.3 million in other comprehensive income.

Non-recurring transactions

The total non-recurring PBIT of RM455 million comprised gains from the disposal of land in Malaysia and the divestment of subsidiaries amounting to RM414 million and RM53 million, respectively, which were largely recorded in the first half of the financial year. The gains compensated for the RM12 million impairment charge on plantation assets in Malaysia.

Discontinued operations

The Group's discontinued operations reported a net loss of RM162 million, comprising an impairment charge of RM236 million on a joint venture, Emery Oleochemicals (M) Sdn Bhd, which was partially compensated by a gain of

RM74 million recognised on the disposal of the Group's Liberian operations.

Finance Cost

The Group's finance cost of RM116 million was 31% lower than the previous year, a result of a decline in the Group's average borrowing rates by approximately 1.2% per annum and lower borrowing balances in view of a net repayment of borrowings amounting to RM1.01 billion in the current year.

Taxation

The Group reported a tax expense in the current year as compared to a tax income in the previous year, mainly due to the higher profit before tax (PBT) and a reversal of deferred tax assets amounting to RM74 million as a result of changes in the corporate tax rates in Indonesia during the year.

The tax income of the previous year included recognition of deferred tax assets arising from losses suffered by the holding company of PT Mitra Austral Sejahtera on disposal of its subsidiary and the increase in the Real Property Gains Tax rate in Malaysia of RM69 million and RM33 million, respectively.

Net Earnings

The Group reported total net earnings of RM1.18 billion, a turnaround from a total net loss of RM200 million recorded in the previous year, which translated into basic earnings per share and return on equity ratio as summarised below:

	Basic Earnings/(Loss)		Return on Shareholders' Equity	
	FY2020	FY2019	FY2020	FY2019
	Sen per share	Sen per share	**%**	%
From continuing operations	**19.6**	1.8	**9.9**	0.9
From discontinued operations	**(2.4)**	(4.7)	**(1.2)**	(2.4)
Total	**17.2**	(2.9)	**8.7**	(1.5)

GROUP'S BORROWING POSITION

(RM'million)	FY2020	FY2019
Total Borrowings	**6,682**	7,745
Bank balances, deposits and cash	**309**	431
Net Debt	**6,373**	7,314
Equity	**16,270**	15,861
Debt/Equity	**41.1%**	48.8%
Net Debt/Equity	**39.2%**	46.1%

The Group's net debt as at 31 December 2020 decreased to RM6.37 billion from RM7.31 billion reported at the end of FY2019, attributed to higher cash from operations generated during the year, as well as higher proceeds from divestments.

GROUP CASH FLOW

(RM'million)	FY2020	FY2019
Revenue	**13,081**	12,062
EBITDA – total	**3,314**	1,612
EBITDA – recurring	***2,859***	*1,636*
EBITDA – non recurring	***455***	*(24)*
Operating cash flow	**2,425**	1,745
Capital expenditure	**(1,337)**	(1,573)
Proceeds from disposals	**512**	194
Finance cost, net of finance income	**(146)**	(249)
Free cash flow	**1,454**	117

The increase in the Group's free cash flow in FY2020 to RM1.45 billion was mainly due to an increase in operating cash flow by 39% to RM2.42 billion, driven by higher profits generated given higher CPO prices and higher proceeds from divestments.

DIVESTMENTS AND DELEVERAGING EXERCISES

The Group continues to pursue its deleveraging effort in the form of divestment of non-strategic land and investments. However, concerns relating to liquidity and restrictions on travel have resulted in reduced interest from potential bidders and caused delays in disposal processes. This impact is expected to spill over to 2021.

As reported in the previous annual report, the sale of the Group's entire shareholding in Sime Darby Plantation Liberia Inc. to Mano Palm Oil Industries Ltd was completed on 15 January 2020.

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

- approximately 843 hectares of land in Malaysia which were put up for sale by tender in 2019
- the entire 52% shareholding in Verdant Bioscience Pte Ltd, a subsidiary in Singapore
- the entire 95% shareholding in PT Indo Sukses Lestari Makmur, a subsidiary which has a rubber development in Indonesia
- the entire 94.5% shareholding in PT Tamiyang Sumber Rezeki, a subsidiary in Indonesia

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

Continuing operations:

- the entire shareholding in PT Sedjahtera Indo Agro (formerly known as PT Sime Darby Plantation Indo Agro), a wholly-owned subsidiary involved in cultivation of oil palm and processing of palm oil and palm kernel
- certain plots of land in Malaysia totaling approximately 1,300 hectares.

Discontinued operations:

- the shareholding in joint ventures, Emery Oleochemical (M) Sdn Bhd and Emery Specialty Chemical Sdn Bhd.

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

DIVIDENDS

The Board of Directors of the Company had approved a total dividend payout of 11.57 sen per share for FY2020, which comprises 7.99 sen per share representing a payout of 60% of the Group's recurring net earnings and 3.58 sen in special dividend from non-recurring gains. This dividend payout exceeded the Group's policy of distributing not less than 50% of the consolidated recurring net earnings as dividends to its shareholders.

The dividends with respect to FY2020 are summarised as follows:

The interim and the special interim dividends were paid in cash on 26 November 2020.

The Final Dividend will be paid in cash on 12 May 2021, whereas the Special Final Dividend will be paid on 3 June 2021. The Dividend Reinvestment Plan (DRP), which was established pursuant to approval by the shareholders of the Company on 21 November 2018, shall apply on the Special Final Dividend, with the whole dividend amount classified as electable portion.

	FY2020		FY2019	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	**2.57**	**177**	–	–
Final dividend	**5.42**	**373**	1.00	69
	7.99	**550**	1.00	69
Special interim dividend	**1.45**	**100**	–	–
Special final dividend	**2.13**	**147**	–	–
	3.58	**247**	–	–
	11.57	**797**	1.00	69

VALUE DISTRIBUTION

The value that the Group creates for its stakeholders can either be in the form of financial returns or in non-financial or intangible forms. The Statement of Value Added illustrates how the Group's performance supports its ability to deliver financial value to its stakeholders.

Value Added

(RM'000)	FY2020	FY2019*
Turnover	**13,081,128**	12,114,056
Direct & Indirect Costs	**(7,957,803)**	(8,107,892)
Value Added from Operations	**5,123,325**	4,006,164
Other Operating Income	**591,585**	202,361
Other Losses	**(14,175)**	(209,376)
Share of Results of Joint Ventures	**(908)**	7,972
Share of Results of Associates	**4,901**	(2,257)
Finance Income	**17,294**	12,975
Total Value Added	**5,722,022**	4,017,839

Value Distributed

(RM'000)	FY2020	FY2019*
Employees	**2,362,081**	2,301,133
Government & Society	**491,456**	(13,579)
Providers of Capital		
Dividends to owners of company	**345,605**	459,011
Finance Costs	**174,697**	269,522
Non-controlling Interests	**53,352**	28,952
Perpetual sukuk	**124,641**	124,300
	698,295	881,785
Reinvestment and future growth	**2,170,190**	848,500
Total Value Distributed	**5,722,022**	4,017,839

* Including discontinued operations

5-YEAR FINANCIAL HIGHLIGHTS

	GROUP				
(RM'000)	FY 30 June 2017	FY 30 June 2018	FP 31 Dec 2018[1]	FY 31 Dec 2019	FY 31 Dec 2020
FINANCIAL RESULTS					
Continuing Operations					
Revenue*	14,767,935	14,335,826	6,518,321	12,062,266	**13,081,128**
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	6,073,863	3,872,983	1,213,295	1,611,899	**3,313,921**
Profit before interest and tax*	4,848,815	2,736,749	614,687	405,886	**2,089,374**
Profit before tax*	4,424,443	2,577,722	513,175	251,316	**1,990,250**
Profit after tax*	3,945,390	2,086,175	367,923	274,885	**1,524,724**
Perpetual sukuk*	(2,724)	(124,300)	(62,661)	(124,300)	**(124,641)**
Non-controlling interests*	(42,087)	(33,624)	(5,626)	(28,952)	**(53,352)**
Profit from continuing operations attributable to equity holders of the Company	3,900,579	1,928,251	299,636	121,633	**1,346,731**
Discontinued Operations					
Loss from discontinued operations attributable to equity holders of the Company	(393,480)	(200,772)	(56,128)	(321,793)	**(162,162)**
Profit/(loss) attributable to equity holders of the Company	3,507,099	1,727,479	243,508	(200,160)	**1,184,569**
FINANCIAL POSITION					
Share capital	600,000	1,100,000	1,100,000	1,506,119	**1,506,119**
Reserves	11,858,084	12,574,687	12,018,449	11,754,854	**12,147,381**
Shareholders' equity	12,458,084	13,674,687	13,118,449	13,260,973	**13,653,500**
Perpetual sukuk	2,231,384	2,230,717	2,231,398	2,231,398	**2,231,398**
Non-controlling interests	433,887	408,398	396,078	368,351	**384,850**
Total equity	15,123,355	16,313,802	15,745,925	15,860,722	**16,269,748**
Borrowings	7,737,927	6,489,398	7,296,914	7,744,927	**6,682,203**
Liabilities associated with assets held for sale	15,395	45,993	21,133	35,735	**17,699**
Other liabilities	6,578,200	4,642,482	5,562,330	4,866,338	**5,351,001**
Total equity and liabilities	29,454,877	27,491,675	28,626,302	28,507,722	**28,320,651**
Non-current assets	23,794,526	22,517,962	23,583,606	23,541,567	**23,318,949**
Current assets excluding cash	4,763,309	4,391,511	4,426,979	4,012,270	**4,369,523**
Assets held for sale	183,594	218,964	124,675	522,538	**323,150**
Cash	713,448	363,238	491,042	431,347	**309,029**
Total assets	29,454,877	27,491,675	28,626,302	28,507,722	**28,320,651**
FINANCIAL RATIOS					
Operating margin (%)*	32.9	19.2	9.4	3.4	**15.9**
Return on shareholders' equity (%)	28.2	12.6	3.7[4]	(1.5)	**8.7**
Debt/Equity (%)	51.2	39.8	46.3	48.8	**41.1**
Debt/EBITDA (times)	1.4	1.8	6.0	4.8	**2.0**
SHARE INFORMATION					
Basic earnings per share (sen)[2]	52.2	25.5	3.6	(2.9)	**17.2**
Net assets per share attributable to owners of the Company (RM)	1.8	2.0	1.9	1.9	**2.0**
Net dividend per share (sen)[3]	150.0	17.5	1.7	1.0	**11.6**

Note:

1. A six-month financial period.
2. The weighted average number of ordinary shares in issue FYE 30 June 2017 has been adjusted for 1 : 11.19 share split.
3. Based on number of ordinary shares in issue of 600,000,000 as at 30 June 2017, 6,800,839,377 as at 30 June 2018 and 31 December 2018, and 6,884,575,283 as at 31 December 2019 and 31 December 2020.
4. Ratio is annualised.

* The financial line items for periods prior to FY 31 December 2019 have been restated to exclude discontinued operations.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

UPSTREAM

Innovation and operational excellence continue to be pillar themes for our Upstream business. We achieved significant progress in our GenomeSelect™ replanting efforts and expanded adoption of mechanisation and digitalisation across our estates and mills via new precision agriculture methods and system-driven remote monitoring capabilities.

ABOUT OUR UPSTREAM OPERATIONS

A leader in sustainability

The Group owns 745,301 hectares of landbank across Malaysia, Indonesia, Papua New Guinea (PNG) and Solomon Islands (SI). Approximately 75% of this is cultivated for oil palm, with the remaining hectarage utilised for rubber and sugarcane plantations, as well as cattle-rearing and beef production. Other than the development, cultivation and management of oil palm, rubber and sugarcane estates, our primary focus areas include the milling of FFB into CPO and PK, and the processing and sales of rubber and sugarcane.

As the world's largest producer of CSPO, we are committed to upholding human rights, environmental best practices and biodiversity conservation across every facet of our business, in accordance with RSPO Principles and Criteria. All SDP's operations including our 241 plantation estates and 70 palm oil mills are 100% RSPO certified as at 31 December 2020.

KEY PERFORMANCE CONTRIBUTORS IN FY2020

Boost to seed quality

Innovation and operational excellence continued to be a cornerstone for the Upstream business in FY2020. The implementation of the GenomeSelect™ programme has enabled us to augment the productivity of our planting materials and is a substantial component of our long-term roadmap to maximise and increase the FFB and OER yields from existing hectarage.

Further mechanisation for mills and estates

In the last year, we have further expanded the adoption of mechanisation and digitalisation across our estates and mills. One example of this is the implementation of new precision agriculture methods such as satellite imaging through drone technology to enable greater palm count accuracy and identify problematic or underperforming areas in our plantations. Key observations from these new methods have enabled the development of enhanced sensors to improve process controls and feedback in our mill operations. The division has also undertaken a water management project focusing on the usage of remote sensors and hydrology and hydraulic approaches to improve water conservation and reduce our overall water usage footprint.

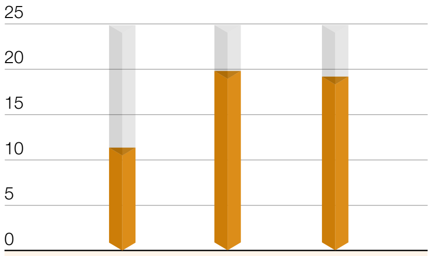
Divestment of Liberian operations

As part of our investment rationalisation initiative, the Group announced the completion of the divestment of our 100% equity interest in Sime Darby Plantation (Liberia) Inc. (SDPL) in January 2020. Despite extended efforts to raise efficiency and reduce costs of operations over a number of years, SDPL's underperformance persisted and we were unable to meet the minimum required return on capital. As part of the divestment terms, a sum of payment based on years of service will be accorded to SDPL employees. No redundancy is anticipated as the new owner has committed to honour all contractual obligations with local communities.

Cash conservation prioritised

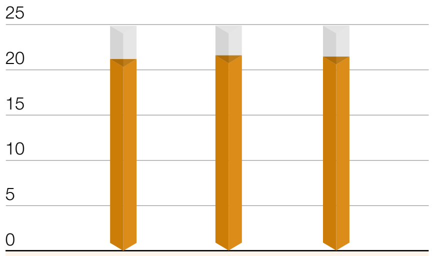
Given the current environment of uncertainty, it is imperative that we remain resolutely focussed on our strategic priorities while exercising a judicious approach to balancing immediate needs against long-term growth objectives. The Group appointed a cash conservation taskforce in FY2020 to review funding utilisation across all our countries of operation. As part of this effort, a review of our core operational activities was completed, along with a renegotiation exercise of selected service and supply contracts to achieve the best value from our suppliers.

YIELD PER HECTARE
(MT/HA)



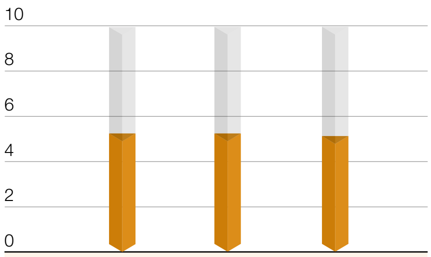
FP2018*	FY2019	**FY2020**
11.25	19.77	**19.14**

OIL EXTRACTION RATE
(%)



FP2018*	FY2019	**FY2020**
21.17	21.58	**21.44**

KERNEL EXTRACTION RATE
(%)



FP2018*	FY2019	**FY2020**
5.20	5.22	**5.06**

* Six-month financial period ended 31 December 2018

FINANCIAL AND NON-FINANCIAL PERFORMANCE

Despite negative factors such as volatile markets, foreign labour shortages and adverse weather conditions in the last year, the division was able to register a PBIT of RM1,228 million. This amounts to a significant increase from RM125 million from the previous year, and is primarily attributable to higher CPO and PK realised prices.

Operationally, we saw a 0.14% decline in OER and 3% decline in FFB production from continuing operations. This was due largely to the labour shortage in Malaysia and unfavourable weather conditions resulting from heavy rainfall and flooding.

KEY HIGHLIGHTS FOR THE YEAR

Progress on GenomeSelect™ replanting exercise

The Group replanted a total land area of 1,117 hectares across our Malaysian estates using GenomeSelect™ materials in 2020. By 2023, we are targeting all our seedlings for replanting to be grown from GenomeSelect™ materials.

Elevated safety measures

Health and safety precautions remain a top priority in light of the ongoing pandemic. In compliance with government issued Standard Operating Procedures for COVID-19, heightened safety management measures were swiftly implemented across all our operation units in 2020.

COVID-19 testing was administered for all our local and foreign workers as well as their next-of-kin. We are happy to report that there were no clusters of outbreaks identified in any part of our operations.

Foreign labour management

The Malaysian Government enforced a halt on recruitment of foreign workers from several source countries in the second half of 2020 in order to contain and minimise the risk of importing COVID-19 cases into Malaysia. The plantation and agricultural sectors were hard hit with severe labour shortages, which subsequently led to significant field losses and further negative impact on already declining CPO production in Malaysia. The recruitment restrictions also resulted in a large number of cancelled flights on short notice, complicating the process of repatriating workers who had completed their contracts and wished to return home.

Employees who had returned to Indonesia, India, Bangladesh and other countries could not be replaced with new foreign workers, while the several thousand workers who had gone home for holidays in January and February were forced into a difficult position of not being able to return to their jobs in Malaysia. This situation has led to a massive loss of livelihoods, not just for our employees but also thousands of families in their home countries. Subject to the Malaysian Government's approval, SDP is pursuing every means to bring back 653 foreign workers who had left Malaysia for holidays in January and February 2020, and now wish to resume their jobs in our plantations. To mitigate the complications and cancellations surrounding commercial flight arrangements, the Group also provided repatriation support in the form of privately chartered flights to ensure a safe return home for workers who had completed their contract and wished to return to their countries of origin.

Long-service incentives and intensified local hiring

In 2020, the first Movement Control Order resulted in a labour supply crunch in which our workforce capacity was sharply reduced to 50%. To address the foreign labour shortage issue, the Group offered a special incentive to reward and retain long-serving workers and harvesters. We also increased direct hiring of locals through various campaigns, offering employment opportunities for those who had fallen on hard times.

Best Estate –
Bebere Estate, West New Britain
Highest Yield Per Hectare

30.18 mt/ha

Best Mill –
Mamba Mill, Higaturu
Highest Oil Extraction Rate

25.44%

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
Upstream Malaysia: Sua Betong Palm Oil Mill received the Notable Achievement in Environmental Performance Award and Negeri Sembilan Award for Best Environmental Performance under the Prime Minister's Hibiscus Awards 2019/2020	Prime Minister's Hibiscus Award 2019/2020
Upstream Indonesia: Minamas Plantation, through its subsidiaries PT LSI, PT BSS, PT Sajang Heulang and PT TGK received the Blue Company Performance Rating Programme (PROPER) Award recognising adherence to environmental management, from the Ministry of Environment and Forestry (KLHK) in April 2021	Ministry of Environment and Forestry (KLHK)
Upstream PNG & SI New Britain Palm Oil Limited (NBPOL) received the 2020 Employer of the Year/Chairman's Award and 2020 Most Compliant in Benefit Payments Award at the Nasfund Annual Employer Awards 2020	Nasfund Annual Employer Award 2020

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Adverse weather conditions Heavy rainfall and flooding affect the quality and quantity of fruit and oil production.	All operating units to adhere strictly the Agriculture Reference Manual in order to maximise and sustain potential yield.	No tree stress observed during the year. Flash floods were reported in a few estates in Q4 but successfully mitigated. Very minimal crop loss.
Labour shortage Manpower shortage due to government-imposed freeze on migrant workers affects overall performance and productivity.	Seek alternative sources of manpower such as locals, ex-prisoners and parolees. Reduce dependency on manual labour through greater mechanisation and optimising labour-to-land ratio.	Hired a total of 1,952 locals in six months with high abscondment rate observed among locals. The shortage of manpower in December 2020 has resulted in bigger coverage of land to labour ratio at 11.6 ha per worker.
Act 446 (Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990) Non-conformance to the Act could result in dismissal from RSPO. Heavier pressure will also be enforced by Government and NGOs.	Re-evaluate workers' facilities to ensure compliance to Act 446.	Constructed new workers quarters and upgraded existing facilities. Standardised amenities provided in workers quarters.
Allegations of forced labour arising from Withhold Release Order issued by U.S. CBP affects the Group's reputation and profitability.	Engage proactively with the CBP and other key stakeholders to investigate allegations and address any gaps that may exist. Establish stakeholder review commission to conduct comprehensive third-party evaluation of labour practices to provide independent and transparent oversight.	The results of the initial assessment showed no systemic issues were observed in our operations.

We are targeting all replanting in Malaysia to be grown from GenomeSelect™ materials by 2023

WAY FORWARD

2020 presented a unique set of unprecedented challenges that required us to embrace new ways of working across our estates and mills. Although we had to implement these necessary changes in our processes, our aspiration to achieve average yields of 23 tonnes of FFB and OER of 23% by 2023 for our Upstream operations, remains unchanged.

With or without COVID-19, challenges and risks are always present across all aspects of the plantation sector. Our responsibility to stakeholders and employees alike, is to stay nimble and agile to address these challenges while capitalising on opportunities that emerge alongside.

Cost optimisation and cash conservation will remain pillar themes as we move into 2021. In the last year, we accelerated our drive to digitalise internal systems and processes towards greater operational excellence. This has enabled us to enhance our Business Continuity Plan to allow more system-driven monitoring of operations via remote and work-from-home arrangements.

We continue to actively monitor potential threats of setbacks to palm oil production that arise from risks such as movement restrictions and unpredictable weather conditions that could impact labour supply and the delivery of equipment and fertiliser. In FY 2020, our operations in Sabah were briefly impacted by the two-week Extended Movement Control Order (EMCO). This caused the harvesting interval to exceed by more than 30 days, which resulted in a limited measure of crop loss.

To mitigate the risk of weather unpredictability, our division plans to further strengthen productivity and efficiency to improve yields and produce more from less. The ongoing research and development efforts to enhance crop resiliency in our GenomeSelect™ material and 2023 replanting initiative will form the bulwark of this plan. We will also seek to further strengthen and optimise our supply chain network to ensure seamless connectivity for resources such as fertiliser and equipment.

With regard to labour supply management, we plan to step up recruitment of more locals and to invest further in mechanisation and automation. In compliance with the amendment to Act 446 enforced with effect from 1 June 2020, we have also invested extensively in upgrading our workers' quarters and amenities. We will continue to actively seek feedback from our workforce, to ensure that their needs are well catered for.

Palm oil price volatility continues to drive market uncertainty. The global supply crunch in 2020, resulting from the impact of movement restrictions across the world due to COVID-19, fuelled a rally that saw CPO prices hit their highest level since 2011. Based on our estimates, we expect prices to stay high in the short-term.

Competing vegetable oils such as rapeseed oil, soybean oil, and sunflower oil will continue to challenge the competitiveness of palm oil. Aside from exploring opportunities for alternative revenue streams, the Group will also aim to provide more differentiated products and service offerings in collaboration with our Downstream operations division. This will enable us to offer a strengthened value proposition and greater relevance for our customers.

Both the Malaysian and Indonesian governments have pushed back to 2022, the start date of the nationwide implementation of revised biodiesel mandates for the B20 in Malaysia and B40 in Indonesia. Nonetheless, we remain confident in our expectations that the upcoming revisions will lead to higher domestic demand for palm oil in the mid to longer term.

Concerns around health, environment and human rights issues have always surrounded the industry and will likely carry forward into the coming year. As a key participant in the RSPO and leader in sustainable palm oil production, we will continue our ongoing proactive engagements to update and inform our stakeholders, governments and NGOs of continuing sustainability improvement efforts within the industry and organisation. We remain hopeful that the Malaysian authorities and European Union would be able to move towards a transparent and equitable reciprocal trade relationship in their ongoing conversation surrounding the phase-out on use of palm oil biofuels in Europe by 2030.

3-YEAR OPERATIONAL REVIEW

	FP2018 (July 2018 – December 2018)				
	Malaysia	Indonesia	PNG & SI	Liberia	Total
FFB Production (in mt)	2,798,425	1,712,521	994,214	51,154	**5,556,314**
OP Hectarage (in ha)					
– Mature hectares	244,963	158,791	79,126	9,975	**492,854**
– Immature hectares	55,767	42,282	11,955	288	**110,292**
– Total planted hectares	300,730	201,072	91,081	10,263	**603,145**
Yield per Hectare (in mt/ha)	11.40	10.72	12.59	5.13	**11.25**
FFB Processed (in mt)					
– Own	2,798,425	1,712,521	994,214	51,154	**5,556,314**
– Outside	508,669	489,052	287,786	1,281	**1,286,788**
– Total	3,307,094	2,201,573	1,282,000	52,435	**6,843,102**
Mill Production					
– Crude Palm Oil (in mt)	683,678	465,306	288,677	11,042	**1,448,703**
– Palm Kernel (in mt)	171,670	105,759	75,405	3,156	**355,991**
– Oil Extraction Rate (%)	20.67	21.14	22.52	21.06	**21.17**
– Kernel Extraction Rate (%)	5.19	4.80	5.88	6.02	**5.20**
Rubber					
– Planted hectare (in ha)	12,680	1,924		121	**14,725**
– Rubber production (in '000kg)	4,038,335				**4,038,335**
– Yield per Hectare (kg/ha)	770				**770**
Sugar Cane					
– Planted hectare (in ha)			5,613		**5,613**
– Cane yield (mt/ha)			50.69		**50.69**
Beef Production					
– Total herd as at December (in heads)			23,527		**23,527**
– Average deadweight (kg/head)			260		**260**
Total Landbank / Concession	343,251	299,255	146,463	220,000	**1,008,969**

FY2019 (January 2019 – December 2019)					FY2020 (January 2020 – December 2020)			
Malaysia	Indonesia	PNG & SI	Liberia	Total	Malaysia	Indonesia	PNG & SI	Total
5,101,675	2,663,105	1,814,399	100,303	**9,679,482**	4,944,336	2,521,544	1,811,748	**9,277,628**
244,615	152,469	80,803	10,137	**488,024**	246,895	158,158	84,340	**489,393**
54,735	41,336	9,808	143	**106,022**	52,070	35,173	6,703	**93,946**
299,350	193,805	90,611	10,280	**594,046**	298,965	193,331	91,044	**583,339**
20.96	17.14	22.44	9.90	**19.77**	20.14	16.29	21.48	**19.14**
5,101,384	2,663,105	1,814,399	100,303	**9,679,191**	4,942,093	2,521,544	1,811,748	**9,275,385**
811,768	670,754	527,970	214	**2,010,706**	673,367	529,776	540,275	**1,743,419**
5,913,152	3,333,859	2,342,369	100,517	**11,689,897**	5,615,460	3,051,320	2,352,023	**11,018,804**
1,252,236	730,908	517,598	22,468	**2,523,210**	1,174,059	659,450	529,201	**2,362,710**
307,666	160,996	135,409	5,749	**609,820**	284,593	138,648	133,870	**557,111**
21.18	21.92	22.10	22.35	**21.58**	20.91	21.61	22.50	**21.44**
5.20	4.83	5.78	5.72	**5.22**	5.07	4.54	5.69	**5.06**
12,606	1,924		121	**14,651**	12,229			**12,229**
7,402,829				**7,402,829**	6,107,678			**6,107,678**
1,422				**1,422**	1,220			**1,220**
		5,613		**5,613**			5,637	**5,637**
		29.36		**29.36**			37.37	**37.37**
		24,625		**24,625**			27,006	**27,006**
		265		**265**			280	**280**
343,254	287,460	146,098	220,000	**996,812**	342,408	256,247	146,646	**745,301**

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

SIME DARBY OILS

SDO recorded its best financial performance to date in 2020. We have fast-tracked a number of initiatives to generate higher contributions from our differentiated products and continue to build on our agility and expertise in development and commercialisation of high value, healthier oils and nutraceutical products.

ABOUT SIME DARBY OILS

Sime Darby Oils (SDO) is the essential customer-facing part of Sime Darby Plantation's (SDP) integrated value chain. As the Downstream segment of the business, we create synergistic value for the Group through our focus on the trading, manufacturing as well as sales and marketing of refined oils and fats products, oleochemicals, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives. SDO also enables the Group to differentiate itself as a responsible producer of high quality products.

SDO has a presence across 14 countries. We manage and operate 11 refineries with a total annual capacity of 3.7 million metric tonnes (mt) and total bulking installation capacity of 276,400 mt. We also operate four kernel crushing plants (KCP) with total annual capacity of 405,000 mt, one biodiesel plant with production capacity of 120,000 mt per annum, one soya crushing plant with production capacity of 132,000 mt per annum and two copra mills in PNG with production capacity of 42,000 mt.

Sime Darby Oils is committed to delivering superior solutions tailored to our customers' business needs. In line with our tagline of 'Realising Possibilities, Together', we leverage our extensive network and global footprint to forge purposeful partnerships that bring top-quality and enriching products to our customers.

Our Vision

Inspiring the world to a more sustainable living

Our Mission:

- **Innovating our products and supply chain to help our customers succeed**
- **Offering great customer experience for a stronger relationship**
- **Developing solutions today for what our customers need tomorrow**

Our Tagline

Realising possibilities, together

Our Promise

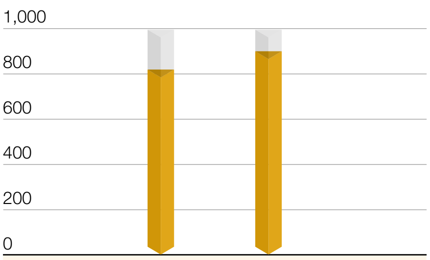
At Sime Darby Oils, we are committed to a partnership that is devoted to our customers' success. We explore every possibility to ensure the right solutions for your business needs, identifying new opportunities along the way. We are firmly focussed on the future – your future – and how we can work hand-in-hand to achieve the best possible results.

Total Annual Capacity (mt)
3.7 million

Country Presence
14

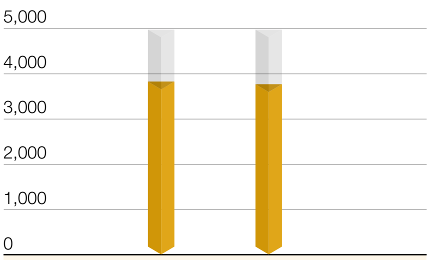
Number of refineries
11

GROSS MARGIN
(RM MILLION)



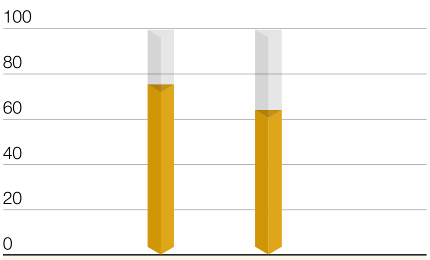
FY2019	FY2020
819	**901**

SALES VOLUME
('000 MT)



FY2019	FY2020
3,828	**3,769**

CAPACITY UTILISATION
(%)



FY2019	FY2020
75	**64**

OUR KEY PILLARS

SUSTAINABILITY

Commitment to sustainability and a fully traceable and segregated supply chain; and being a good corporate citizen in all our environmental and social practices.

INNOVATION

Anticipate the world's oils & fats needs with innovation and R&D.

QUALITY

Delivered through the highest standards of operation excellence, resulting in best cost efficiencies, quality, quantity and timing.

INTEGRATION

Secured supply of feedstock in an efficient fully integrated value chain.

KEY PERFORMANCE CONTRIBUTORS IN FY2020

Improved bulk and trading performance

Our trading operations in the Asia-Pacific region saw an improvement in sales margins, driven by an uptrend in market prices and higher premiums from the sale of RSPO-certified products. These increases were instrumental in counteracting the impact of lower demand across our bulk and differentiated product segments caused by restrictions placed by governments to contain COVID-19.

Boost for differentiated products

SDO has fast-tracked a number of initiatives to generate higher contributions from our differentiated products since the fourth quarter of 2019. The stringent cost control measures we undertook in our European refinery operations have yielded positive outcomes. Combined with the effect of higher selling prices in the past year, our differentiated products business in Europe experienced a remarkable surge in sales margins of 16%, overriding the impact of a marginal decrease in year-on-year sales volumes.

Business transformation

SDO's formula for creating a better quality of life for all, as governed by our four key pillars – Sustainability, Quality, Innovation and Integration – serves as the enduring guidepost for our transformation plan. Continuing initiatives and activities to secure growth in our core operational areas and transform SDO into a high-performance business have resulted in lower costs of production and improved margins.

FINANCIAL AND NON-FINANCIAL PERFORMANCE

SDO recorded its best financial performance to date on the back of higher selling prices across our European markets and trading businesses. Across the board, improved sales margins offset a 2% decrease in year-on-year sales volume and a 11% percentage point decrease in year-on-year capacity utilisation.

The division registered a recurring PBIT of RM386 million, up by 40% from the previous year's RM276 million. SDO's stronger contribution to the Group's overall financial position for FY2020 provided compelling support to cushion the impact of the decline in Upstream FFB production due to extreme weather conditions in the past year and the labour shortage in Malaysia.

KEY HIGHLIGHTS FOR THE YEAR

Drive to higher-margins and higher traceability

As a single-source integrated provider of oils and fats solutions, we are able to provide continued assurance to our customers of a streamlined and highly efficient supply chain with maximised traceability that seamlessly connects our palm oil production to destination markets. SDO also focussed on further developing our higher-margin value-added product segments and enhancing traceability in FY2020. In collaboration with our Innovation Centres, we expanded our customised product portfolio to introduce and market new product offerings to our customers across the world. In addition to this, we increased physical sales of Certified Sustainable Palm Oil (CSPO) by 19%.

Improved wallet share for health and wellness

As consumers adapted their lifestyles to the “new normal” during the pandemic, the health and wellness industry has seen a marked shift with emphasis on the importance of self-care and personal health. SDO has been able to capitalise on this trend through our NATRIÉO and ELAIESE nutraceutical brands, both of which contain naturally sourced tocotrienols extracted exclusively from SDP’s high quality oil palm fruit. To date, NATRIÉO has successfully boosted its market penetration of the healthcare sector across 350 general practitioner clinics, 10 hospitals and 125 local pharmacies nationwide in Malaysia. ELAIESE, which is made of 100% pure oil palm fruit rich in essential phytonutrients such as carotenoids, was soft-launched in 2020.

New ways to reach consumers

In 2020, during months of social distancing, the home evolved to become a multi-functional hub for living, working and schooling. With people staying home more and eating out less, many took up cooking for themselves. Capitalising on this trend has enabled SDO to accelerate the promotion of our customer brand products. This was achieved primarily by leveraging digital marketing platforms such as online sales, cooking videos, and partnerships with influencers. In FY2020, our ALIF range of cooking oils extended its market share in the hypermarket channel to 36.8%, claiming the number two position in the Malaysian market.

Enhanced capacity

Following our increased focus on the biodiesel product segments, SDO has invested in extending the current capacity of our existing production facilities. In FY2020, we doubled our biodiesel capacity to 120,000 tonnes a year.

Robust operational effectiveness

To address pandemic-related impacts on our operations, SDO established a number of necessary modifications in daily processes and routines, such as the reduction of allowable manpower in our plants for the sake of enhanced health and safety management. Our people demonstrated exceptional teamwork and perseverance in light of these adjustments, and successfully maintained a robust Operational Overall Equipment Effectiveness (OOEE) in spite of the new conditions.

Improved brand and sustainability perception

Consistent engagement and close working relationships with customers have led to favourable endorsements by external stakeholders and above-average overall brand perception in FY2020. SDO achieved an overall score of 82.1% in our latest global customer survey which sought customers’ feedback in a number of areas including our services, products and delivery. 98% of our customers rated our sustainability performance as “excellent” and “good”. The scope of this rating includes the sustainability of our product offerings and availability, traceability reporting to customers and public, and consistency in supplier engagement.

Strengthening financials and governance

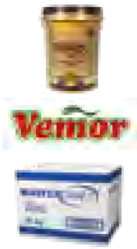
As a result of our transformation programme, we made significant inroads in 2020 in transforming our bottomline and consequently our contributions to overall Group earnings. SDO also reinforced our risk management framework by strengthening process governance and establishing new credit management and price risk trading systems.

OUR KEY PRODUCTS

Superior-quality pure vegetable cooking oil rich in Vitamin E and ideal for all methods of cooking, stir-frying, deep-frying, sautéing and baking.

ELAIESE Superfood Red Palm Fruit Oil is a superfood ingredient that is ideal to be incorporated in your daily diet or beauty routine. ELAIESE is harvested from the freshest palm fruits and processed naturally to retain its potent nutrient content – Pro-Vitamin A, Vitamin E Tocotrienols, Phytosterols, COQ10, Squalene, Lycopene and Polyphenols.

NATRIÉO is a health supplement containing Vitamin E Tocotrienols naturally sourced from palm oil. With its high antioxidant potency and anti-inflammatory properties, it is clinically proven to protect and revitalize liver health naturally.



Trusted by chefs and restaurateurs, our exclusive range of bakery fats and dairy-replacement formulations are designed to produce best results for multi-purpose culinary applications.

A high grade nutritious product for animal feed which is generated from Sime Darby Oils’ kernel crushing plant. It can be used as one of the feed ingredients for poultry, ruminant, swine and fish. PURAFEX contains a good amount of energy and protein and has high digestibility for monogastric animals and ruminants.

Morakot is the most top of mind brand and product in Thailand and it’s the leading vegetable cooking oil in the market. This success is all about a high-quality product and strong commitment to deliver its customers with the best of quality which has made Morakot brand well-known and trusted.

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
SDO Morakot The No.1 Brand Thailand	Marketeer Magazine
Thailand Quality Award 2020	Food and Drug Administration under the Ministry of Public Health of Thailand
Superbrands Thailand's Choice 2020 for Cooking Category	The Superbrands
SDO South Africa The 1st oils and fats producers to import a fully 100% No Deforestation, No Peat and No Exploitation (NDPE) oil into South Africa	

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Rising competition from other edible oils Competing vegetable oils such as rapeseed oil, soybean oil, and sunflower oil could affect the competitiveness of margins of palm oil-related products. The U.S. CBP WRO arising from allegations of human rights violations by the petitioner could also impact demand for palm oil in relation to other oils.	• Improve product and service offerings through diversification and differentiation of existing products. • Appointed Impactt Ltd as a third-party assessor to our newly established Third-Party Stakeholder Human Rights Assessment Commission.	SDO achieved its best ever performance to date.
Sustainability risks Rising stakeholder activism and scrutiny on palm oil-related products have led to serious impact on corporate reputation and trade arrangements.	• Intensify efforts on traceability and risk monitoring system, alongside regular engagement and consultations with stakeholders.	98% of SDO customers rated our sustainability performance as excellent or good.
Geopolitical uncertainties Geopolitical confrontation and diplomatic dynamics continue to present uncertainties and risks such as freight disruptions caused by COVID-19-driven movement restrictions.	• Diversify our market reach to mitigate country-specific risks. • Negotiate freight rates for 3-monthly period based on agreed committed volume to sustain competitiveness in specific destinations.	Successfully diversified and extended our market presence across more locations.

WAY FORWARD

In 2021, we anticipate three major trends centred primarily on the consumer segment – competition from other edible oils, increasing emphasis on health and wellness, and increasing demand for transparency. These trends are expected to continue to dominate the oils and fats segment. This dovetails well into our ongoing strategy of transforming our current business mix to increase the contribution of our consumer brands segment to overall revenue.

In spite of competition from other edible oils, palm oil has retained its reputation as one of the most versatile and economically viable oils. To ensure that we retain our competitive edge in this respect, we continue to pursue the strategic diversification and differentiation of our product offerings while expanding outreach efforts to educate consumers and stakeholders on the natural advantages and benefits of palm oil. SDO is also in the process of exploring expansion opportunities to increase our global footprint and presence in key geographical markets.

Our agility and expertise in development and commercialisation of high value, healthier oils and nutraceutical products enabled us to swiftly capitalise on the renewed emphasis on health and wellness in 2020. This represents another step forward in our journey to become the world's partner-of-choice in enabling full and sustainable living with best-in-class oils and fats solutions. With the focus on health and wellness expected to prevail well into 2021 and beyond, we will continue to explore and leverage cutting-edge technology to establish a robust and innovative ecosystem that prioritises customer-centricity in our research and development processes. We will also seek to create new value by continuing to capitalise on the benefits of digitalisation to further strengthen our market position and branding.

As a leader in sustainability, SDO believes in the unequivocal importance of transparency and a fully traceable and segregated supply chain. Having direct management of both the demand and supply of palm oil from our own single-source plantations means we have an immediate and direct advantage in raising the bar for transparency and accountability for the production of consistent, premium quality oils. We are committed to continue leading the charge in best practices for the industry, optimising our supply chain transparency and building on our identity as a trusted partner for superior standards in quality, traceability, food safety and environmental and social practices.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

RENEWABLES

Our Renewables business is primarily focussed on expanding the Group's Biogas and Solar portfolios as part of our asset light strategy to reduce carbon emissions. We also continue to explore opportunities in Biomass especially for oil palm trunks and palm kernel shells.

ABOUT OUR RENEWABLES BUSINESS

Sime Darby Plantation Renewable Energy Sdn Bhd (SDPRE) was established in 2014 in a strategic move to diversify the Group's earning streams. The Group is capitalising on potential value-added benefits along our supply chain, beyond the current and traditional range of palm oil products. In leveraging the various products and by-products of the palm oil value chain, SDPRE aims to create a portfolio of sustainable businesses in the industrial biotechnology space through the development of innovative Biogas, Biomass and Solar projects.

At this early stage of operations, we have taken on an asset-light approach, embarking primarily on projects with minimal cash requirement. Over time, as we continue to strengthen our financial capability and acquire greater technical expertise in renewables, SDPRE will consider undertaking more complex strategic joint ventures with interested partners or embarking on our own independent investments.

ACHIEVEMENTS

Following the positive results of Large Scale Solar 1 (LSS1) as a viable partnership venture with a solar player, we have gone on to submit a bid for the Large-Scale Solar @ MEnTARI (LSS4) project. The results of the LSS4 bidding were announced on 12 March 2021. Out of 30 shortlisted bidders, SDPRE will be involved in 10 projects equivalent to 296 MW of capacity.

In the last year, SDPRE has been primarily focussed on expanding our Biogas and Solar portfolios while continuing to explore opportunities in Biomass to enable the Group to minimise our carbon footprint and dependence on fossil fuels. As of December 2020, SDPRE has achieved a relative carbon emissions intensity reduction of 18% in our Biogas energy generation processes, which includes secondary carbon reduction through the use of flares.

Installed Solar Capacity
20 MW

Number of Biogas Plants
11

KEY HIGHLIGHTS FOR THE YEAR

Solar

SDP currently operates a 20 MW Large Scale Solar plant under LSS1, which was commissioned in 2018. Since 2019, the plant has realised returns from rental and revenue-share income. We have undertaken a similar approach with LSS4, the latest incarnation of the LSS scheme.

SDP recently completed a Request-for-Proposal exercise to equip our premises with roof-top solar panels in order to reduce electricity consumption from the Tenaga Nasional grid. To date, nine SDP buildings have been identified to participate in this exercise. Four of them are SDP Regional Offices in Peninsular Malaysia. For these Regional Offices, construction commenced at the end of April 2021 and is targeted for completion in July 2021.

The Group is actively identifying different business models for solar New Energy Dispatch Arrangements (NEDA) and a corporate power purchase model via a Third Party Green Energy Provider contract.

Biogas

SDP has embarked on a series of partnerships with established biogas players, as part of our asset light strategy to reduce carbon emissions. At present, we have secured seven Feed-in Tariff renewable energy quotas for our mills. As at end 2020, two of these plants were already in operation. We expect more biogas projects to materialise by FY2021.

SDPRE is currently in the process of designing and tendering for a Biogas for Boiler Co-Firing System, as a pilot project. The Group has been awarded 1st Place in Category 2 – Renewable Energy (Local Grid) for the National Energy Award (NEA) and also emerged 2nd Runner-Up in the Grid Local category of the ASEAN Energy Award (AEA) 2020 as recognition for best practices in biogas plant operations in our Merotai biogas plant.

Biomass

During the year, we continued to assess the viability of partnerships with regional and international technology partners to pilot new Biomass projects, especially for oil palm trunks. However, progress was somewhat limited, due to COVID-19 travel and Movement Control Order (MCO) restrictions which prevented physical meetings with a potential Japanese partner.

We continue to explore the development of biogas for boiler co-firing. Feasibility assessments are underway to evaluate the viability of aggregating palm kernel shell (PKS) for a large-scale long-term supply contract with a Japanese off-taker to further improve carbon emission reduction.

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Externalities/Market Uncertainties: The pandemic-driven ‘new normal’ affects core business performance, revenue potential and value creation.	Hedge risks by exploring value preservation and alternative revenue expansion opportunities. Maximise utilisation of present assets and comply with updated regulatory requirements and sustainability demands.	Generated tangible results from our solar businesses and initiated efforts to replicate these results in our upcoming sites.
Early Investments in Renewables: Commercial viability needs to be assessed carefully due to high levels of required capital for biogas and the need to aggregate volume for biomass.	Assess business potential, emerging opportunities and revenue potential in food, energy and water-related businesses by investing in R&D and frontier technologies.	Explored potential partnerships with mature players and experts in Renewables. High demand for available plants for Feed-in Tariff Scheme.
Right Capabilities and Partnerships SDPRE’s performance is strongly reliant on our selected partners’ execution capabilities and their appetite for risk.	Forge meaningful global partnerships that will enable SDP to absorb and integrate best practices before venturing into more aggressive partnerships or environments.	Signed commercial agreements with established industry players who have proven expertise. Continued exploring further opportunities to diversify SDPRE’s network.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

R&D

We have enhanced our plantation research and agronomy processes through further incorporation of automation and robotics for analysis and new rapid testing for soil, water and food safety. R&D is also leveraging drone and neural network technologies to drive new Geo-Spatial Intelligence for large-scale palm detection and health monitoring to complement our existing physical agricultural methodologies.

ABOUT OUR R&D DIVISION

Revolutionising industry practice and product design

As a fully integrated palm oil producer, Sime Darby Plantation's (SDP) R&D capabilities encompass all research area requirements across the value chain. Our R&D division aims to revolutionise industry practices and palm oil products through the development of better seedlings and systems, enhancement of plantation yields, reinvention of milling processes for improved production, and innovation of our products and supply chain to help our customers be successful today and into the future.

The Group has well-established facilities across five countries, comprising five R&D centres in Malaysia, Indonesia and Papua New Guinea; three Innovation Centres (IC) in Malaysia, the Netherlands and South Africa; and one genetic testing facility in Malaysia. Equipped with cutting-edge technology and staffed by over 190 scientists and technicians, the R&D Division is committed to our key priorities of developing, applying and transferring relevant research findings towards the improvement of plantation yields and milling efficiency, production cost reduction and acceleration of sustainability performance.

Lab Analyses

190,965

Investment

RM3.96 million

Saving

RM0.47 million

ISO17025 Accreditation

250 tests

OUR R&D UNITS

Our Main Research & Development Units are:

Biotechnology & Breeding (BB)

Plantation Research & Advisory (PRA)

Processing & Technology (PT)

Product Innovation and Development (PID)

Environmental, Safety & Health

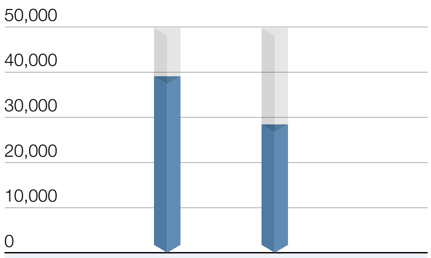
Support Services

Sime Darby Plantation Seeds & Agricultural Services (SDPSAS)

Minamas Research Centre (MRC)

New Britain Palm Oil Limited (NBPOL) Research Centre

NUMBER OF DETERMINATION



FY2019	FY2020
390,431	**283,480**

Number of determination conducted in 2019 and 2020

KEY PERFORMANCE CONTRIBUTORS IN FY2020

GenomeSelect™ ready for commercialisation

FY2020 marked a watershed year for SDP as we saw the first commercial yields from mature GenomeSelect™ palms. Since its launch in 2016, a total of 3,362 hectares (ha) of GenomeSelect™ materials have been planted in Peninsular Malaysia and Sabah. While our current planting rate stands at up to 1,000 ha per year, the Group is targeting to multiply this by more than sevenfold to 7,500 ha per year in 2022. This is in line with our strategic aim to ensure that we will have sufficient materials to supply all our Malaysian replanting needs as well as extra for commercial sale by 2023.

In its first year, the 2016 GenomeSelect™ field produced a 20% yield increase over the control field of the same age and location. The Group remains on schedule to produce 1.45 million GenomeSelect™ seeds derived from the new mother palms in 2021. GenomeSelect™ technology has also successfully enabled the establishment of new mother palms by Minamas to start commercial GenomeSelect™ seed production in Indonesia by 2024.

In 2020, we made the genome sequence publicly available for the benefit of the entire plantation sector. This new genome sequence data which we made public, represents an improvement from 43% to 79% completeness in the oil palm genome assembly over previous publicly available versions.

Enhanced crop resiliency

In addition to superior oil yield, the R&D division seeks to improve crop resiliency against environmental changes by incorporating secondary traits, such as Ganoderma and drought tolerance into our GenomeSelect™ materials. To that end, we have developed a novel DNA-based prediction model for Ganoderma tolerance in our GenomeSelect™ population and set a target of field planting the first Ganoderma-tolerant GenomeSelect™ at estates with high incidence of the disease within this year.

Precision agriculture for superior agronomy

As part of the Group's strategic commitment towards Agriculture 4.0, we continue to embrace greater adoption of precision agricultural tools and digital technologies across our estates and research facilities. To improve estate productivity, we have expanded the use of mechanised solutions and digitalisation across estate production and processing capabilities, enabling us to progressively reduce our dependence on manual labour, increase overall throughput and elevate strategic decision-making.

Our research centres have also incorporated further automation and robotics capabilities to support new rapid testing and analysis methodologies for soil, water and food safety. These efforts have significantly enhanced our plantation research and agronomy processes, enabling increased efficiency and safety in laboratory management practices.

ACHIEVEMENTS/INDUSTRY RECOGNITION

Recognition	Awarding Body
IKM Laboratory Excellence Award (2020)	Institut Kimia Malaysia
MSOSH OSH Gold Class I Award (2020)	The Malaysian Society for Occupational Safety & Health

KEY HIGHLIGHTS FOR THE YEAR

Augmented crop yield and quality with GenomeSelect™

In FY2020, a total of 1,117 ha of GenomeSelect™ palms were planted in several estates across Peninsular and East Malaysia. Production of GenomeSelect™ seeds is now routinely monitored using our high-throughput genetic testing facilities to assure more than 95% genetic purity. This same genetic test has been made compulsory for assessment of SDP's current Calix 600™ seed quality prior to market release. Branded as Calix Q6™, the purity-assured Calix 600™ seeds have been gaining incremental market demand in Malaysia and Thailand.

Large-scale analytics and digital visualisation

SDP's Plantation Research & Advisory sub-division combines multidisciplinary agronomic knowledge with digital analytics and visualisation to create new solutions for better productivity and profitability. As part of our Agriculture 4.0 initiatives towards more efficient estate management, we established a new in-house capability in Geo-Spatial Intelligence for large-scale palm detection and health monitoring in FY2020. The new capability complements our existing efforts in optimising the use of physical agricultural resources such as green fertiliser and compost, with the application of drone technology and neural networks for remote sensing, spectral analysis, and rapid and effective pest control.

Advanced design thinking for FFB management

FFB collection ranks as one of the most labour-intensive tasks in plantation management. This is largely attributable to the challenging terrain that makes it difficult for normal trucks to pass through. In FY2020, SDP completed our development of the Mechanical Buffalo Scissor Lift (MBSL). Compact and easy to manoeuvre, the MBSL has halved the time and number of vehicles required to transport FFB to the mill. The reduction in time to mill also enables lesser build-up of fatty acids that diminish the quality of the oil before it arrives at the mill.

The Group has appointed Edaran Badang Sdn Bhd and Agrostar Resources Sdn Bhd to manufacture and market the MBSL on behalf of Sime Darby Plantation Research Sdn Bhd (SDP Research). SDP Research receives a royalty of 4% from the Gross Sales of each machine sold. To date, more than 60 units have been sold to SDP, Kuala Lumpur Kepong Bhd (KLK) and Perbadanan Pembangunan Petanian Negeri Perak (PPPNP).

Cleaner and greener refining

In line with our vision to be a global partner-of-choice with best-in-class oils & fats for sustainable living, the Oils & Fats sub-division continues to expand the modernisation and digital automation of our refining processes. In FY2020, we embarked on the evaluation of integrating machine learning into our processes. This remains an ongoing development effort.

In keeping with global consumer trends and priorities towards heightened safety and hygiene, we have re-emphasised a focus on clean and green practices in our processing units to ensure potential contact with foreign materials and carryover of processing aids is minimised to the lowest possible levels. Our aim is to eventually maximise reduction and eliminate all possible risks of potential food contaminants.

To further enhance our sustainability practices, we introduced new technologies for the efficient treatment of industrial waste water in FY2019 and FY2020. Patent applications have been filed in Malaysia [PI 2019006813 (20-11-2019)], Indonesia [P00202008493 (12-11-2020)] and Thailand [2001004157 (23-07-2020)] on the process for treating palm oil mill effluent using electro-oxidation means and in Malaysia [PI 2020004877 (18-09-2020)] on the process for treating vegetable oil refinery effluent using electro-oxidation means. These efforts have made significant inroads into reducing our energy and water footprint.

Recognition and new accreditation for research excellence

R&D Laboratory Services supports the extensive sample testing needs of the Group as well as the training and advisory needs of SDP's mill operations. In FY2020, the Laboratory Services sub-division contributed approximately RM0.47 million in savings through internal testing which frees the Group from the additional logistics and cost of sending samples to external commercial laboratories. The sub-division continues to provide training for laboratory personnel in mills and conduct regular mill advisory visits to improve their operations.

To increase research throughput, we expanded our automation and robotics programme to cover soil, water and food safety testing in the last year. We also developed new rapid methods driven by Near Infra-Red Spectrometer (NIR) techniques to monitor oil losses. These new methodologies have been extended to our mills.

All the laboratories under R&D Lab Services in Carey Island, Tawau and Bintulu have successfully migrated to the new MS ISO/IEC 17025:2017 accreditation system. To date, more than 250 tests have been accredited under this scheme. The MSOSH OSH Gold Class I Award was awarded to our Carey Island laboratory in 2020 while both the Carey Island and Sabah laboratories received the IKM Excellence Award.

Maximising seed traceability and control

SDPSAS plays a crucial role in overseeing our seed production processes to maximise traceability and quality-control. In FY2020, the team established the Advanced Intelligent SEED System (AISS) to enable more efficient control, monitoring and traceability of all oil palm seeds produced.

AISS leverages the latest in mobile applications and communication technology. With its automated seed sorting and laser marking capability, AISS has made SDPSAS the first seed production facility in Malaysia to utilise automation and new technologies in daily operations.


Germinated oil palm seeds ready for sowing


Customised Healthy Oils Solutions

Unique and cutting-edge downstream solutions

SDP's Global Product Innovation and Development (PID) team of experienced scientists develops innovations across our complete supply chain from field to product and everything in between. Newly established in 2020, PID leverages progressive scientific technology to create market-leading products that deliver the best in quality and functionality for our customers to help them succeed in their Oils & Fats applications. The team also actively provides technical knowledge to SDO Refineries and SDO's sales and customer support teams around the world to ensure continuous improvements in operational and service excellence as well as sustain and enhance future business growth.

In FY2020, PID created Centres of Excellence (CoE) across seven product categories: Frying, Bakery, Confectionery, Animal Feed, Nutrition, Process Innovation and Food Safety. Teams of dedicated specialist scientists in each CoE focus on specific functional applications to develop innovative product and supply chain technologies that will help our customers succeed in tomorrow's world.

PID also launched the iTas programme in September 2020. Developed fully in-house, iTas is a unique programme that enables quick matching of customer requirements or competitor specifications to existing SDO products based on analytical parameters drawn off an extensive information database compiled from all SDO's differentiated refineries. Further plans are in the pipeline for 2021 to enable the prediction of outcome of blends.

KEY CHALLENGES & STRATEGIES

Risks	Strategies	Results
Climate Change Climate change could have an unpredictable impact on potential yield and effectiveness of GenomeSelect™ seeds.	• Stress-test seeds across different climate scenarios to achieve a consistent set of performance metrics.	Developed drought tolerance planting materials. Continued effort to map areas with water management problems and devise viable solutions to mitigate risk to crop productivity, quality and sustainability.
Patent Infringements Infringement of patents of other institutions and companies could lead to cost of litigation and loss of credibility.	• Improve our Intellectual Property (IP) management system, conduct periodic monitoring of industry's patents activity, and set up active IP committee to review classification of potential IP and its protection status on a regular basis.	Filed four new patents for new technologies and solutions. Commercialised one new patented product for industry use. Signed 5 licensing agreements.
Stagnant Productivity Talent shortage or absence of skilled and well-trained labour who can carry out research-intensive experiments could compromise R&D performance and productivity.	• Collaborate closely with Human Resource department to identify and groom new talent for research teams. • Conduct more effective outreach in local universities and offer tailored internship programmes to promote a research-based career for graduating cohorts and prospective employees.	Developed cross functional opportunities for identified top talents. Developed in-house training programme for agronomists/scientists to build on existing technical, management and leadership skills for further growth.

WAY FORWARD

2021 will be focussed on fulfilling all of the replanting commitments for the Malaysian plantations with GenomeSelect™ materials by 2023. This will require close monitoring to ensure the new parent palms are fit to produce sufficient seeds. Further improvement of current genetic testing facilities will be an essential component of this objective, in order to be certain that every seed delivered to the estate is genuine and planted under optimal agronomic conditions. The R&D Division and Upstream business will collaborate closely to ensure progress and issues are routinely reported and resolved.

Our mechanisation and automation efforts are an ongoing effort in line with our aspirations towards Industry 4.0. We are in the process of readying our Mechanical Buffalo with Grabber (MBG) machine for commercialisation by the first quarter of 2021. The evaluation process is currently underway for our Mechanised Fertiliser Machine (MFM) with a target for deployment on the terrace areas and commercialisation by the end of 2021.

In FY2021, our Oils & Fats sub-division will continue to focus on the three key strategies of productivity improvement, revenue stream expansion and food safety compliance. We expect to make further advances in progressing automation and modernisation in our refineries to further improve process efficiency and traceability. We will also redouble our exploration of healthy solutions for our oils and fats products by eliminating trans fats, providing balanced fatty acid compositions and enhancing the quality of the palm oil used to provide improved product performance and food safety compliance. Novel and more efficient technologies in wastewater treatment will continue to be adopted in our ongoing pursuit towards zero discharge practices.

BUSINESS REVIEW

OUR PERFORMANCE BY SECTOR

HUMAN CAPITAL GROWTH

Our people are the very heart of our business. Without their collective expertise, talent and dedication, we would not be where we are today. We empower our workforce with the right environment, culture and tools to support and drive their personal and professional growth to achieve performance excellence.

BOOSTING PERFORMANCE EXCELLENCE

Our framework for Human Capital Growth is closely aligned to the Group's overall strategy. Designed with a view to strengthen and sustain performance excellence, the framework is anchored on three strategic thrusts.

We recognise that our ongoing success and sustainability is influenced in no small way by our ability to effectively develop and realise the full potential of our employees. SDP is committed to enhancing the capabilities and skillsets of all employees in their roles as strategic partners to the growth of the organisation.

CREATING ALIGNMENT

Establish clarity on strategic goals through demonstrated leadership to align our vision and shape a performance culture

Core Focus Areas in FY2020 include:

- Implementation of new Performance Management Framework
- Strengthening alignment of goals and deliverables
- Prioritising robust performance conversations

QUALITY OF EXECUTION

Develop employees who are accountable and capable to drive the business of today and create value for tomorrow

Core Focus Areas in FY2020 include:

- Review of Mission Critical Positions (MCPs)
- Identification and development of MCP successors
- Identification and development of high-potential talents
- Rigorous talent conversations through talent councils across jurisdictions

CAPACITY FOR RENEWAL

Drive and enable innovation and knowledge-sharing to face future business challenges

Core Focus Areas in FY2020 include:

- Implementation of Workday people management system which will be undertaken until FY2022
- Review and roll-out of structured development and training initiatives to enhance leadership and technical competencies

KEY CONTRIBUTORS TO PERFORMANCE IN 2020

Our human capital is a key enabler for our strategies to drive performance excellence through structured interventions based on the specific needs of our business segments. In recognition of this, the Human Resources (HR) team focussed on creating clarity and alignment on organisational goals so we can develop and empower our employees to drive business and operational demands, as well as create capacity and opportunity for new and better ways of doing things.

Enhanced objectivity and transparency in performance evaluation

A new Performance Management Framework (PMF) was launched in FY2020 as an outcome of a HR Lab conducted in October 2019 to create greater emphasis on accountability and objectivity on the part of people managers. Comprising four pillars – Goal Setting, Monitoring, Appraisal and Consequence Management – the new PMF seeks to accomplish greater fairness, objectivity and transparency in employee performance evaluations. This empowerment works best with objectively set goals at the entity level, aligned with the Group's strategic directions in moving towards pure performance-based rewards.

Greater depth and diversity of responsibilities

Notwithstanding the challenges brought about by COVID-19, SDP is committed to the protection of jobs. Our focus has been on building capabilities where employees are enabled to seek out opportunities that can create value in addition to performing functional roles.

Strengthened succession pipeline

In FY2020, the Group focussed on building a strong succession pipeline for Mission Critical Positions (MCPs). Potential successors and high-potential talents from our pool of employees were identified to support a healthy talent bench strength. Across the Group, at least one successor coverage was identified for 66% of MCPs across C-1 to C-4 levels and 8% high-potential talents were identified from the existing pool of executive employees.

Supporting welfare of lower-income employees

In April 2020, the Board of Directors decided to contribute 10% of their fees to a fund to be applied towards the welfare of our lower-income employees affected by COVID-19. This initiative resulted in the organisation being able to provide monetary assistance to a total of 697 employees.

Extended health coverage

The Group has implemented a Portable Hospitalisation Plan which provides coverage for existing medical conditions as well as continued coverage even for employees who have left service. With the option for extension of coverage to family members, the Group hopes to provide all employees greater peace of mind for their personal and families' healthcare needs.

Group Staff Strength

>85,000

Employee Presence

12 countries

SDP prioritises both the physical and mental well-being of our employees to ensure an engaged and productive workforce

Managers at SDP conduct regular performance review conversations to drive performance and encourage behavioural alignment with organisational goals and objectives

OUR CORE FOCUS AREAS AND FORWARD PRIORITIES

	Why This is Important
Performance Management	As the key component to SDP's organisational health and culture in encouraging employee behaviour to align with organisational goals and objectives, the execution and ownership of performance is the ultimate determinant in driving performance across the Group.
Succession Management	Preparing SDP's next-in-line for leadership is part and parcel of developing our future leaders to survive and thrive in the new economy built on digitalisation and technology. SDP's talent governance structure is steered by an Enterprise Talent Council at Group level with support from country and operational talent councils.
Workday Implementation	Workday is a business-centric HR platform that empowers self-driven goal management and enables alignment of people management practices across different operating locations.
Workers Localisation Initiatives	Stricter immigration rules and travel restrictions due to COVID-19 severely impacted the supply of foreign labour from source countries. It is thus important to reduce our dependency on foreign labour by localising as many jobs as possible in Upstream Malaysia operations to meet critical business and operational demands.
Employee Well-Being	Employee welfare and wellness are critical to ensure an engaged and productive workforce.

Our Progress in FY2020	FY2021 and Forward Priorities
• Continuous progress monitoring through regular and frequent manager-employee performance conversations relating to the progress and relevancy of the goals set. While FY2020 was a challenging year, managers and employees alike continued to conduct regular quarterly performance conversations using SDP's in-house developed HR mobile application to document discussion points and identify timely interventions or resolutions for slower progressing goals. • Introduction of more equitable manager-driven evaluation framework to identify top 20% performers within a business function to mitigate risk of subjective human bias in employee evaluation.	• Enhance the quality of conversations and feedback between managers and employees as part of efforts to set strong foundation for a more engaging performance management and ensure all employees continue to feel connected and well-supported in carrying out their job responsibilities. • Manager upskilling and reskilling will be the centerpiece for FY2021, supplemented by the development of a future-proof competency model.
• Development of leadership positions across business segments. • Targeted focus on C-2 to C-4 Mission Critical Positions (MCP) to build strong succession pipeline and high potential talent for healthy talent bench strength. • A total of 11 talent council sittings carried out to ensure talents with the right fit, aptitude and skills are selected to be developed to their highest potential. • Continued development of C-1 successors with robust interventions to improve technical and leadership readiness.	• FY2021 will be a year for development action where interventions discussed at each talent review will be translated into key items to be strengthened. • Leadership will continue to be actively involved in all talent related agendas and discussions through talent engagement sessions.
• Discussions ongoing to map out technical and business requirements with representatives from multiple countries with a view to create a robust people management system that engenders new ways of working.	• Target completion of Workday implementation and launch to Malaysian employees by Q4 FY 2021. • Continued deployment of activities to other countries into FY2022.
• Identification of skilled and unskilled jobs that can be localised. • Implementation of external recruitment strategy to attract talents through direct hiring and Reskilling and Upskilling Programmes for existing workers to take on critical jobs. • In 2020, a total of 1,622 workers were recruited from various initiatives such as regional walk-in-interviews, employment roadshows, SDP's Referral Programme and hiring collaborations with the Labour Department, Social Security Organisation, Department of Orang Asli Development and National Anti-Drugs Agency.	• Continued rollout of SDP's Localisation Accelerated Programmes to attract local workers for technical and semi-technical jobs. • Establish Harvesting Schools to attract, hire and train locals as harvesters. • Launch of rebranding strategy focussed on Lifestyle, Livelihood and Leadership to attract and retain a new generation of plantation workers.
• Launch of Portable Hospitalisation Plan that provides coverage for existing medical conditions and extended coverage for employees who have left service. • Board of Directors contributed 10% of their fees to a fund for lower-income employees affected by COVID-19. • Broadband subsidy for assistant managers and below to facilitate work-from-home arrangements.	• Review of employee well-being, support and implementation of targeted initiatives based on employee needs, to improve employee experience and promote employee welfare.

SUSTAINABLE VALUE CREATION

PRIORITISING PEOPLE, PLANET AND PROSPERITY

As a founding member of the Roundtable on Sustainable Palm Oil (RSPO), SDP has a long history of commitment to sustainability. Our ambition is to shape a responsible future for our business, our people and our industry.

We believe that for us to succeed in the long-term, purpose and sustainability must go hand in hand. This belief underpins our pledge to stakeholders to devise meaningful solutions that will deliver continuous improvement in environmental and social accountability across all aspects of our integrated business operations.

We are guided by our sustainability purpose that incorporates Environmental, Social and Governance criteria, which puts people, planet and prosperity at the core of our business. Having adopted zero-burning techniques since the 1980s, our plantations continue to adhere strictly to No Deforestation, No Peat, No Exploitation (NDPE) standards. These same standards are extended to our suppliers as part of our global leadership in production of Certified Sustainable Palm Oil (CSPO) and our continuous pursuit of cleaner and greener value chains.

OUR SUSTAINABILITY PURPOSE

A Blueprint for Lasting Future Sustainability

Sustainability is integral to our success in fulfilling our vision to be the leading integrated global palm oil player. Our sustainability purpose provides the blueprint through which SDP continues to lead the industry in creating lasting future sustainable value for all the stakeholders and communities where we operate in. Details of our commitments are as below:

Our Commitments	Sustainability Focus Areas	Link to UN SDGs
I. Transparency of Our Supply Chain	• Supply Chain Traceability • Supplier Accountability • Uplifting Smallholders	• Base Goal: UN SDG 17 • Central Pillar: UN SDG 12 • Primary Goals: UN SDG 2, 8, 9, 13, 15 • Secondary Goals: UN SDG 1, 3, 4, 5, 6, 7, 10, 11, 14, 15, 16
II. Minimising Environmental Harm	• Climate Change • Energy Management • Biodiversity conservation and preservation	
III. Human Rights and Decent Work	• Respecting Human Rights • Responsible Recruitment • A Safe and Healthy Workplace	

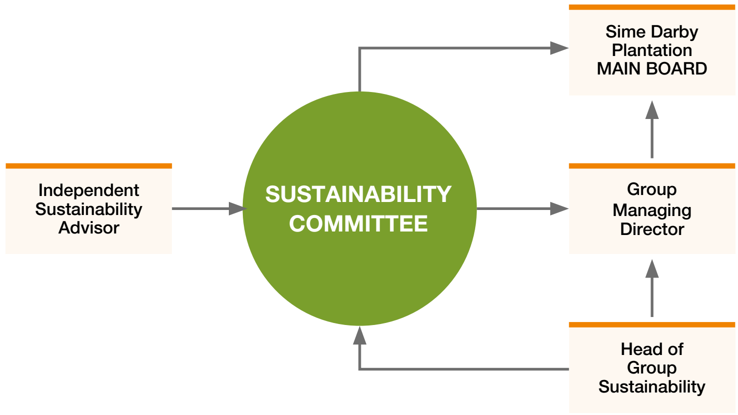
Structured as a base with a central pillar girded by a set of primary and secondary goals, the blueprint serves to align our ambitions and approach towards fulfilling the UN Sustainable Development Goals (SDGs). SDG 17 – Global Partnerships serves as our foundational goal because we believe in the synergistic power of partnerships to drive meaningful and relevant solutions that will address the key challenges impacting our industry. Through our collaborations with like-minded organisations, SDP continues to be proactively involved in multiple platforms, dialogues and collaborations with stakeholders and other growers.

Responsible production of palm oil is fundamental to our identity and aspiration as a leader in best agricultural practices. It is why we have designated SDG 12 – Responsible Production and Consumption as the central pillar of our activities. The remaining SDGs are divided into primary goals and secondary goals which contribute collectively to our business through our compliance with the Principles and Criteria of the Roundtable of Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) standards and beyond.

SUSTAINABILITY GOVERNANCE

The Board of Directors is ultimately accountable for the Group's sustainability commitments and performance. The Board is supported by the Sustainability Committee, which allows the Board to have oversight of the Group's objectives, policies and practices on sustainability. The Head of Group Sustainability, who leads SDP's sustainability direction and performance is responsible for reporting on updates and progress to the Committee. The Head of Group Sustainability also coordinates the Group's efforts on sustainability and reports directly to the Group Managing Director. For the year under review, our independent sustainability advisor, Sir Jonathon Porritt, provides the required advice on certain sustainability initiatives and topics.

Our Sustainability Governance structure



Adapting our annual audit to COVID-19 measures

The pandemic has had a major impact on how our Sustainability Department maintains oversight of compliance and ensures adherence to sustainability standards across our operations. This has been particularly evident in the Group's annual audit management processes.

Sustainability certifications typically require annual audits to be conducted physically at plantations and mills via an audit methodology and scope that covers documentation review, physical site inspection and interviews with internal and external stakeholders. Due to the COVID-19 pandemic in FY2020, a series of adaptations to provide the option for remote audits was announced by the RSPO Secretariat.

While onsite inspections and interviews were to continue being conducted physically in-person when the situation permitted, documentation reviews were allowed to be completed remotely, with approximately 30% of the total audit man days of a normal audit allocated to the process. Malaysian Sustainable Palm Oil (MSPO) audits also followed suit with the updated procedures and subsequently allowed 100% remote audit starting from October 2020.

Our operations and regional Sustainability & Quality Management teams partnered swiftly with the Group Sustainability team to prepare and update the Group's approach on managing the external assessment. Slow and limited connectivity remained the main challenge which forced the team to consider several other channels but this was made possible through the close coordination of required documents from each site, which were uploaded on a shared platform made accessible to the external auditor.

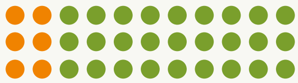
Physical audits were completed during the window period when physical movements were allowed, in line with prescribed procedures on COVID-19 safety management and prevention. The speedy implementation of the required changes and smooth completion of the audit would not have been possible, without the focussed coordination and partnership with various workgroups across different localities, in providing comprehensive and timely responses to the auditors. The challenges encountered are as below:

Challenges encountered	Approach
Concurrent access to same documentation required	Created shared platform that was made accessible to all relevant parties and external auditors
Limited connectivity in rural estates affected flow and timing	Leveraged alternative applications such as WhatsApp to facilitate document sharing in absence of regular platform

Our achievement as at 31 December 2020 are as below:

MALAYSIA

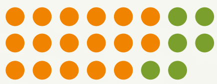
6 of 33 Strategic Operating Units (SOUs) underwent only remote audits



30% of the scope audited

INDONESIA

17 of 23 Operating Units underwent only remote audits



30% of the scope audited

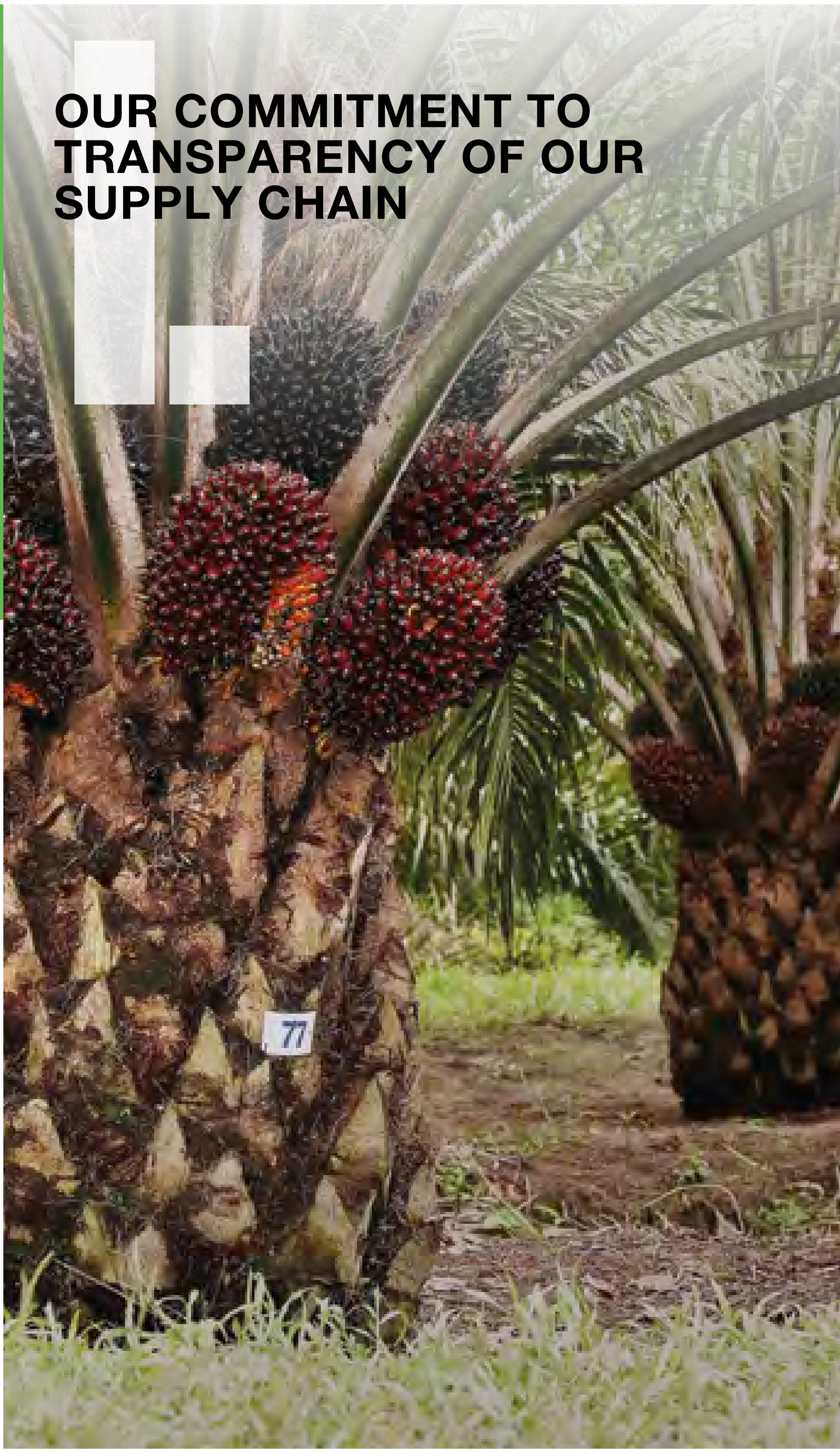
NBPOL

5 of 7 sites underwent only remote audits

30% of the scope audited

The GRI Content Index is available online in the Sustainability section at https://www.simedarbyplantation.com

OUR COMMITMENT TO TRANSPARENCY OF OUR SUPPLY CHAIN



Worldwide demand for food and resources continues to grow at an ever-accelerating pace. With global population estimated to reach 8.6 billion in 2030, the pressures of human consumption continue to exact a costly toll on forested land and agricultural resources across the globe.

With palm oil being the most widely used vegetable oil on the planet for both retail and industrial purposes, many industry stakeholders are rightly concerned about how it contributes as a driver of deforestation. As the world's leader in sustainable oil production, we share their concern.

SUPPLY CHAIN TRACEABILITY

Eradicating deforestation along with other unsustainable agricultural practices is a complex challenge that involves several layers of producers and smallholders. This is why we are working to improve traceability, as part of our pledge towards zero-deforestation, starting with our own supply and value chains, with a view to sharing knowledge gained along the way to drive industry-wide transformation for responsible agriculture.

Why it matters to us

Traceability brings legitimacy to our zero-deforestation commitments. Creating greater transparency and accountability in tracking the path of our palm oil from source to seal enables improved verification of the industry's sustainability claims especially as 36% of our raw materials are sourced from third party producers and traders. As we keep raising the bar for tracing the provenance of our materials, we can influence better governance and smarter land use at its source and make further inroads in raising the credibility and trustworthiness of the palm oil industry.

Delivering SDGs:

We recognise that there are many systemic sustainability issues that currently stand in the way of full traceability. However, we believe that traceability is a key pillar to the long-term sustainability of our industry. The future of our planet is at stake and this is one amongst many ways to keep doing better by our stakeholders and customers.

Our progress

In 2019, we introduced Crosscheck, an open access public domain tool that gives access to information about our supply chain to our investors, non-governmental organisation (NGO) partners, customers, and any other stakeholders who are concerned about the preservation of forests. Crosscheck helps provide transparency by tracking supply to its source, identifying where problems exist, and enabling action that is clearly outlined in our 'Working with Suppliers to Draw the Line on Deforestation' policy statement.

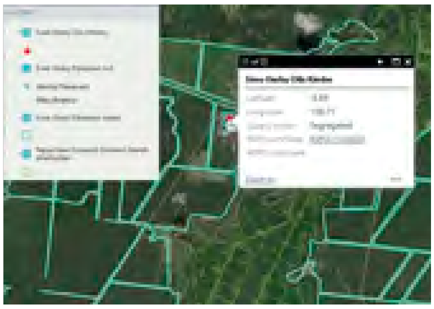
SDP released Crosscheck 2.0 in 2020, an upgraded version of the original, that provides further visibility on our plantations, mills, refineries and third-party suppliers. Currently, Crosscheck 2.0 has achieved 97% traceability to the mill and 50% traceability to the plantation. With Crosscheck 2.0, users can view:

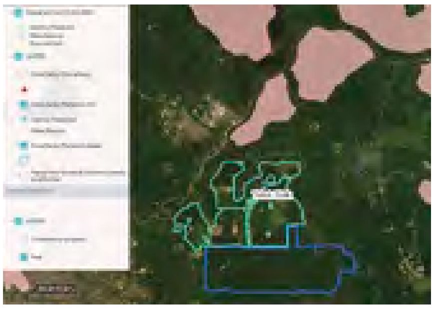
- a map showing all mills and plantations that supply each of SDP's refineries and SDO's entire supply chain, as well as information on who owns these mills
- a categorisation of mills based on our grievance register status with a summary of cases and links to the register that has been integrated into the map
- updates to SDP and SDO's conservation projects across the globe

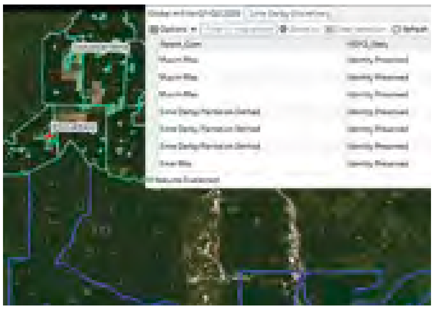
Given that not all third party FFB traders are able to collect and share traceability data, and there are approximately 250,000 independent oil palm smallholders in Malaysia alone, we recognise that there are inherent complexities to achieving a 100% traceability rate. Nevertheless, every journey begins with a first step and we are committed to pursue the Crosscheck initiative to do our part in eradicating deforestation one step at a time.

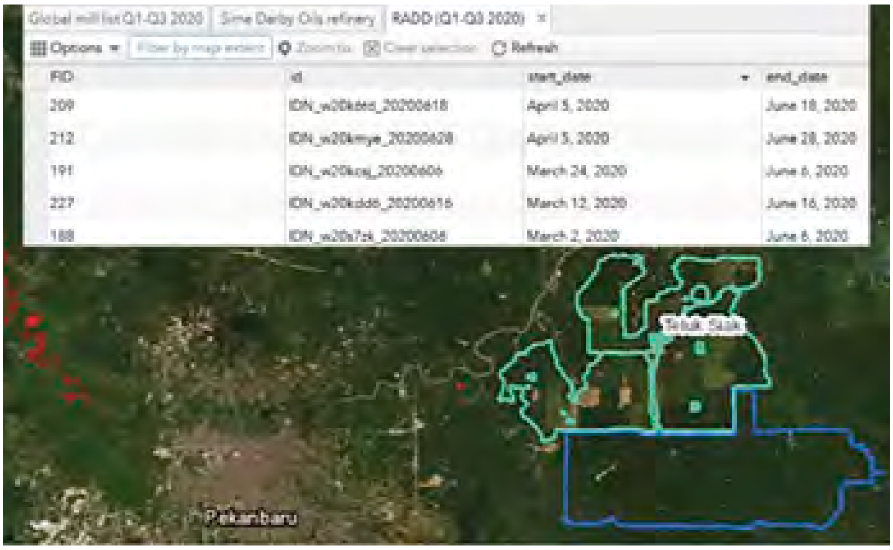
We invite you to visit https://www.simedarbyplantation.com/sustainability/crosscheck for more information on our efforts

Snapshot of SDP's refineries and surrounding SDP and non-SDP mills in South Kalimantan


Snapshot of an SDP mill and boundary of supplying estates, including smallholder plots


Snapshot of an SDP mill and boundary of supplying SDP estates, layered with peat areas


Snapshot of an SDP refinery and RSPO certified supplier concessions



Snapshot of deforestation monitoring in SDP supply chain with Radar Alerts for Detecting Deforestation

SUPPLIER ACCOUNTABILITY

Elevating accountability across an extensive and dispersed network of suppliers is a particularly complex task. Issues are often multifaceted and solutions never straightforward. For instance, the process of obtaining relevant information from our third-party suppliers on the sources of their raw material is often challenging. However, it is critical to our ability to accurately assess the effectiveness of our sustainability agenda and initiate meaningful dialogue with our third-party suppliers.

Another ongoing concern is the operational practices of smallholders, who operate on less than 50 hectares of land, and small growers who operate on more than 50 hectares but less than 500 hectares. Collectively accounting for almost 40% of the industry's production, smallholders and small growers often lack the resources and information to maximise yield from their existing landholdings and may resort to deforesting to increase production.

Why it matters to us

Working toward zero deforestation does not start and end with us. Our ultimate aim is to expand the base of responsible palm oil producers so that sustainability can move from common byword to commonplace reality.

Raising the bar on sustainable agriculture requires enhancing our engagement with the smallholders and small growers, to develop effective relationships that will open new doors to sharing best practices in supplier-related policies and industry knowledge. Our objective is to leverage the feedback and combined resources of all partners to achieve collaborations that will result in better alignment of ideas and common understanding of NDPE standards. Through this, we hope to lead the industry towards a more effective, less expensive and more innovative methods for increasing yield without a corresponding increase in acreage.

Our progress

We require our suppliers to adhere to strict no-exploitation commitments and responsible sourcing guidelines which are part of our 'Draw the Line' policy. The policy outlines what suppliers are expected to do in the event of a confirmed violation of NDPE standards. Issues uncovered are reported in a Supplier Grievance Register and disclosed publicly on SDP's website.

A total of 70 cases have been recorded through our Supplier Grievance Register available on https://www.simedarbyoils.com/sustainability/supply-chain-management. The status of these grievances as of 31 December 2020 are summarised as follows:

BREAKDOWN OF GRIEVANCES BY STATUS
as of 31 December 2020

No longer in supply chain	16
Resolved	37
Under investigation	2
Ongoing monitoring and engagement	15

Responsible palm oil production and the drive to zero deforestation is an ongoing partnership journey with our suppliers

UPLIFTING SMALLHOLDERS

More than 3 million smallholders and small growers worldwide, make a living from palm oil[1]. Working with smallholders requires a localised approach and dedicated programmes that are tailored to address the specific challenges of the respective geographies they operate in. SDP proactively partners with the respective governments of these countries to lift smallholders practices to a certifiable standard of sustainability that will enable them to make their living in a way that does not damage the forest.

1. Source: www.rspo.org/smallholders

Why it matters to us

At SDP, we have a total of 61,719 smallholders in our entire supply chain across Papua New Guinea, Indonesia and Malaysia, 50% of which are RSPO certified. It is therefore critical to ensure that they are continually kept updated on key matters such as deforestation and climate change, and equipped with the necessary information and skills to source for palm oil sustainably. A snapshot of our smallholders is provided below:

	Malaysia	Indonesia	Papua New Guinea and Solomon Islands	Overall
Total Number of Smallholders	13,461	31,089	17,169	**61,719**
Number of Direct Smallholders	35	31,089	17,169	**48,293**
Number of Indirect Smallholders via Traders	13,426	–	–	**13,426**
Number of RSPO Certified Smallholders	1	13,811	17,169	**30,981**
Percentage of RSPO Certified Smallholders	0.01%	44%	100%	**50%**

In addition to information and skills support, smallholders often face a number of structural challenges which include financial insecurity, resource scarcities, and infrastructure gaps that prevent them from gaining access to markets or producing enough quality product to earn sufficient income. As a market leader in the industry, it is our responsibility to integrate smallholders into our value chain and help them overcome these structural challenges. Given the right support and empowerment, smallholders can play a significant role in employing regenerative agricultural practices to build their own resilience and sustainability.

Our progress

Our biggest challenge lies in Malaysia, where the majority of supplies come through third-party FFB traders. SDP has also leveraged the MSPO requirements as a channel to open doors for engagement. Whilst the movement restrictions implemented in FY2020 as part of COVID-19 management has made this effort challenging, we continue to pursue our ongoing efforts to partner our third-party traders in reaching out and providing practical support in terms of production knowledge and market access to their smallholder base.

Providing practical information and skills support to our smallholders is one of many ways we hope to proliferate regenerative agricultural practices to build business resilience and environmental sustainability

For more details of our smallholder programmes visit https://www.simedarbyplantation.com/sustainability/programmes/supply-chain-sustainability/supporting-smallholders

OUR COMMITMENT TO MINIMISING ENVIRONMENTAL HARM

Cognisant of the impacts of greenhouse gases (GHG), coordinated actions to address climate change has become imperative to curb global warming.

As we continue to respond to ever-increasing demand for palm oil and its various applications across our Upstream and Downstream businesses, we are also exploring new ways to make smarter decisions on maximising the productivity of our seeds and present acreage. This is part of our ongoing focus on innovation to achieve higher yields without further impact or harm to tropical forests and peatlands. An example is the planting of GenomeSelect™ and other high yielding planting materials like the Superfamily Dami seeds which produce more oil with existing land.

More information on our progress can be read on page 9

CLIMATE CHANGE

Climate change and agricultural activity are inter-related. Despite technological advances in enhancing seed quality and crop resiliency, our FFB and OER yields are significantly impacted by changes in atmospheric, temperature and rainfall patterns. Conversely, these same patterns are significantly impacted by how efficiently we operate our plantations and mills to minimise our carbon footprint and impact on global warming. However, in 2020, the COVID-19 pandemic had a major impact on production mainly arising from shortage of labour, movement restrictions and observations of standard operating procedures.

Delivering SDGs:

Why it matters to us

The fully integrated nature of our palm oil business means that we operate a complex value chain. Hence, we are deeply cognisant of the importance to our own long-term sustainability, of monitoring and managing our carbon inventory and GHG emissions across all aspects of our value chain.

As a certified sustainable palm oil producer, building climate change resilience is fundamental to our efforts in minimising our environmental impact. It is also a business imperative. Increased frequency and severity of adverse weather conditions and patterns could severely disrupt the stability of our supply chain.

Our progress

SDP has established a target of 40% reduction in carbon emissions intensity by 2030. In 2020, our GHG emissions was recorded at 2,709,388.58 tCO_2e contributed by our Downstream and Upstream operating units. On land use change aspects, we managed to achieve an estimated carbon sink of about (637,484.68 tCO_2e). Our total carbon emissions for 2020 is tabulated as below:

Emission Source	Estimated Carbon Emission for 2020 (tCO_2e)
• Agricultural Machineries	194.41
• Boilers	345,561.92
• Effluent Treatment	1,869,962.30
• Electricity Generation	74,353.26
• Fertilisers	192,341.16
• Heavy Machineries	8,942.54
• Other Stationary Machineries	1,864.48
• Purchased Electricity	151,791.85
• Purchased Steam	17,707.14
• Transport (Controlled Vehicles)	38,818.04
• Emission from Kernel Crushing Plant (KCP)	7,851.49
Total Operational Emissions (tCO_2e)	**2,709,388.58**
Total Land Use Change Carbon Emissions (tCO_2e)	**(637,483.68)**
Total SDP Carbon Emissions (tCO_2e) for 2020	**2,071,904.90**

For 2020, the highest emission sources came from our effluent treatment plants, followed by boilers and fertilisers consumptions at the group-wide estates. Our carbon emission intensity has reduced 4.7% to 1.01 tCO_2-e/mt of CPO produced in 2020 as compared to 1.06 tCO_2-e/mt of CPO produced in 2009, which is our baseline year.

In our efforts to manage the release of carbon into the environment, several carbon reduction initiatives have been implemented such as embarking on biogas programmes and investing in nature-based solutions via tree planting programmes.

ENERGY MANAGEMENT

Traditional methods of palm oil milling and production consume a significant amount of energy. Mill operations are subject to the daily challenge of managing emissions such as dust and smoke from chimneys and particles from the crushing plants. As the world's largest oil palm plantation company by planted area, we recognise that we have an important part to play in managing carbon emission and improving energy efficiency across our operations to mitigate the adverse effects of climate change.

Why it matters to us

With demand for palm oil set to keep increasing, production volumes will also continue to increase. This means that keeping our GHG emissions at a sustainable level will require a significant reduction in our emissions per metric ton of product. In line with our intention to be part of global efforts to decarbonise the economy and mitigate the adverse effects of climate change, we have made it our corporate target to reduce 40% of our carbon emissions intensity by 2030 if not sooner.

The haze is a recurring transboundary air pollution problem that has long been associated with slash-and-burn forest clearing in the palm oil industry. Our partnerships with smallholders and small growers represent an extensive sphere of influence that we can leverage to update and educate our supply chain partners on the long-term benefits of newer and more innovative regenerative practices that can help the industry reduce the use of fossil fuels and traditional land clearing methods.

Our progress

SDP has made meaningful progress in the implementation of green technology to reduce carbon emissions throughout our operations. We are currently exploring other methane avoidance and renewable energy initiatives to reduce our emissions further and meet our carbon reduction target. In the year 2020, around 21,721,426.29 GJ of biomass renewable energy had been utilised from our business units. Palm kernel shell and fibre are replacing the usage of non-renewable energy such as diesel to reduce the amount of carbon released to the atmosphere. As of 2020, nine of our mills have been installed with biogas plants to capture methane, a high-impact GHG that is more potent than carbon dioxide and created when palm oil mill effluent (POME) is stored in retention ponds. This represents 10% of our mills with another nine in the pipeline. At current projections, when 50% of our current mills group-wide have biogas plants, we will be on track to achieve our target of 40% reduction in total operational emissions by 2030.

With group-wide biogas plants implementation, the carbon reductions achieved for 2020 was estimated at 428,602.84 tCO_2e. The details are as follows:

Name	Plant Type	Estimated Carbon Reduction (tCO_2-e)
• Flemington	Electricity generation	35,219.83
• Hadapan	Electricity generation	44,824.60
• Tennamaram	Flaring	41,957.86
• Merotai	Captive power	40,091.51
• West	Flaring	23,602.89
• Pemantang	Captive power	58,377.79
• Rantau	Captive power	30,710.35
• Mosa	Electricity generation	78,390.53
• Kumbango	Electricity generation	75,427.47
Total		**428,602.84**

Prolonged drought conditions have typically been the cause of fires and haze occurrences. However, the dry season in 2020 was milder compared to the corresponding period in 2019, resulting in an overall decrease in reported cases. Disruptions to everyday life caused by the COVID-19 pandemic have also played a part in the reduction of fire and haze occurrences. Within the period of FY2020, SDP recorded a total of 281 fire occurrences, out of which 41% of hotspots were within our operating fields in PNG and the Solomon Islands.

Our investigations in PNG and Solomon Islands, showed that the cause of these fires was mainly due to arson or sabotage by villagers that led to the spread of the fire into our plantations which destroyed our palm trees. To manage this, corrective action awareness and education programmes are conducted with surrounding villages as well as Company employees and dependants. Some areas where re-occurrences of fires were sighted, signages are also erected to inform people of the high risk of fire. In Ramu Agri Industries (where 57% of the fires occurred in 2020), monitoring towers were erected in the sugar cane fields and security personnel posted at the towers.

In recognition of environmental accomplishment and leadership in FY2020, our Sua Betong Mill received two premier private sector awards in the Prime Minister's Hibiscus Award 2019/2020 under the Notable Achievement in Environmental Performance and Negeri Sembilan State Award categories. Both awards were presented by the Prime Minister on 24 February 2021 via a Facebook Live Stream ceremony.

BIODIVERSITY CONSERVATION AND PRESERVATION

Forests play an essential role in providing fresh air, nutritious foods, relaxation spaces and clean water. Along with other wetland ecosystems, forests provide crucial buffers to extreme weather and flooding conditions brought on by climate change. The conservation and restoration of these natural buffers are, therefore, crucial in the effort to reduce emissions. According to the Food and Agriculture Organisation of the United Nations (FAO), forest restoration provides a solution to rebuilding and achieving a better civilisation for both mankind and nature. At SDP, we recognise that succeeding in this area requires effective collaboration with a range of stakeholders, including governments, local communities, universities, and businesses.

Why it matters to us

As part of our pledge to uphold NDPE standards, SDP is committed to the protection and preservation of High Conservation Value (HCV) and High Carbon Stock (HCS) areas. Abiding by HCV and HCS principles is critical to our ability to meet corporate sustainability commitments, achieve certification by voluntary sustainability schemes and attain the UN SDGs outlined in our sustainability blueprint. Above all, it also serves as an important mechanism to ensure responsible investments in forestry and agriculture.

Our progress

As at December 2020, SDP manages a total of 46,501.5 ha of identified HCV and Conservation Set Aside (CSA) areas. Some of the initiatives undertaken to monitor and maintain these conservation areas include the installation of 17 camera traps to identify possible Rare, Threatened and Endangered (RTE) wildlife species, and provide continuous onsite verification in our estates. The Group also conducted seven site verifications in 2020 at identified areas and established an HCV database dashboard to facilitate the ongoing tracking and recording of data.

In 2020, SDP embarked on a series of conservation projects with like-minded stakeholders, one of which was a collaboration with Universiti Malaysia Sabah (UMS) to conduct a research programme on the 282.21ha secondary forest located within SDP's Sapong Estate in Sabah. Results from this collaborative groundwork will be used to develop rehabilitation and restoration strategies to help turn the area into SDP's first HCV model forest.

The Sime Darby Plantation Plant-A-Tree (SDP Plant-A-Tree) programme seeks to enhance and restore the potential habitats within our estates and ensure the biodiversity richness of our forests. Total trees planted is as below:

Program	Planted Tree
• Reforestation & Rehabilitation of Orangutan Habitat in Northern Ulu Segama, Sabah, Malaysia	295,159
• SDP Plant-A-Tree in Sime Darby Plantation estates, Malaysia	329,225
• SDP Plant-A-Tree in Jentar Estate, Malaysia	136,036
• Project RiLeaf with Nestlé Malaysia	588,981
• Peat Swamp Forest Protection & Rehabilitation Project in Raja Musa Forest Reserve, Bukit Talang Estate, Malaysia	18,500
• Riparian and Coastal Reforestation, Papua New Guinea	69,911
• Ramu Tree Nursery, Papua New Guinea	96
• Mangrove Restoration Numundo Coastline, West New Britain, Papua New Guinea	10,914
• 2020 – SDP Plant-A-Tree Kamuning Estate, Anak Kulim Estate (Polinea planting), West Estate (Forestry Selangor), and Sarawak Region (UPM & Forestry Sarawak)	83,150
Total	**1,531,972**

At Kamuning Estate, a total of 50,000 trees comprising 49 different species have been successfully planted and maintained. The planting of the final 20,000 seedlings will be completed next year. As of 31 December 2020, a total of 1,531,972 trees have been planted with an additional 83,150 planted in Malaysia for 2020. Our future plan is to plant 1.5 million trees over five years.

SDP has also partnered with Management and Ecology of Malaysian Elephants (MEME) to develop the world's first mechanism to minimise Human-Elephant Conflict. The science-backed mechanism in the form of best practices outlined through standard operating procedures (SOP) champions co-existence between humans and the endangered species. The SOP has been implemented across all SDP estates as of December 2020. The Sime Darby Foundation, the philanthropic arm of SDP, has committed RM2.85 million to support MEME for the next three years to continue developing wildlife conflict management approaches catered to the agriculture sector including smallholders.

OUR COMMITMENT TO HUMAN RIGHTS AND DECENT WORK

Palm oil is a labour-intensive business. Approximately 4.5 million people are employed in its production in Indonesia and Malaysia alone, from which 85% of global supply originates. This includes smallholders who produce 40% of the world's palm oil. In Indonesia, as many as 25 million people depend indirectly on the industry for their livelihoods.

Delivering SDGs:

RESPECTING HUMAN RIGHTS

Our large global footprint exposes us to a multitude of human rights challenges, policy gaps and deeply rooted socio-economic considerations that are at times systemic but unique to the countries we operate in. As a responsible global corporate citizen, we have taken a proactive approach to ensure that internationally-recognised human rights and workplace standards are upheld across all our operations. We also continue to work closely with all industry stakeholders to ensure our policies are comprehensive and go above and beyond in supporting the rights of all workers, including permanent employees, contractors, temporary, seasonal, part-time and casual workers throughout all levels of the supply chain.

More information on our workforce breakdown can be seen on our website https://www.simedarbyplantation.com

Recognitions and awards

We are proud to have been recognised by several global organisations and bodies for our leading role in promoting human rights in the workplace.

- A report published by the ASEAN CSR Network and the Institute of Human Rights and Peace Studies in April 2019 ranked SDP number one in Malaysia and Asia for our approach to improving staff awareness of human rights issues on our plantations.
- In 2020, the Global Agribusiness Alliance and the World Business Council on Sustainable Development included SDP's best practices around human rights as examples in its implementation toolkit designed to help businesses in the sector advance their human rights policies.

- We were awarded 8.7/10 and ranked as a "Leader" in children's rights in the agricultural products, food, beverage and personal care sector by the Global Child Forum in conjunction with Boston Consulting Group in 2020. This compares favourably with an industry average of 4.8 and an all-company average of 4.2.
- The Sustainability Policy Transparency Toolkit (SPOTT) assessed SDP in November 2020 and concluded that the Group displays a strong commitment to human rights in our operations and supply chains, and remains committed to advancing further progress on human rights. SDP was ranked 8th (82.5%) and NBPOL was ranked 1st (94.4%).
- Since 2008, the RSPO has regularly inspected SDP's plantations and palm oil mills to ensure that they are run to exacting standards in terms of community development, labour rights, as well as safety and health standards. SDP's Malaysian operations have maintained a 100% certification.

Why it matters to us

SDP employs more than 85,000[2] people across our operations with approximately 81% comprising labourers or workers in our estates, mills and refineries.

In Malaysia alone, we employ over 35,000 people including on-ground workers and executives in our Downstream and Upstream operations. 71% of the on-ground workers are migrant workers from Indonesia, India, Bangladesh and Nepal. Our next largest workforce is in Indonesia, which employs over 27,000 people followed by Papua New Guinea and Solomon Islands with over 19,000 people.

Given the continuing upward trend in demand for palm oil across the globe, a corresponding increase in demand for labour will naturally ensue. While we have invested in mechanisation and are rolling it out progressively in our own operations to reduce reliance on manual labour, we expect that it may take several years before its adoption becomes mainstream in the industry. In the meantime, we remain committed to addressing the specific challenges that arise in our supply chains of casual and undocumented workers.

Our progress

In 2020, the Group conducted a revision of our Human Rights Charter which was first published in 2017. The Charter is administered by the Group's Human Rights Task Force which is accountable to the Sustainability Committee. It outlines SDP's commitment to the management and governance of actions to uphold human rights across our operations and continues to form an essential part of our employees training materials.

The Group has also established a Human Rights Due Diligence programme, under which mills and estates undergo an independent audit process to ensure compliance with human rights considerations and certifications to mitigate forced labour vulnerabilities. This includes assessments across operating units to identify salient issues which are documented on a human rights heat map that helps us prioritise focus areas for improvement. As an example of this process in practice, recruitment of migrant workers in Malaysia has been identified as a salient issue requiring action and subsequent improvement plans have since been implemented to ensure responsible recruitment practices.

2. As at December 2020

Regular technical and educational support in occupational safety and health is provided to ensure the well-being and safety of all workers

The Decent Rural Living Initiative is a unique pre-competitive collaboration convened by international sustainability non-profit, Forum for the Future, involving five palm oil producers – Cargill Incorporated, Golden Agri-Resources Ltd., Musim Mas Holdings Pte. Ltd., Wilmar International Limited and SDP.

The initiative aims to identify and scale grower-driven solutions that enables the provision of employment in a safe, fair and decent manner in rural Indonesia.

All members of staff, including Management, are required to adhere to the Code of Business Conduct which clearly sets out the specific obligations placed on them to uphold human rights in the workplace. Our suppliers are expected to adhere to strict no-exploitation commitments through responsible sourcing guidelines. Issues which surfaced are reported in a Supplier Grievance Register and published on our website.

Our complex supply chain provides us with opportunities to identify areas where collective action has the potential to accomplish greater positive impact than the effort of a single organisation. Innovative partnerships and pre-competitive collaborations such as the Decent Rural Living Initiative bring like-minded palm oil producers and NGOs together to tackle labour rights challenges and drive economic growth as a means to end exploitation in the supply chain.

More information on our human rights initiatives can be seen in our annual Modern Slavery Act Statement available on our website

Managing the Withhold Release Order (WRO) issued by the U.S. Customs and Border Protection (U.S. CBP)

What is the WRO about?

On 30 December 2020, the U.S. CBP issued a WRO blocking palm oil exports originating from our Malaysian plantations from entering US ports with immediate effect. The WRO was initiated by an April 2020 petition from an advocacy organisation, alleging findings of indicators of forced labour and other abuses in SDP's operations. SDP has engaged both U.S. CBP and the petitioner for further details but having not received any information to date, the Group engaged PwC Consulting Associates (M) Sdn Bhd to assist in establishing communication with the petitioner and producing a report outlining further details of the allegations by the petitioner.

SDP has worked with the Ministry of Human Resources, Ministry of Primary Industries and Commodities, and Ministry of Home Affairs amongst others, who actively engaged us within this period to identify solutions to the challenges facing the Industry. We have also continued to update our customers, investors and shareholders on our progress.

For more information on the timeline of events relating to the WRO, please refer to the Group Managing Director's Q&A on page 21

What has been done to date?

Improving migrant worker recruitment
We have appointed an independent international NGO specialising in migrant worker rights to strengthen our current recruitment and on-boarding processes as well as assisting in addressing issues surrounding recruitment of migrant workers. These include debt bondage related to recruitment fees and contract substitution or deception that do not fall within our direct recruitment procedures but are primarily related to the practice of intermediaries as well as the immigration policies and procedures in those countries. We will also be taking further steps to ensure that contract details are explained clearly during induction meetings with new employees.

Areas included under the auspices of this review include:

i. The selection and hiring of recruitment agents
ii. Recruitment agent practices which include training for agents and review of practices in country of origin
iii. Review of recruitment fees
iv. Review of Responsible Recruitment Policy

Ensuring no retention of documents
To ensure there have been no accidental or unnecessary impingements with respect to document retention and movement for workers, SDP has installed individual passport lockers across all our estates in Malaysia. These are housed in a secure locker room on the plantation. Workers have direct access during working hours and can access the secure locker room outside working hours between 10.00 p.m. and 6.00 a.m. on request. More details of this in the Responsible Recruitment section.

Expanding grievance mechanisms
The Group has initiated a review of existing grievance channels to provide better oversight and identify any areas within our current approach that may require strengthening. SDP has also created a new "Worker Welfare Representative" role in every estate. This Representative is nominated by workers and serves to provide an additional secure channel for communication of concerns or feedback, to Management.

We continue to maintain an active and engaged relationship with trade unions. On average, there are five meetings a month, either virtually or face-to-face. This regular dialogue helps create an open channel for trade unions to highlight concerns raised by unionised employees or provide mediation where required.

SDP also operates a whistleblowing helpline which emphasises that everyone should be empowered to report incidences which go against the ethos of the business. Under the whistleblowing policy, complaints are channelled to an independent function to ensure that there is no conflict of interest. The identities of whistle-blowers are kept confidential, signaling that SDP takes a serious view of any wrongdoing and it is committed to ensuring all stakeholders are able to raise concerns without fear of retaliation.

Another initiative under grievance mechanism is an independent third-party worker grievance channel, Worker's Voice or Suara Kami. The platform is available throughout the day, in multiple languages, accessible via toll-free call, text and Facebook Messenger, and enables workers to raise concerns for swift action. The helpline's reporting dashboard enables salient issues to be identified, determining the likelihood of occurrence and effective remediation.

What are our next steps?

In March 2021, the Group appointed Impactt Ltd (Impactt), an ethical trade consultancy with specific expertise in detecting and remediating force labour issues in company supply chains, to undertake a human rights assessment of our operations and verify our internal findings.

Impactt will also form part of our newly established Third-Party Stakeholder Human Rights Assessment Commission, comprising a Stakeholder Consultation Panel to endorse and review any proposed remediation plans. Targeted at delivering positive outcomes for workers and prioritising workers' safety, the assessment approach will focus primarily on:

- Establishing direct contact with workers to understand their preferences and needs
- Identifying practices which fall within the 11 ILO Forced labour indicators
- Improving working practices to provide better quality jobs

The safety and well-being of our employees is paramount to the Group. SDP will continue to keep all stakeholders apprised of developments relating to the WRO.

We invite you to visit https://www.simedarbyplantation.com for the latest updates on the matter

RESPONSIBLE RECRUITMENT

Labour recruitment for the oil palm industry is complex. Heavy dependence on migrant workers along with the presence of multiple actors, fragmented processes, as well as asymmetry of information often results in systemic gaps which give rise to the risk of unscrupulous practices and potential labour abuses. The irresponsible behaviour of a few actors in the system ends up tainting the entire industry and undermining the significance of palm oil as a valuable commodity.

Why it matters to us

Unethical hiring goes against the very grain of SDP's Core Values and Code of Business Conduct. Proper oversight and socially responsible policies are critical to ensuring our plantations and mills operate to internationally recognised human rights and human resource management standards. We recognise that existing policies may not yet provide a total solution and there is still headroom to improve. However, we believe that with the right partnerships, we can improve transparency, accountability and wider adoption of ethical recruitment best practices in our supply chains as well as those of the broader industry.

Our progress

We practise direct hiring where our dedicated Workforce Management Teams visit countries of origin to promote recruitment efforts, conduct interviews and select workers in person. This reduces the number of layers in our recruitment process and ensures that transparency and accountability are ubiquitous throughout every aspect of our hiring process.

We are currently in the process of evaluating our recruitment and on-boarding programme to address issues particularly surrounding migrant workers recruitment such as debt bondage, false terms of employment and unfair withholding of wages or passports. This includes a review of the materials provided to potential workers to ensure improved clarity in outlining the details of contracts.

SDP strives to ensure that there are no unnecessary impingements on employees' ability to move freely and access the documents to facilitate this. We have rolled out a series of measures to improve access to and management of passports by installing individual passport lockers for each worker across all divisions. As at 31 December 2020, we have built 211 standalone buildings to house a total of 27,900 individual lockers catering for more than 20,000 foreign workers under our employment in Malaysia. All workers have direct access to their individual lockers and have started using the facility.

A SAFE AND HEALTHY WORKPLACE

Strengthening the safety performance of our operations is part and parcel of our continuing effort to foster a workplace that adheres to global goals of good health and well-being. As one of the industry's largest employers, it is our responsibility to ensure that our people are equipped with the necessary technical and educational support in occupational safety and health to maximise their personal and professional potential.

Why it matters to us

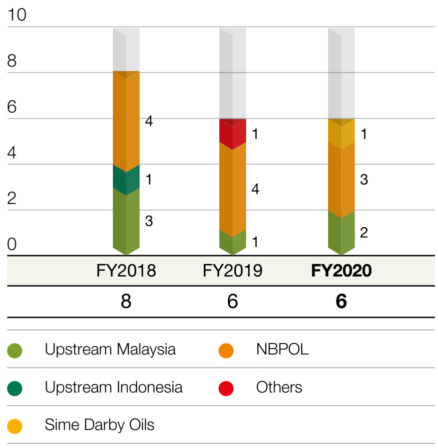
A strong safety culture that promotes an injury-free workplace is essential to ensuring the well-being of our employees. It is also fundamental to the long-term sustainability of the Group's productivity and efficiency. SDP adopts a proactive and preventative approach to health and safety through workplace risk mitigation efforts, health initiatives and ongoing workplace safety training programmes to keep our workers safe and healthy in the workplace.

Our progress

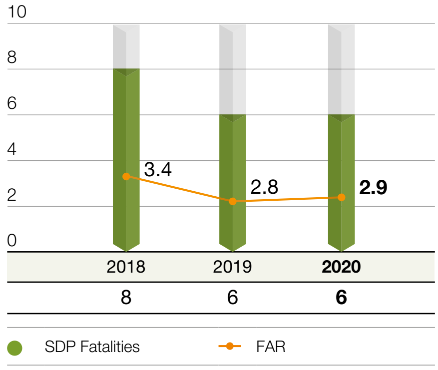
Accident and fatality management

We regret to report six (6) occupational fatalities (Class 1 Accidents) and a Fatality Rate (FAR) of 2.9 for FY2020, which indicates a total of 2.9 fatality cases for every 100 million hours worked. This represents a 4% increase in FAR from FY2019 despite the same number of recorded fatality cases. The fatalities were due to vehicles (3), fall from height (2) and harvesting (1). The accidents occurred in Papua New Guinea (3), Malaysia (2) and in SDO operations – Thailand (1).

OCCUPATIONAL FATALITIES



OCCUPATIONAL FATALITIES & FATALITY RATE

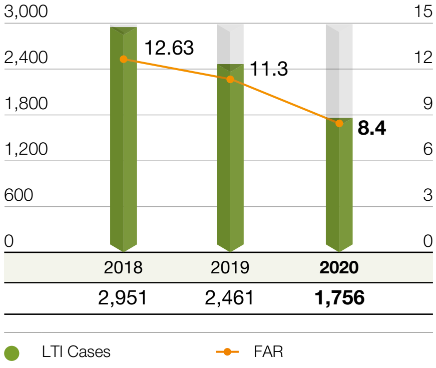


Two Class 2 accidents resulting in permanent disability injuries were recorded in Sime Darby Research (1) and Upstream Malaysia (1), one of which related to machinery and the other to travelling.

We reported a Loss Time Injury Frequency Rate (LTIFR) of 8.4 for FY2020, indicating that 8.4 loss time injuries occurred within the Company's workplaces for every million hours worked. This marks a 26% reduction compared to the previous year.

LOST TIME INJURY & LOST TIME INJURY FREQUENCY RATE

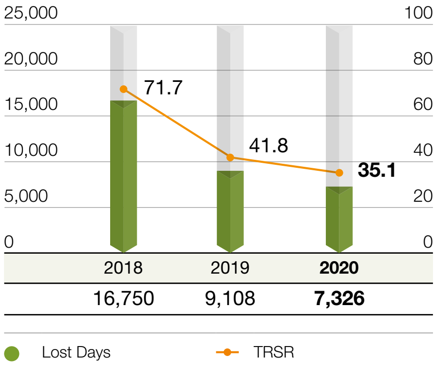
(NUMBER OF CASES) (%)



In the year under review, SDP incurred 7,326 lost days with Total Recordable Severity Rate (TRSR) of 35.1, indicating a total of 35.1 lost days for every million hours worked. This marks a 16% reduction compared to the previous year.

TOTAL LOST DAYS & TOTAL RECORDABLE SEVERITY RATE

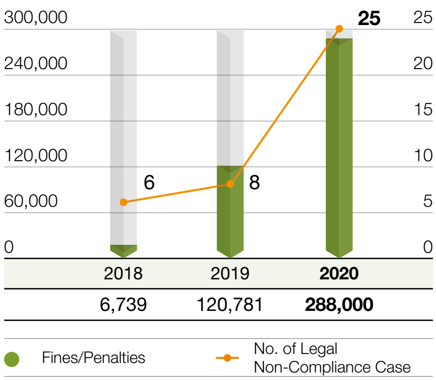
(NUMBER OF DAYS) (%)



On the whole, while these statistics attest to the efficacy of ongoing initiatives in reducing the number of accidents (LTI) by 29% and severity of accident cases by 20%, the regrettable number of fatalities and permanent injuries is a sober reminder that we must persist in our safety education efforts. To further improve risk mitigation and safety awareness at all levels of our operations, we will continue to deploy regular first aid refresher trainings, tractor driving competency programmes and motorcycle licensing programmes.

LEGAL NON-COMPLIANCE & FINE/ PENALTIES

(RM)



Prevention of unsafe conditions and actions

At SDP, our philosophy on safety management is the most effective method of preventing hazards is to eliminate risk at the source, which usually lies in unsafe conditions or unsafe acts. This philosophy is manifested in our SIME card (Spot, Intervene, Modify and Execute) and PIIRO (Preventing Incidents by Identifying Hazards, Reporting Near Misses and Observing & Recognizing Positive Safety Behaviour) initiatives.

Employees are encouraged to use these channels to surface any concerns, feedback or issues, which will set off a process of investigations and remedial actions to bring the reported issues to closure. In the year under review, the Group recorded a total of 81,058 SIME and PIIRO reports. This gives an indication of the number of accidents which may have been prevented.

SDP received a total of 25 legal non-compliance notices, including improvement notices, from various authorities globally throughout the review year, with a total sum of RM288,000 in penalties or fines. The significant increase is due to a fine of €55,000 by the water authority to Sime Darby Oils Zwijndrecht refinery for a soap discharge spill in June 2020. The Group has taken various corrective and preventive actions including redesigning our plants and machinery, changing our Standard Operating Procedures and retraining our workforce.

Zero tolerance of sexual harassment and physical violence

As of December 2020, an average of 20% of our workforce are female. In 2019, we published a revised sexual harassment policy which sets out robust reporting procedures and prescribed courses of action to remediate issues pertaining to sexual and physical violence. The policy is steered by the following guiding principles:

i. Accountability
ii. Prompt inquiry and action
iii. Confidentiality
iv. Support and protection for complainants
v. Education and awareness

Any employee who has been made aware of allegations of sexual harassment is required and encouraged to immediately report any concerns or complaints in relation to these matters. Towards the end of the last quarter of 2020, we appointed representatives in all 157 of our estates and mills in Malaysia that were elected by workers to safeguard the welfare and address challenges and opportunities faced by female workers in the plantations. These representatives form a Gender Committee in our strategic operating units and are responsible for creating a safe space for employees to raise concerns on sexual violence issues.

The Group has also collaborated with Women's Aid Organisation (WAO), a local Civil Society Organisation, to develop an improved Women's Safety Framework. The programme contains key components targeted at inculcating a diverse and inclusive workplace culture through gender audits, gender sensitivity training for managers and trainings for Gender Representatives.

Enhancing employee housing

A formal review of living conditions to raise the standards of employee housing and amenities was initiated in 2020. The following actions were established as a result of the review:

- Appointed a 'Person in Charge of Accommodation' and Employee Welfare Representatives (EWR)
- Formed an Employees Welfare Committee (EWC) which is made up of hospital assistants, regional management representatives and Employee Welfare Representatives
- Restructured employees housing inspection and reporting procedures to improve coordination on management and resolution of employee housing issues
- Reviewed the current housing elements of an employee's contract to ensure the rights of a worker and their tenancy obligations are clearly explained
- Upgraded and replaced fixtures and fittings in existing accommodation

We are confident that these new initiatives will contribute to an improved employee housing environment and provide an additional avenue for workers' feedback and concerns to be dealt within a timely and professional manner. The Group has also embarked on an accommodation rebuilding and refitting initiative across our estates, targetted to begin in the first quarter of 2021. As part of this initiative, 294 homes will be replaced and rebuilt, while over 20,000 homes will be refitted.

Raising awareness of grievance mechanisms

We are diligently working to ensure over 30,000 workers across our 157 operating units in Malaysia are aware of the Group's available grievance channels and whistleblowing helplines for secure and anonymity-guaranteed incident reporting. Training has been conducted at 63% of worksites as at 31 December 2020, with a view of covering 100% of sites as soon as the situation allows, subject to the relaxation of COVID-19 movement restrictions.

Since its launch in 2018, our independent third-party helpline, 'Suara Kami', has received 98 tickets on matters ranging from dissatisfaction with working conditions to housing issues, clarifications on wages and changes to working schedules. Out of these, as at 31 December 2020, 86% of issues have been resolved, while another 14% remained under investigation with the oldest issue being from 16 September 2020. Established to complement and strengthen our existing grievance mechanisms, 'Suara Kami' is a collaboration between SDP, Nestle, the Responsible Business Alliance and Elevate. The toll-free helpline is available 24/7 in multiple languages and is accessible via call, text and Facebook Messenger.

BOARD OF DIRECTORS

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:
76

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Chairman of Asian Pac Holdings Berhad
Chairman of SEG International Berhad
Public Companies:
President of Federation of Public Listed Companies Berhad

AREAS OF EXPERTISE:
Legal and Governance

RELEVANT EXPERIENCE:
Leveraging on his five decades of experience in public and private sectors, including as former director of PETRONAS and Tradewinds Corporation Berhad, member of the National Economic Consultative Council 2 and President of Malaysian Institute of Corporate Governance, Tan Sri Megat provides leadership in assuring a high level of governance standards across the Group through his extensive knowledge and understanding of national policy as well as social, legislative and governance frameworks.

INDUSTRY BACKGROUND
- Property development
- Public administration
- Banking institutions
- Plantation

MOHAMAD HELMY OTHMAN BASHA
Group Managing Director

DATE OF APPOINTMENT:
1 July 2019

NATIONALITY:
Malaysian

AGE:
54

GENDER:
Male

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

AREAS OF EXPERTISE:
Plantation, Management and Finance

RELEVANT EXPERIENCE:
As a former Chief Executive Officer of Highlands & Lowlands Berhad and Guthrie Ropel Berhad, and having held various senior leadership positions in SDP's Upstream business, Encik Mohamad Helmy brings a wealth of multidisciplinary experience and knowledge in managing the Group's vast integrated business and steering SDP towards its vision of becoming a leader in business and environmental sustainability.

INDUSTRY BACKGROUND
- Plantation
- Property development
- Oil & Gas

Board Committees

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

G N R

DATUK ZAITON MOHD HASSAN
Senior Independent Non-Executive Director

DATE OF APPOINTMENT:
24 February 2016 (Appointed as Senior Independent Non-Executive Director of SDP on 14 July 2017)

NATIONALITY:
Malaysian

AGE:
64

GENDER:
Female

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

AREAS OF EXPERTISE:
Banking and Finance

RELEVANT EXPERIENCE:
Possessing over 44 years of leadership experience in accountancy, banking and financial advisory spanning careers in PricewaterhouseCoopers, Bank Pembangunan Malaysia Berhad, Malayan Banking Berhad and Malaysian Rating Corporation Berhad, Datuk Zaiton plays a pivotal role in the establishment of strong frameworks and best practices for robust financial governance as well as effective financial and risk management for the Group.

INDUSTRY BACKGROUND
- Banking
- Fund management
- Rating agency

N B

DATO' HALIPAH ESA
Independent Non-Executive Director

DATE OF APPOINTMENT:
1 September 2020

NATIONALITY:
Malaysian

AGE:
71

GENDER:
Female

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
S P Setia Berhad
Public Companies:
Cagamas Berhad
Securities Industry Dispute Resolution Centre

AREAS OF EXPERTISE:
Economics and Public Administration

RELEVANT EXPERIENCE:
Having served as a consultant to the World Bank and United Nations Development Programme as well as in various senior public administration roles in the Economic Planning Unit of the Prime Minister's Department and Ministry of Finance, Dato' Halipah contributes a dynamic and wide-lens view of public policy in the context of global developments which helps to broaden SDP's strategic perspective in societal issues.

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

R B S

ZAINAL ABIDIN JAMAL
Non-Independent Non-Executive Director

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
67

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None
Public Companies:
Chairman of PADU Corporation (Limited by Guarantee)

AREAS OF EXPERTISE:
Legal, Business and Regulatory Affairs

RELEVANT EXPERIENCE:
As an Advocate & Solicitor specialising in corporate and securities law and his experience as Chairman of PADU Corporation (a company limited by guarantee) of the Ministry of Education, which oversees the implementation of the Malaysian Education Blueprint 2013–2025 and as a member of the Shariah Advisory Council of Bank Negara Malaysia coupled with his background in both plantation and commercial matters, Encik Zainal Abidin provides valuable oversight to the Group in reviewing legal matters, risk assessments related to business cases as well as general risk management policies and strategies.

INDUSTRY BACKGROUND
- Plantation
- Legal services/Alternative Dispute Resolution
- Banking & Finance
- Education
- Construction/Infrastructure development

S G N

DATO' HENRY SACKVILLE BARLOW
Independent Non-Executive Director

DATE OF APPOINTMENT:
5 April 2019

NATIONALITY:
British

AGE:
76

GENDER:
Male

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

AREAS OF EXPERTISE:
Finance and Plantation

RELEVANT EXPERIENCE:
As Joint Chair of the Grievance Committee of the Roundtable on Sustainable Palm Oil (RSPO) and former Joint Chairman of the RSPO Biodiversity Technical Committee, Dato' Barlow's wide-ranging leadership experience of over 50 years in the plantation industry contributes invaluable insights on plantation management essential to the implementation of sustainability framework and management of sustainability risk and critical sustainability issues for the Group.

INDUSTRY BACKGROUND
- Plantation
- Banking

G N

DATO' MOHD NIZAM ZAINORDIN
Non-Independent Non-Executive Director

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
57

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers: None
Public Companies:
Pengurusan Pelaburan ASN Berhad
Securities Industry Dispute Resolution Centre

AREAS OF EXPERTISE:
Finance and Investment Management

RELEVANT EXPERIENCE:
With over 25 years of regional fund management experience across various senior roles in Permodalan Nasional Berhad (PNB), Dato' Mohd Nizam provides the Group with valuable financial oversight in implementing strong financial governance and helps to ensure a consistent enterprise-wide approach to the Group's investment and capital allocation strategy.

INDUSTRY BACKGROUND
- Fund management

S

TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS
Non-Independent Non-Executive Director

DATE OF APPOINTMENT:
1 January 2020

NATIONALITY:
Malaysian

AGE:
51

GENDER:
Male

DIRECTORSHIP OF OTHER LISTED ISSUERS/PUBLIC COMPANIES
Listed Issuers:
Astro Malaysia Holdings Berhad
IHH Healthcare Berhad
Public Companies: None

AREAS OF EXPERTISE:
Sustainability, Enterprise Digitalisation & Transformation, Corporate Strategy and Fund Management

RELEVANT EXPERIENCE:
Tunku Alizakri brings close to 30 years' experience at senior management and board level roles in multiple sectors and industries. His last most recent appointment was as the Chief Executive Officer of the Employees Provident Fund of Malaysia which is the 7th largest global retirement fund with around USD250 billion asset under management with over 6,000 employees serving 15 million Malaysians.

INDUSTRY BACKGROUND
- Retirement fund
- Financial industry
- Central banking
- Social security, healthcare, media and telecommunications
- Property development
- Plantation and Oil & Gas

Board Committees

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

G R B

TAN TING MIN
Independent Non-Executive Director

DATE OF APPOINTMENT:
14 July 2017

NATIONALITY:
Malaysian

AGE:
52

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:
Having acquired close to 25 years of experience in equity research and investment with specific focus on regional plantation sector coverage and Malaysia investment strategy, Ms Tan brings a comprehensive depth of valuable sector-specific expertise and macroeconomic insights to the leadership team on investment strategy, asset allocation, investor engagement and assessment of key associated risks related to business cases.

INDUSTRY BACKGROUND
- Equity research
- Securities investment
- Plantation

R

LOU LEONG KOK
Independent Non-Executive Director

DATE OF APPOINTMENT:
1 December 2017

NATIONALITY:
Singaporean

AGE:
66

GENDER:
Male

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

AREAS OF EXPERTISE:
Trading and Investment Management

RELEVANT EXPERIENCE:
With an abundance of industry experience in the edible oil sector that spans over 41 years managing investments and businesses of edible oil and grains trading, shipping, storage terminals and biofuel manufacturing, as well as an advisory and investor role in a leading physical palm brokerage, Mr Lou plays a prominent role in driving the Group's operational excellence and strategic growth agenda, as well as providing insight on monitoring of trading activities and assessment of key associated risks, particularly in downstream operations.

INDUSTRY BACKGROUND
- Edible oils
- Trading & Investment
- Storage terminals & Logistics
- Biofuel manufacturing

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;
   - Encik Zainal Abidin Jamal; and
   - Dato' Mohd Nizam Zainordin.

   (ii) Tunku Alizakri Raja Muhammad Alias is a nominee Director of the Employees Provident Fund Board.
   (iii) Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas is a shareholder of SDP holding 5,000 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 2020 are set out in the Corporate Governance Overview Statement on page 85.

For further information on the biographies of each Director, qualifications and past experience, please visit SDP's website at https://www.simedarbyplantation.com

LEADERSHIP TEAM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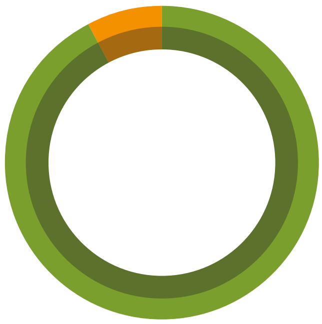
1. **MOHAMAD HELMY OTHMAN BASHA**
   Group Managing Director
2. **MOHD HARIS MOHD ARSHAD**
   Managing Director, Sime Darby Oils
3. **RENAKA RAMACHANDRAN**
   Chief Financial Officer
4. **ZULKIFLI ZAINAL ABIDIN**
   Chief Human Resources Officer
5. **DR SHARIMAN ALWANI MOHAMED NORDIN**
   Chief Strategy & Innovation Officer
6. **DR HARIKRISHNA KULAVEERASINGAM**
   Chief Research & Development Officer
7. **ADI WIRA ABD RAZAK**
   Chief Operations Services Officer
8. **AZRIN NASHIHA ABDUL AZIZ**
   Group Secretary
9. **LEE AI LENG**
   Group General Counsel
10. **SUHAILAH MOHAMED ABDULLA**
    Acting Chief Integrity & Assurance Officer
11. **GAJANI NAYAGI SEEVENESERAJAH**
    Chief Risk Officer
12. **RASHYID REDZA ANWARUDIN**
    Head, Group Sustainability
13. **ADITYA TULI**
    Chief Digital Officer

GENDER

Male	**62%**
Female	**38%**

NATIONALITY



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

AGE

40-44 years	**3**
45-49 years	**4**
50-54 years	**3**
55-59 years	**3**

The profiles of the Senior Management Team are available online in the Senior Management Team section at https://www.simedarbyplantation.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Effective Corporate Governance (CG) emphasises our commitment to responsible business practices in protecting shareholder value and the sustainable growth of the Group. We recognise the importance of setting an appropriate tone at the top to ensure that ethical standards of behaviour permeate throughout the Group at all levels. The way we live and breathe our culture can be seen by the manner in which our Core Values are embedded across all our businesses and how they underpin our business model and strategy of delivering long-term shareholder value.

As a testament to our commitment to the right values and ethical conduct, the Board of Sime Darby Plantation (SDP) embraces the enhanced corporate governance disclosures as set out in the following:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the Listing Requirements);
- Companies Act 2016 (Malaysia);
- Corporate Governance Guide – 3rd Edition issued by Bursa Malaysia Berhad; and
- Malaysian Code on Corporate Governance (MCCG) 2017.

The Company complied substantially with the practices outlined in the MCCG 2017 for the period under review.

The overall status of application of the MCCG 2017 is disclosed in our Corporate Governance Report 2020, which is also available on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

This statement is made in accordance with a resolution of the Board of Directors dated 12 April 2021.

CORPORATE GOVERNANCE FRAMEWORK

Our 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 behaviours based on the Group's espoused Core Values and Business Principles as set out in the Code of Business Conduct (COBC)

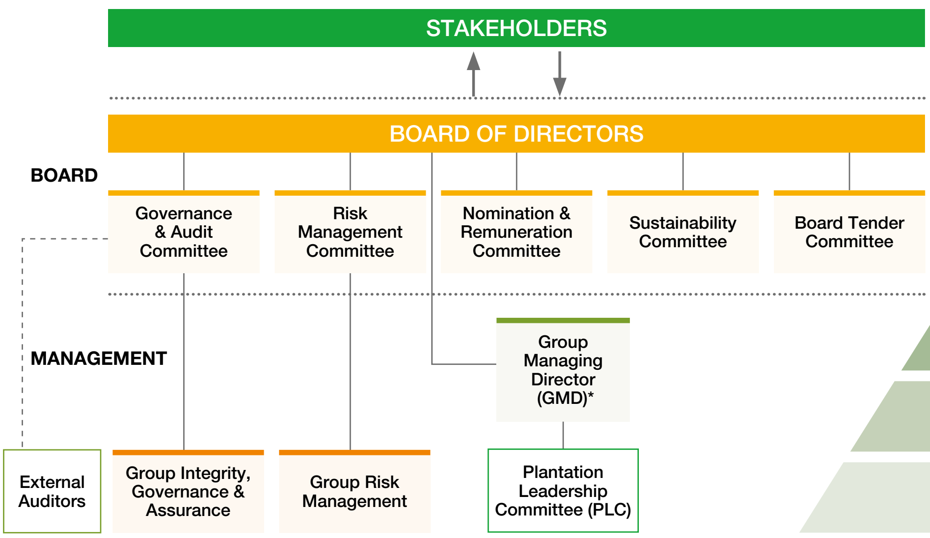
The diagram below illustrates our Group's governance structure:

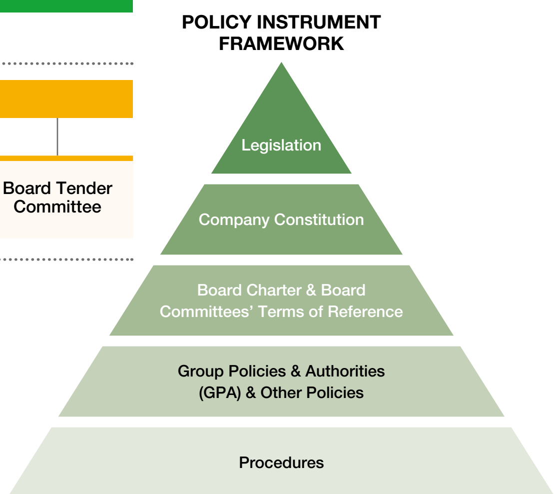
The role and effectiveness of the Board are essential in that the Board's primary remit is to provide direction to help shape the Group's strategy and ensure that this is being executed effectively within a well-controlled structure, mitigates risk and is compliant with the requisite rules and regulations.

The Board also believes in the alignment between shareholder value and wider stakeholders' interest. To ensure proper check and balance on our sustainable development journey, the Board commits to providing credible and comprehensive reporting, which epitomises our commitment to engage and carry out effective communications with stakeholders.

The Board Committees are established to assist the Board in discharging its statutory and fiduciary responsibilities. This includes ensuring independent oversight of risk management and internal control. We have established the Board Committees' Terms of Reference (TOR) to ensure that Committees remain focussed on their duties, thus enabling the Board to take a broader perspective, looking at enterprise-level issues such as strategy and governance.

The TOR of each Board Committee is available on the Group's website under the Governance section at https://www.simedarbyplantation.com





Note: * The GMD is also an Executive Director of the Board

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES

Our 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. In so doing, it also sets the tone for the various Board Committees.

The roles and responsibilities of the Board, the Chairman, Directors, Senior Independent Non-Executive Director and the Group Managing Director (GMD) are provided in the Board Charter which is available on the Group's website under the Governance section at https://www.simedarbyplantation.com

BOARD MEETINGS & ATTENDANCE

Details of the key activities of the Board are set out on page 86. The key activities of each Board Committee are set out within the relevant Committee reports from pages 90 to 99.

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

Board and Board Committee Meetings

97 total hours

Board (including Board Retreat)	**33 hours**
GAC	**23 hours**
NRC	**7 hours**
RMC	**18 hours**
SC	**11 hours**
BTC	**5 hours**

The breakdown of Directors' attendances at the Board and Board Committee Meetings during FY2020 are set out below:

		Meeting Attendance#					
Directors	**Designation/ Independence**	**Board**	**GAC**	**NRC**	**RMC**	**SC**	**BTC**
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas[1]	Chairman, Non-Independent	2/2					
Mohamad Helmy Othman Basha	Group Managing Director	6/6					
Datuk Zaiton Mohd Hassan	Senior Independent	6/6	6/6	3/4	6/6		
Dato' Halipah Esa[2]	Independent	1/1		1/1			1/1
Zainal Abidin Jamal	Non-Independent	6/6			6/6	5/5	4/4
Dato' Henry Sackville Barlow	Independent	6/6	6/6	4/4		5/5	
Dato' Mohd Nizam Zainordin	Non-Independent	6/6	5/6	4/4			
Tunku Alizakri Raja Muhammad Alias	Non-Independent	6/6				4/5	
Tan Ting Min	Independent	6/6	6/6		6/6		4/4
Lou Leong Kok	Independent	6/6			6/6		
Former Directors							
Tan Sri Dato' Abdul Ghani Othman[1]	Chairman, Non-Independent	3/4					
Tan Sri Datuk Dr Yusof Basiran[3]	Independent	5/5		3/3			3/3
Bapak Muhammad Lutfi[4]	Independent	0/4				0/3	

Notes:
Reflects the number of meetings held during the time the Director held office
1. The Non-Independent Chairman, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas, was appointed on 1 July 2020 in place of Tan Sri Dato' Abdul Ghani Othman who resigned on 30 June 2020
2. An Independent Director, Dato' Halipah Esa, was appointed on 1 September 2020. Dato' Halipah was also appointed as Chairman of the NRC and member of the BTC on 1 September 2020
3. An Independent Director, Tan Sri Datuk Dr Yusof Basiran, resigned on 1 September 2020
4. An Independent Director, Bapak Muhammad Lutfi, resigned on 30 June 2020

SETTING STRATEGY

The Board devises strategies focussed on unlocking value for our shareholders, whilst mitigating risks to ensure holistic growth. The Board and Management strive to create maximum shared value by delivering on its purpose and ensuring relevance and sustainability of the Group's business model.

MATTERS CONSIDERED BY THE BOARD

Strategy	During the Board and Management Retreat in September 2020, the Board and the Plantation Leadership Committee members discussed the strategic direction of the Company and Group to remain resilient through operational efficiency and position itself for future growth to be the leading integrated global palm oil player. The discussion included matters relating to financial budgets including diversification, management of business volatility, investments review and human capital management. The Board met in November 2020 to discuss and challenge the Group's plans for its business strategy, financial budget and human capital management. The Board also monitored the progress of implementation of the Group's strategy and value creation initiatives.
Performance	The Board had in-depth deliberations on the financial and business performance of the Group. The Board considered and approved major acquisitions, disposals and transactions of the Group such as the divestment of SDP's equity stake in Verdant Bioscience Pte Ltd and PT Indo Sukses Lestari Makmur.
Risk & Internal Controls	During FY2020, the Board deliberated extensively on the material risks and impact of COVID-19 on the Group and its Business Continuity Plan as well as the U.S. Customs and Border Protection (U.S. CBP) action and the Group's responses. The Board also considered the principal risks of business proposals and the implementation of appropriate internal controls and mitigation measures to manage these risks. The Board reviewed the Group's system of internal controls covering financial, operational, compliance and risk management, as well as the adequacy and integrity of the system. The Board considered the establishment of the GAC of Sime Darby Oils International Limited (SDOIL) in supporting the SDOIL Board to oversee controls and governance, amongst other matters.
Integrity & Governance	During FY2020, the Board reviewed changes in and considered the adoption of key policies and procedures, as well as delegated authority limits of the Group such as the Group Policies & Authorities, the COBC handbook, Vendor COBC, Anti-Corruption Compliance Framework and Responsible Agriculture Charter. The Board also focussed on the human rights initiatives of the Group and reviewed changes to the Human Rights Charter which provides clear guidelines on salient human rights issues within the Group's operations.
Succession Planning	The Board reviewed the Group's succession planning process and considered the appointment of the Key Management of the Group.

BOARD COMPOSITION, DYNAMICS AND EFFECTIVENESS

BOARD COMPOSITION AND DYNAMICS

Age Diversity as at 30 April 2021

BOARD'S AVERAGE AGE

51 years — 63 years — 76 years

Gender

70% 30%

Nationality/Ethnicity

Malaysian	●●●●●●●●	8
British	●	1
Singaporean	●	1

● Malay ● Chinese

Balance of Independent and Non-Independent Directors

Independent Directors	5
Nominee Directors Permodalan Nasional Berhad (inclusive of Chairman)	3
Nominee Director Employees Provident Fund Board	1
Executive Director Group Managing Director	1

The profiles of the Board of Directors are on pages 78 to 81 of this Annual Report

BOARD, BOARD COMMITTEES AND DIRECTORS' EFFECTIVENESS

Board & Directors' Effectiveness Evaluation

An independent external consultant was engaged to facilitate the Board & Directors Effectiveness Evaluation (BDEE) for the financial year ended 31 December 2020 (BDEE 2020). This is the first year that the Company has engaged an external consultant to conduct the BDEE since its listing in November 2017. Previous BDEEs were conducted internally through mainly questionnaire-approach.

The BDEE 2020 deployed a three-pronged approach which included questionnaires, review of Board and Board committee minutes and interview sessions with all the Directors and a few key management adopting the 360° approach.

The findings of the BDEE for the financial year ended 31 December 2020 was presented by the consultant to the Board on 29 March 2021. The key findings were discussed with the Board with emphasis on focus areas that could further enhance the performance of the Board and Board Committees.

The Board will focus on the appropriate action plans to address the key findings of the BDEE 2020 in order to further enhance the Board's effectiveness.

Details of the key findings and focus areas of the BDEE 2020 are disclosed in the Corporate Governance Report 2020 available on the Company's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

Board Committee Effectiveness with 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' TOR. The Board is satisfied that all Board Committees have effectively discharged their duties in accordance with their TOR.

CORPORATE CULTURE & VALUES

- Our ***COBC*** demonstrates our enforcement of fair, honest and ethical behaviour wherever we do business, and our collective commitment to uphold integrity throughout the Group. The COBC guides the standards of behaviour expected of all Directors and employees of the Group, and where applicable, counterparties and business partners.
- Our commitment to excellence extends beyond our organisation. In this regard, our ***Vendor COBC*** guides our vendors on the required standards of behaviour when conducting work for the Group and mirrors our Group's Core Values and Business Principles. By signing the ***Vendor Integrity Pledge***, our vendors acknowledge compliance with our standards of behaviour on labour and human rights, environmental protection, safety & health as well as ethics & management practices (including regulations on anti-bribery, fraud and corruption).
- Our ***Anti-Corruption Management System*** is a manifestation of our zero-tolerance policy against all forms of bribery and corruption, and demonstrates the Group's commitment to combat corruption in furtherance of our Core Values and Business Principles.
- Our ***Whistleblowing Policy*** provides an avenue for the reporting of genuine concerns on wrongdoings without fear of retaliation and reprisals. Any employee, stakeholder or member of the public can lodge their concerns via the Group's website https://www.simedarbyplantation.com.

PROFESSIONAL DEVELOPMENT AND CONTINUOUS EDUCATION

Newly appointed Directors undergo an on-boarding session to orientate them on the Group's business, performance, issues, strategies and structure. Site visits, which include briefings from the Management of operational units, are organised to provide each new Director with a visual perspective of the Group's operations and further depth and appreciation of the key drivers behind the Group's businesses.

We encourage all Directors to continuously enhance their skills and knowledge. The Board and individual directors are provided with continuous education and training and all Directors have attended the Mandatory Accreditation Programme (MAP).

During FY2020, the Group Secretary regularly introduced external training programmes to the Directors. All Directors attended training programmes, conferences, seminars, courses and/or workshops.

For more details on the Directors' Training and Continuous Education Programme, please refer to the profiles of the Board of Directors on the Group's website under the Our People section at https://www.simedarbyplantation.com

BOARD REMUNERATION

The Directors' remuneration policy is regularly reviewed to ensure that the compensation of the Chairman and Directors of the Board are aligned to at least around the 75th percentile and the 50th percentile of appropriate peer groups, respectively. The remuneration framework is aligned to the complexity and leadership position of the Group and benchmarked against regional companies comparable to us in size and similarity in nature of business, to ensure that we are remunerating our Board and Board Committee members competitively.

The salient elements of the Directors' remuneration policy and a summary of the Executive Director's remuneration package are described in Practice 7.1 of the Corporate Governance Report 2020 available on the Group's website under AGM & Annual Reports section at https://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 FY2020 is shown below:

Board/Board Committee	Chairman (RM/Year)	Member (RM/Year)
Board	600,000	240,000[1] 400,000[2]
Governance & Audit Committee	80,000	50,000
Nomination & Remuneration Committee	60,000	35,000
Risk Management Committee	60,000	35,000
Sustainability Committee	60,000	35,000
Board Tender Committee	60,000	35,000

Notes:
1. Fee for Resident Director
2. Fee for Non-Resident Director

REMUNERATION & MATERIAL BENEFITS OF OUR DIRECTORS

The remuneration of our Directors, which includes salaries and bonuses for the Executive Director and Director's fees, meeting allowances, and benefits for the Non-Executive Directors, is considered and recommended by our NRC and subsequently approved by our Board. Our shareholders approve the fees and benefits payable to the Non-Executive Directors at a general meeting of the Group.

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Group level for FY2020 are as follows:

(RM'000)	Salary & Other Remuneration	Directors' Fees[1] As Directors	Directors' Fees[1] As Board Committee Members	Total Directors' Fees	Benefits-in-kind[2]	Sub-Total	Directors' Fees[3] Subsidiaries of SDP	Grand Total
Executive Director								
Mohamad Helmy Othman Basha	3,634	N/A[6]	N/A[6]	N/A[6]	47	3,681	0	3,681
Non-Executive Director								
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas[4]	N/A[6]	301	0	301	73	374	0	374
Datuk Zaiton Mohd Hassan		240	150	390	5	395	0	395
Dato' Halipah Esa		80	32	112	1	113	0	113
Zainal Abidin Jamal		240	138	378	3	381	80	461
Dato' Henry Sackville Barlow		240	145	385	1	386	118	504
Dato' Mohd Nizam Zainordin		240	85	325	1	326	70	396
Tunku Alizakri Raja Muhammad Alias		240	35	275	6	281	0	281
Tan Ting Min		240	120	360	4	364	174	538
Lou Leong Kok[5]		400	35	435	1	436	0	436
Total for Non-Executive Directors		**2,221**	**740**	**2,961**	**95**	**3,056**	**442**	**3,498**
Grand Total	**3,634**	**2,221**	**740**	**2,961**	**142**	**6,737**	**442**	**7,179**

Notes:
1. Paid by SDP
2. Benefits-in kind include Healthcare, Insurance and Mobile Phone
3. Paid by Subsidiary Companies of SDP
4. Company car, petrol and driver for Non-Executive Chairman
5. Non-Resident Director
6. N/A – Not Applicable

Additionally, details of remuneration (including benefits-in-kind) for Directors who had retired or resigned during FY2020 are as follows:

(RM'000)	Salary & Other Remuneration	Directors' Fees[3] As Directors	Directors' Fees[3] As Board Committee Members	Total Directors' Fees	Benefits-in-kind[1]	Sub-Total	Directors' Fees[4] Subsidiaries of SDP	Grand Total
Non-Executive Director								
Tan Sri Dato' Abdul Ghani Othman[2]		298	0	298	33	331	0	331
Tan Sri Datuk Dr Yusof Basiran	N/A[6]	161	80	241	6	247	57	304
Muhammad Lutfi[5]		199	18	217	1	218	24	242
Grand Total		**658**	**98**	**756**	**40**	**796**	**81**	**877**

Notes:
1. Benefits-in-kind include Healthcare, Insurance & Mobile Phone
2. Company car, petrol and driver for Non-Executive Chairman
3. Paid by SDP
4. Paid by Subsidiary Companies of SDP
5. Non-Resident Director
6. Not Applicable

In FY2020, the Board reviewed and proposed changes to the Remuneration Framework which are to take effect for the financial year ending 2021 subject to approval from Shareholders at the forthcoming Annual General Meeting (AGM). The review introduced meeting allowances and alignment of fees for resident and non-resident Non-Executive Directors of the Company.

Further information on the revised Remuneration Framework is provided in the Notice of AGM available on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

GOVERNANCE & AUDIT COMMITTEE

The Company's Senior Independent Non-Executive Director, Datuk Zaiton Mohd Hassan, is the Chairman of the GAC. 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. During the year under review, the GAC convened six meetings, during which significant matters relating to financial reporting, internal and external audits, and governance and related party transactions, among others, were discussed.

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 90 to 93 of this Annual Report and Section A of the Corporate Governance Report 2020 available on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

RISK MANAGEMENT COMMITTEE

The RMC is established as one of the committees of the Board and supports the Board by setting and overseeing the Group's Risk Management Framework as well as ascertaining its adequacy and effectiveness. The RMC comprises four Directors and is chaired by a Non-Independent Non-Executive Director, Zainal Abidin Jamal. The remaining three RMC members are Independent Non-Executive Directors, including one Senior Independent Non-Executive Director.

The RMC is assisted by the Chief Risk Officer (CRO) in executing its main functions and duties as specified in the RMC's TOR.

The activities of the RMC as well as its roles are provided in the Risk Management Committee Report on page 99 of this Annual Report and Section A of the Corporate Governance Report 2020 available on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has delegated its responsibilities of overseeing the effectiveness of risk management and internal control systems to the RMC and GAC. Accordingly, the RMC and GAC, advise the Board on principal risks facing our business, including those that would threaten the Group's solvency or liquidity.

Details of the Risk Management and Internal Control Framework are disclosed in the "Statement on Risk Management and Internal Control" on pages 100 to 103 of this Annual Report and Section A of the Corporate Governance Report 2020 available on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

"The Board believes in 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 the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements. The AGM offers an opportunity to our 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 the Group to reach its shareholders, the investment community, and the general public.

Relevant information on the Group's governance framework, including its values, COBC, whistleblowing and other initiatives including human rights are available on the Group's website

The Group's financial results, announcements made to Bursa Malaysia Securities Berhad and corporate presentations are retrievable from our Group's website at https://www.simedarbyplantation.com. This facilitates accessibility of information to our shareholders and other stakeholders

Integrated Reporting

Our Annual Report for FY2020 is prepared in accordance with the Global Reporting Initiative Standards: Core Option and the International <IR> Framework. All financial statements have been prepared according to the requirements of the Companies Act 2016 (Malaysia) and the Malaysian Financial Reporting Standards (MFRS) and audited by our 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 Group's website, will be dispatched to shareholders at least 28 days prior to the AGM. The Notification will provide a designated website link where a copy of the Notice of AGM and the Annual Report may be downloaded. Shareholders have the right to request a hardcopy of our Annual Report through the designated channel.

The forthcoming AGM will be conducted in a fully virtual and live-streamed format. Voting at the AGM 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 to the Chairman and other members of the Board to share the Group's progress and performance. Directors attend the AGM to answer any question from shareholders.

More detailed information on the AGM is available online on the Group's website under AGM & Annual Reports section at https://www.simedarbyplantation.com

GOVERNANCE & AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

There was no change in the composition of the Audit Committee during the year 2020. Details of the GAC members, their appointment date and attendance at GAC meetings is provided in the CG Overview Statement on page 85.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all of the GAC members are Non-Executive Directors, with the majority being Independent Directors. Datuk Zaiton Mohd Hassan serves as the Chairman of the GAC, thus satisfying the requirement of a 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) 2017. None of the GAC members is a former key audit partner 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, Datuk Zaiton Mohd Hassan, Dato' Mohd Nizam and Dato' Henry Barlow are qualified accountants. Additionally, Dato' Henry and Ms Tan Tin Ming have extensive experience in the plantation industry. Both 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 Operations Services Officer, Chief Integrity & Assurance Officer (CIAO), and Chief Risk Officer were invited to attend meetings of the Audit Committee to appropriately brief and furnish members of the GAC with pertinent information and clarifications to relevant items on the agenda. The external auditors, PricewaterhouseCoopers PLT (PwC), also attended the meetings to brief the GAC on matters relating to external audit for the current financial year and provided 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.

Detailed Terms of Reference (TOR) for the Committee is available on SDP's website under Governance section at https://www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS

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:

Significant Initiatives/Issues	Matters Considered	Outcome
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 NBPOL acquisition was allocated to two of SDP's cash generating units (CGU), namely NBPOL Group and Minamas Group, since Minamas Group operations are expected to benefit from the synergies of the acquisition of NBPOL. Management performed an impairment assessment of the CGU based on 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), except for assessment for NBPOL CGU which is sensitive to changes in CPO prices. A reduction in the CPO price by 5% would result in VIU of the NBPOL CGU to approximate its carrying amounts. However, should all the key assumptions used change in a negative manner, the Group will record a deficit. PwC reviewed and concurred with Management's assessment.	The GAC agreed with Management's assessment and view that no impairment charge is required for FY2020 as the recoverable amount exceeded NBPOL's carrying value. The GAC further concurred that appropriate disclosures of key assumptions and sensitivities are made in the Group's financial statements for FY2020.

Significant Initiatives/Issues	Matters Considered	Outcome
Recoverability of the Group's investment in Emery Oleochemicals (M) Sdn Bhd and Emery Specialty Chemicals Sdn Bhd (Emery Group)	Following the Board's approval of the disposal of equity interest in Emery Group, Management assessed the conditions of Malaysian Financial Reporting Standards (MFRS) 5 to classify Emery Group as non-current assets held for sale, and accordingly measured it at the 50% of the lower of its carrying amount and fair value less cost of disposal (FVLCS). PwC reviewed and concurred with Management's assessment.	The GAC considered and concurred with Management's assessment that an impairment charge of RM236 million be made for the investment in the Emery Group. The GAC further concurred that the results of Emery Group are presented as a discontinuing operation in FY2020 following the requirements of MFRS 5. The ability to complete the disposal within 12 months would need to be evaluated at each financial reporting date to ensure appropriateness of classification under MFRS 5.

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 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 in Malaysia, for recommendation to the Board for approval.
- At its quarterly meetings, the GAC focussed on changes to the accounting policies and practices, significant judgement and estimates, summary of uncorrected misstatements, foreign currency exposures and liquidity risk, as well as divestment of non-performing and non-core assets.
- The GAC reviewed Management's assessment and impact analysis on the following:
  - (a) Tax provisions
  - (b) Tax reviews conducted by inland revenue, customs and other authorities on companies within the Group
  - (c) Provisions for doubtful debts and stock obsolescence
  - (d) Provisions and disclosures on legal matters and claims
  - (e) All other financial disclosures to be made in the public documents.
- The GAC considered the proposed dividends for recommendation 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 FY2020, the GAC reviewed the results and issues arising from PwC's audit, including the Key Audit Matters and the update on Management's responses and resolution actions on issues highlighted in PwC's report.
- On 19 August 2020, the GAC reviewed and approved PwC's Group Audit Plan which outlined the audit strategy and approach for FY2020. PwC and all members of its engagement team have confirmed their independence in accordance with the Firm's requirement and 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.
- The annual assessment on PwC's performance (i.e. suitability, objectivity and independence) was completed on 2 April 2021 and conducted in accordance with the Group's policy on External Auditor Appointment & Selection. Accordingly, the GAC has recommended the reappointment of PwC to the Board. Prior to that, on 16 February 2021, the GAC had recommended for the Board's approval the proposed global audit fees payable to the Group's external auditors for FY2020.

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 in 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 18 November 2019, the GAC reviewed the Group Corporate Assurance's (GCA) Plan for FY2020 (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 FY2020, 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 Plantation's Governance & Audit Committee and the minutes of meetings of New Britain Palm Oil's Audit Committee for oversight of the state of internal control systems of those key subsidiaries. The minutes of meetings of Sime Darby Oils International Limited's Governance & Audit Committee were similarly reviewed on a bi-annual basis.
- The Group Integrity, Governance & Assurance's (GIGA) Key Performance

Indicators (KPI) for FY2020 was approved by the GAC on 21 February 2020. Subsequently, the performance appraisal of the CIAO following GIGA's FY2020 KPI was deliberated and approved by the GAC on 16 February 2021.

- 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.

4. Integrity & Governance

- The GAC Chairman updated the Board on key matters deliberated at GAC meetings and the activities undertaken by the GAC. Minutes of the GAC meetings are circulated to the Board for noting. This is a standing agenda item at the quarterly meetings of the Board.
- On 18 November 2019, the GAC reviewed and approved the Group Integrity & Governance Plan for FY2020, 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.
- On 20 May 2020 and 19 August 2020, the GAC reviewed and recommended for the Board's approval, revisions to the Code of Business Conduct (COBC) handbook and Vendor COBC respectively, which were enhanced as part of the Group's Anti-Corruption Compliance Programme.
- On 19 August 2020 and 17 November 2020, the GAC reviewed and recommended to the Board the approval for revisions to the Group Policies & Authorities.
- On a quarterly basis, the GAC is apprised on the status of the Group's Anti-Corruption Compliance Programme, including a review of the Anti-Corruption Management System (ACMS) on 19 August 2020, in tandem with the certification requirements of the ISO37001: 2016 (Anti-Bribery Management System). The GAC was kept abreast of the ethics awareness programmes carried out across the Group.
- Following the Group Head Office attainment of the ISO 37001:2016 (Anti-Bribery Management System) certification on 16 October 2020, on 19 November 2020, the GAC endorsed for the approval of the Board, the Group Organisational Anti-Corruption Plan (2021-2023) and revised Anti-Corruption Compliance Framework.
- The GAC endorsed for the approval of the Board, the biannual submission of the "Integrity & Governance Core Function Report" to the Malaysian Anti-Corruption Commission (MACC) on 19 August 2020 and 16 February 2021, for the periods of January to June 2020 and July to December 2020, respectively.
- The GAC reviewed the statistics of whistleblowing complaints received through the Group's various whistleblowing channels and the manner to 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 were 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 independent assessments of the adequacy of compliance controls. At every quarterly meeting held throughout FY2020, the GAC reviewed the whistleblowing and other investigation reports issued by Group Fraud & Corruption Risk Management (GFCRM).
- The revised Group Compliance Framework was approved by the GAC on 17 November 2020.
- 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.

a) 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 FY2020.

b) Annual Report

The GAC reviewed and endorsed on 2 April 2021 for the Board's approval, the following documents for inclusion in the Group's Annual Report 2020:

(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.

c) Other Matters

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.

GROUP INTEGRITY, GOVERNANCE & ASSURANCE

A. Overview

The GIGA function comprises GCA and Group Integrity & Governance (GIG[1]). GIGA is an independent function, headed by the Acting CIAO, Suhailah Mohamed Abdulla. It reports directly and functionally to the GAC and administratively to the Group Managing Director. Suhailah is a Certified Fraud Examiner, 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 and has completed the Certified Integrity Officer (CeIO) programme by the MACC.

GIGA is manned by 67 personnel as detailed out below:

Offices/Regions	Executives	Non-Executives	Total
Head Office, Malaysia	36*	1	37
Indonesia	28@	0	28
Papua New Guinea	2&	0	2
Total	**66**	**1**	**67**

1. GIG comprises GCO and Group Fraud & Corruption Risk Management (GFCRM) as its sub-functions.

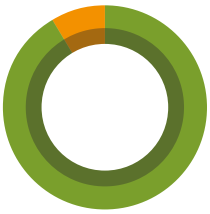
Notes:

* CIAO, 2 Practice Management, 23 GCA, 6 GCO and 4 GFCRM personnel

@ 27 GCA and 1 GCO personnel

& 2 GCA personnel

Education Level



Degree	**61.92%**
Diploma	**5.8%**

*Excluding Non-Executive

Professional Certificate or equivalent (including in progress)

Without	**51**
With	**15**

*Excluding Non-Executive

B. 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. In addition, an internal Quality Assurance and Improvement Programme (QAIP) that is managed by GCA's Practice Management unit, promotes continuous assessment and improvement within the function. As part of the QAIP, structured projects focussing on operational excellence, elevating competence, improved communication and sharing of best practices set the foundation towards GCA's first external assessment (post Pure Play) exercise to be undertaken in FY2021.

In maintaining independence and objectivity, GCA ensures that its internal auditors are free from any relationship or conflict of interest when performing their duties.

All independent internal audit and advisory services for the Group during FY2020 were conducted by GCA. 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 FY2020 amounted to approximately RM9.6 million, which consisted mainly of staff costs and travelling expenses.

In line with the Group's Strategic Plan, GCA supports the Group by providing assurance within the following key focus areas:

Group's Strategic Plan	GCA's Key Audit Coverage
Driving operational excellence through digitalisation Serving the customer of the future Maximising returns across the value chain	• Procurement • Inventory management • Project management • Refineries – Process Control System • Trading and sales • Head Office functions • Cost management • Oil palm seeds production • Payment, e-remittance & cash management • System data integrity • Mills application control • Continuous control monitoring

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.

C. 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. The GCO Framework is based on the ISO 19600:2014 – Compliance Management System and sets out the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving compliance management throughout the Group.

  Details of key activities undertaken by GCO pertaining to policy instruments, COBC, Control Self-Assessment, Anti-Corruption Compliance and Whistleblowing are provided in the Statement on Risk Management and Internal Control on pages 100 to 103.

- **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.

  This Report is made in accordance with the resolution of the Board of Directors dated 12 April 2021.

NOMINATION & REMUNERATION COMMITTEE REPORT

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 page 85.

The NRC comprises Non-Executive Directors (NED) with a majority being Independent Directors and includes a 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) 2017.

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 appropriate mix of skills, experience and knowledge of directors, succession planning, human capital development and the remuneration framework for the Directors, Management and employees.

The Committee's Terms of Reference (TOR) was last reviewed on 26 August 2020 where the key Management positions were reviewed and updated under the TOR of the NRC.

Detailed TOR for the Committee are available on SDP's website under the Governance section at https://www.simedarbyplantation.com

OUR FOCUS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

During the Financial Year Ended 31 December 2020, the NRC undertook the following key activities:

1. **Nomination Function**
   - Assessing and recommending the composition of the Board and Board Committees of SDP and its major subsidiaries
   - Recommending the re-election of Directors retiring at the 2020 Annual General Meeting (AGM)
   - Reviewing the scorecard of the GMD for FY2021 and recommending the scorecard to the Board
   - Evaluating and recommending suitable candidates for appointments at key Management positions
   - Recommending revisions to the TOR of the NRC
   - Recommending the disclosure of the Report on the NRC for the Annual Report for the financial year ended 31 December 2019
   - Monitoring the conduct of the Board & Directors Effectiveness Evaluation (BDEE) 2020
   - Recommending suitable training programmes to continuously train and equip Directors based on the findings of the Directors' Training Needs Assessment 2020
2. **Remuneration Function**
   - Recommending the remuneration for the NEDs of the SDP Group of Companies for the financial year ended 31 December 2019
   - Recommending the remuneration framework of the NEDs of the SDP Group of Companies for the financial year of 2021
   - Recommending the salary increment and ex-gratia proposals for the financial year ended 31 December 2019
   - Reviewing the performance of the GMD and recommending the ex-gratia proposal for the GMD

NOMINATION AND RECRUITMENT PROCESS

One of the NRC's key roles is to drive the recruitment process for new Directors. In considering candidates as potential Directors, the NRC takes into account the following criteria:

- Skills, knowledge, expertise and experience
- Time commitment, character, professionalism and integrity
- Perceived 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.

On the appointment of Directors on the Board of SDP, where applicable, the NRC will seek third party feedback on candidates that the NRC is considering for recommendation to the Board of SDP. The candidate will be invited to attend engagement session with the Board prior to appointment.

Potential Directors are made aware of the time commitment expected from each of them in carrying out their roles as Directors and/or Members of Board Committees including attendance at the Board, Board Committees and other meetings. Directors are required to confirm that they are able to devote sufficient time to their roles at the Company and at the Group taking into consideration the number of their listed company board(s) commitments and other commitments. In accordance with the provisions of the Listing Requirements, none of the Directors hold more than five directorships in listed issuers during the financial year ended 31 December 2020.

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas was appointed as the Company's Chairman on 1 July 2020. Tan Sri Dato' Seri Haji Megat Najmuddin succeeded Tan Sri Dato' Abdul Ghani Othman who stepped down as Chairman on 30 June 2020.

Two Independent Directors left during the financial year under review. Bapak Muhammad Lutfi, resigned on 30 June 2020 and Tan Sri Datuk Dr Yusof Basiran, resigned on 1 September 2020. The Board appointed Dato' Halipah Esa as an Independent Director of SDP on 1 September 2020.

The Group Secretary ensures that all appointments are properly made and that all necessary information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

RE-ELECTION OF DIRECTORS

The NRC ensures that the Directors retire and are re-elected in accordance with the relevant laws and regulations and the Company's Constitution.

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. The Directors' Profiles are provided on pages 78 to 81.

Rule 81.2 of the Constitution	Rule 103 of the Constitution
Tan Sri Dato' Seri Haji Megat Najmuddin	Datuk Zaiton Mohd Hassan
Dato' Halipah Esa	Dato' Mohd Nizam Zainordin
	Dato' Henry Sackville Barlow

The Directors have met the Board's expectations of high performance based on the performance and contribution of each Director as assessed through the BDEE 2020.

The Board is of the view that the Independent Directors have brought independent and objective judgment in Board deliberations and decisions.

TENURE OF THE INDEPENDENT DIRECTORS

None of the five Independent Directors have served on the Board for more than nine years.

Two Independent Directors namely Datuk Zaiton Mohd Hassan and Dato' Henry Sackville Barlow are seeking re-election at this AGM.

BOARD COMPOSITION AND DIVERSITY

The Board Composition Policy was adopted by the Board in February 2018 and reviewed in September 2018 to align with the Securities Commission Malaysia's stated target of increasing participation of women on the Boards of the top 100 companies on Bursa Malaysia Securities Berhad. 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 having a minimum of 30% women as members of the Board by 2020.

  The Board has met its target of 30% women on Board based on the current composition.

- **Age Diversity**

  The Board will work towards having a generationally-diverse Board so as to have a balance between maturity and experience. The age diversity of the Board can be found on page 86.

- **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**

  Currently, five out of 10 Directors of SDP are Independent Directors.

  The Board is highly committed to achieve and maintain a composition where a majority of its Directors are INEDs. The NRC will recommend potential candidates to be nominated as Independent Directors to the Board for its deliberation and approval.

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 Policy are available online in the Governance section at https://www.simedarbyplantation.com

BOARD & DIRECTORS' EFFECTIVENESS EVALUATION

The BDEE 2020 has been facilitated by an independent third party.

It is the function of the NRC to ensure that appropriate actions are taken based on the results of the BDEE, to continuously enhance the Board's overall performance and identify opportunities for improvement.

Detailed information on the BDEE, assessment criteria, and the findings and recommendation of the independent facilitator are disclosed in Practice 5.1 of the Corporate Governance Report

The Corporate Governance Report is available on the Group's website under the AGM & Annual Reports section at https://www.simedarbyplantation.com

BOARD REMUNERATION FRAMEWORK

The Remuneration Framework for members of the Board and Board Committees of SDP was last reviewed and adopted in November 2020.

The Board deliberated and approved the proposed provision of a meeting allowance for attendance by the NEDs at each meeting of the Board and Board Committee of SDP. The fees of resident and non-resident NEDs were proposed to be aligned and harmonised. In addition, a meeting allowance was also proposed for NEDs on the boards of the major subsidiaries of SDP.

Approval of shareholders at the AGM of the Company will be sought on the proposed changes to the Remuneration Framework.

Detailed information on the proposed changes in the Remuneration Framework is provided in the Notice of AGM.

Detailed disclosure on the remuneration of individual Directors of SDP on named basis is provided in the Corporate Governance Overview Statement on page 88

SUSTAINABILITY COMMITTEE REPORT

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 page 85.

The Committee was supported by Sir Jonathon Espie Porritt, Sustainability Advisor throughout the financial year ended 31 December 2020. Sir Jonathon assisted the Committee by identifying emerging sustainability trends and their implications to Sime Darby Plantation (SDP), as well as reviewing and advising on the Company's progress towards meeting its sustainability commitments and stakeholders' expectations. Sir Jonathon attended four out of five meetings during the financial year. Sir Jonathon's consultancy agreement ended on 31 December 2020, following which, Professor Dr Simon Lord has been appointed as Independent Sustainability Advisor. Dr Lord was previously SDP's Chief Sustainability Officer.

ROLES OF THE COMMITTEE

The SC is committed to ensuring that the Group operates in line with its sustainability objective, which is to contribute to a better society, minimise environmental harm and deliver sustainable development.

Detailed Terms of Reference (TOR) for the Committee are available under the Governance section at https://www.simedarbyplantation.com

OUR FOCUS AND ACTION PLANS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The SC deliberates in detail on the sustainability performance of, and material sustainability issues impacting SDP's own 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 include:

Significant Initiatives/Issues	Matters Considered	Outcome
Containing the Spread of COVID-19 Pandemic	The Committee has at the start of 2020 deliberated and endorsed various Standard Operating Procedures and Guidelines to contain the spread of COVID-19.	Every effort has been made by Management to contain the spread of the virus across SDP's global operations. *Details on SDP's COVID-19 response can be found on page 10 of the Annual Report*
Improving Occupational Safety and Health (OSH) Performance	The number of fatalities and major incidents remain an area of concern. Issues relating to OSH are one of the top priority areas deliberated during SC meetings. Safety and Health performance indicators and mitigation actions undertaken by management across the Group are monitored to improve the overall performance of the Group.	OSH Key Performance Indicators (KPI) have been embedded into Management KPIs. The frequency of Safety and Health related incidents has been declining for the fourth year running since 2016. *Details on SDP's Safety and Health Performance can be found on pages 75 to 77 of the Annual Report*
Ensuring Highest Respect for Human Rights within the Organisation	SDP has strong commitments in upholding human rights. Recent allegations of forced labour against SDP's Malaysian operations resulted in greater efforts in ensuring the highest level of human rights is upheld. SDP's labour practices and actions taken to mitigate the risk of forced labour within SDP's operations have been given more emphasis, along with SDP's response to the allegations made in the Withhold Release Order imposed by the United States Customs and Border Protection (U.S. CBP) on SDP's Malaysian palm oil products. SDP received increased interest, enquiry and scrutiny on its labour practices.	Effectiveness of various actions taken by the Group have been evaluated and enhanced as part of its continuous improvement programme to ensure fair labour standards are being practised throughout SDP's operations. These include the further rollout of programmes such as the *Suara Kami* grievance hotline and construction of passport lockers for all workers across Malaysia alongside a robust whistleblowing initiative and creation of Worker Welfare Representative role in every state as an additional secure channel for concerns or feedback to management. *More details of these initiatives can be found on SDP's UK Modern Slavery Act Statement 2020, which can be found on SDP's website at https://www.simedarbyplantation.com*

Significant Initiatives/Issues	Matters Considered	Outcome
Enhancing Supply Chain Sustainability	The Committee has continued to deliberate in detail, Management's efforts to improve supply chain transparency, manage supply chain sustainability risks and engage with suppliers on compliance with SDP's sustainability commitments. There has been greater scrutiny by stakeholders around the sustainability of the Group's supply chain, especially surrounding issues of deforestation.	The second iteration of Crosscheck, an online access tool, which provides greater transparency and traceability to estates where data is available, was launched in 2020. The Group also continued its engagement with suppliers in line with SDP's commitment to "Work with Suppliers to Draw the Line Against Deforestation". These initiatives are above and beyond existing efforts to manage supply chain risks and supplier grievances from stakeholders. *Details of efforts made around supply chain sustainability can be found on pages 64 to 67 of the Annual Report*
Mitigating Climate Change Impact	The impact of Climate Change and mitigation actions undertaken by the Group has continued to be an area of focus for the Committee. The ongoing progress of the biogas implementation plan is examined in detail during Committee meetings. In 2020, the Committee also looked into the risk of rising sea levels to SDP's concession areas and other potential risks arising from the increase in global temperatures.	As at 31 December 2020, the Group has 11 actively operating biogas plants and various others in different stages of implementation. The Group is also exploring the option of utilising the methane captured across all of its mills and studying the long-term potential impact of rising sea levels on concession areas and other assets at risk. *Details on initiatives to mitigate climate change can be found on pages 68 to 71 of the Annual Report*

PRIORITIES FOR 2021

Moving forward in 2021, the SC will continue to work with Management to ensure the Group pursues sustainability in a manner that creates value to the organisation. Key areas of focus will continue to include:

- Contributing to a better society, particularly on ensuring issues related to the U.S. CBP actions are resolved, improving the safety and health performance of the organisation, and sustaining ongoing efforts to safeguard all employees through the mitigation of COVID-19 risks.
- Minimising environmental harm, especially in the area of reducing impact of climate change through the ongoing implementation of the biogas programme, exploration of other options for reduction in carbon emissions and ensuring material climate risks are mitigated across the Group.
- Delivering sustainable development, by ensuring sustainability standards are flawlessly adopted across the operations and throughout the Group's global supply chain through supply chain traceability, supplier engagement and smallholders inclusion.

BOARD TENDER COMMITTEE REPORT

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 page 85.

ROLES OF THE COMMITTEE

The Committee oversee that the tender process is carried out in a fair, transparent, effective and comprehensive manner adopting the principles of the Group Procurement Policies and Authorities.

Detailed Terms of Reference (TOR) for the Committee are available on SDP's website under the Governance section at https://www.simedarbyplantation.com

Our Focus & Action Plans

The Group has undertaken the following key activities in the financial year ended 31 December 2020:

- Revised the Terms of Reference (TOR) of the BTC and the Group Policies & Authorities on procurement in alignment to the changes proposed by the Change Management Office.
- Revised the Group Procurement Policies and Authorities in alignment to the changes made to the Group Policies & Authorities on procurement.
- Conducted refresher training on Group Procurement Policies and Authorities for procurement practitioners and users across the Group.
- Standardised specifications, consolidated volume, sourced for alternative materials and adopted the most competitive method of negotiation to secure the best value for the Group.
- Conducted the Vendor Code of Business Conduct (COBC) awareness training for all registered vendors to ensure that they comply with the required standards of behaviour when conducting business with the Group.
- Implemented mitigating actions to manage the business adversities and challenges arising from the impact of the COVID-19 pandemic.
- Commenced the Bumiputera Entrepreneur Development Programme in alignment with the government's aspiration to continuously provide opportunity and support to the Bumiputera entrepreneurs.

RISK MANAGEMENT COMMITTEE REPORT

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 85.

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.

Detailed Terms of Reference (TOR) for the Committee are available under the Governance section at https://www.simedarbyplantation.com

Our Focus & Action Plans

During FY2020, the RMC undertook the following key activities:

- Monitoring of principal risks affecting the achievement of the Group's strategies and objectives. This includes reviewing strategic risk reports on external and emerging risk outlooks, country risk assessments for territories in which we operate as well as updates on significant internal risk exposures. The Group's risk management processes have evolved over the years including enhancing human rights practices. During the year under review, the United States Customs and Border Protection (U.S. CBP) action and the Group's responses were a particular area of focus for the RMC.

- Reviewing and providing oversight on Group Risk Management (GRM) activities which include the following:
  - Fortnightly COVID-19 material events and risk updates
  - Fortnightly key risks perspective newsletters
  - Cyber Security risk assessment review
  - Development of Business Continuity Plans at Upstream and Downstream operations as well as a refresh of the Sime Darby Plantation (SDP) Head Office Business Continuity Plans
  - Project, new investment or divestment risk assessments
  - Risk assessment and refresher workshops to update risk profiles
  - In embedding a risk aware culture throughout the organisation, a series of risk newsletters were sent out by GRM aimed at educating employees of the organisation on active risk management, how it relates to their work and business as well as the risk management methodology of SDP

- Reviewing of risk appetite principles and related exposures.

- Reviewing and tracking previously approved investment initiatives.

- Reviewing the financial exposure position of the Group.

- Reviewing the price risk strategy and trading positions of the Group.

Where appropriate, the RMC also leveraged the work of other Board Committees such as Sustainability Committee, Governance & Audit Committee and Nomination & Remuneration Committee to assist with ensuring robust oversight of these particular risk exposures.
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 and the resultant mitigating actions affecting SDP.

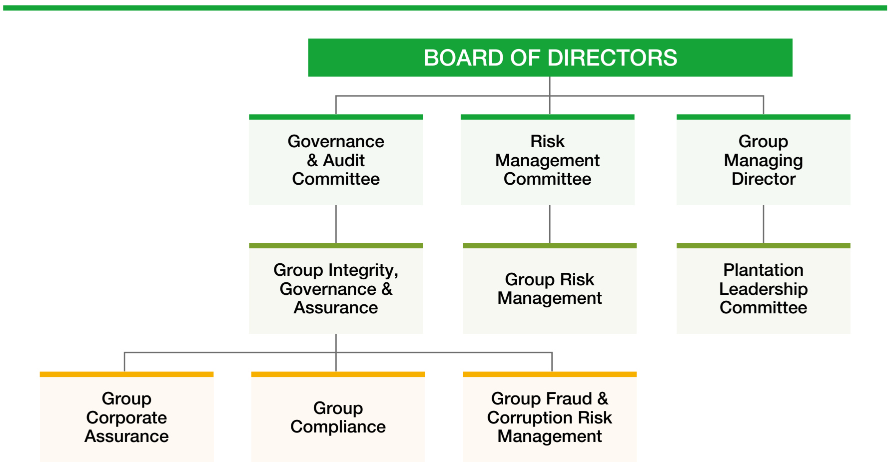
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 (SDP) 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 unprecedented and uncertain business landscape in 2020, our corporate ecosystem of governance, risk management and internal controls has effectively steered the Group in rising to these challenges and delivering value to our stakeholders within the realm of accountability, transparency, integrity and ethics.

Further details on the components of our governance structure is detailed in our Corporate Governance Overview Statement on page 84, Governance & Audit Committee Report on pages 90 to 93 and Risk Management Committee Report on page 99



RISK MANAGEMENT

Risk Management Governance

Board of Directors

Responsible for the establishment, oversight and monitoring of the Group Risk Management Framework (GRMF) and reviewing its effectiveness in supporting the mission, 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 objectives and compliance in accordance to GRMF across the Group. The RMC is also responsible for periodically reporting material risk exposures and on the progress and assessment of risk management activities to the Board.

Group Risk Management (GRM)

Responsible for supporting the Board and RMC with oversight over risk management activities including establishment, update and oversight of the GRMF in the Group. GRM integrates risk into key business processes through a formal risk management process to facilitate effective decision making and, embeds risk into the organisational culture to encourage risk awareness across the organisation.

The GRM function works closely to partner with the business to achieve organisational objectives by providing expertise, support, monitoring and challenge on risk-related matters. Whilst managing risks ultimately sits with the risk owners/managers, GRM provides advice and facilitation in identifying and monitoring those risks.

For further details on the activities of the RMC and GRM, refer to the RMC Report on page 99

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 for 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 risk management activities within their sphere of operations. Risk Owners are assisted by Risk Champions in fulfilling their risk management responsibilities and to work with GRM on risk management activities which includes ensuring the timely identification/updating of risks, controls, issues and action plans within their own units/projects and for escalation of risks in their units to their respective Heads (Risk Owners), as well as GRM.

Group Risk Management Framework

Risk management is part of the organisation's structure, processes, objectives, strategies and activities. The SDP GRMF is aligned with ISO31000:2018 standard on risk management and COSO 2017 Enterprise Risk Management—Integrating with Strategy and Performance, which 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 would 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 a 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, accepting a degree of risk to generate returns.

The GRMF involves identification of risk and mitigating measures in both strategy-setting and in driving performance. Our integrated approach is two (2) 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 strategic country risk analyses and fortnightly risk 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 role of leaders and their responsibilities are emphasised in the GRMF to ensure that risk management is an essential part of 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 that there is a balance between risk and growth to ensure that the pursuit of opportunities and its associated risks are likely to have a level of reward that commensurate to the risk. 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. Our risk appetite statements cover the areas of growth, debt/funding from operations, reputation and brand image, robust risk and control environment, as well as the environment safety and health.

Group Business Continuity Framework

Our Business Continuity Framework is aligned with ISO22301:2019 standard on business continuity management systems. It covers end-to-end guidance to assist with managing a crisis event with the main objectives as follows:

- to safeguard life, property and environment;
- to minimise the loss of assets, revenue and impact upon customers;
- to continue to provide products and services during adverse conditions; and
- to facilitate timely recovery of critical business functions.

The Group is committed to safeguard the interests of all stakeholders in times of disaster and/or emergency. This entails the implementation of business continuity processes to ensure that the Group is able to continue operations with minimal impact to stakeholders in the event of disruption.

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.

INTERNAL CONTROL FRAMEWORK

At SDP, the following key controls are implemented to assist the Board in maintaining a sound system of internal controls in the Group.

Policy Instruments

Our policy instruments refer to the following policies, procedures and guidelines which serve as a backbone in 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 Management
Terms of Reference (TOR) 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 Management. The GPAs are designed to empower Management to achieve business objectives within the boundaries of business ethics governance and covers 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 intended practices. To increase 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 upholding our Core Values of Integrity, Respect & Responsibility, Enterprise and 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 graphics. 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 outlined in the COBC.

INTEGRITY | **RESPECT & RESPONSIBILTY** | **ENTERPRISE** | **EXCELLENCE**

Business Planning and Reporting

Our annual business planning process entails the development of a Group Strategy Blueprint comprising our business objectives, strategies, action plans and 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. Our performance is monitored on a periodic basis by the Board and Management to provide an avenue for performance to be periodically monitored and acted upon, whereby corrective actions are taken to address deviation from plans.

Human Capital

Performance Management

In line with the Group's vision of becoming a leading global organisation, our Performance Management Framework applies a balanced scorecard approach in setting Key Performance Indicators (KPI), which are mapped across four dimensions, i.e. financial, customer, operational and people development. These KPIs are aligned across businesses, functions and levels; striving towards shared common goals of driving business objectives, while strongly upholding core governance principles.

People Development

At SDP, talent identification for high potential and succession talent candidates are mission critical focus with the objective of delivering talent agenda of strong succession pipeline and healthy talent bench strength. The talent governing structure is steered by our Enterprise Talent Council at Management level and overseen by the Nomination & Remuneration Committee. While high potential talents are identified for future leadership development growth, succession talent focusses on fit for role and readiness to succeed the Group Mission Critical Positions. Both are critical in supporting SDP to deliver its strategic goals.

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 operate 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 harnesses the potential of real-time auditing towards improving the control environment.

Control Self-Assessment

Our Control Self-Assessment (CSA) process accords line Management with full responsibility and accountability for 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/risks by way of conducting special and investigative reviews at the request of the GAC, Management and/or complaints formally received through the whistleblowing channel or based on red flags identified through other form of reviews. The implementation of fraud and corruption risk assessment as well as fraud and corruption detection strategies assist to minimise the incidence of fraud and corruption in the Group.

Anti-Corruption

As an organisation that understands the importance of combatting corruption, Sime Darby Plantation Berhad had obtained the ISO 37001:2016 Anti-Bribery Management System certification in October 2020 and its principles are encapsulated within our Anti-Corruption Compliance Framework. The Framework takes cognisance of the Group's global operating footprint, in consideration of, among others, the nature of activities, business norms, organisation structure, regulatory requirements, as well as the needs and expectations of our stakeholders.

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 in promoting a corruption-free business environment. Our stance on our Commitment in Combatting Corruption is made publicly available via our Anti-Corruption Policy Statement on our corporate website.

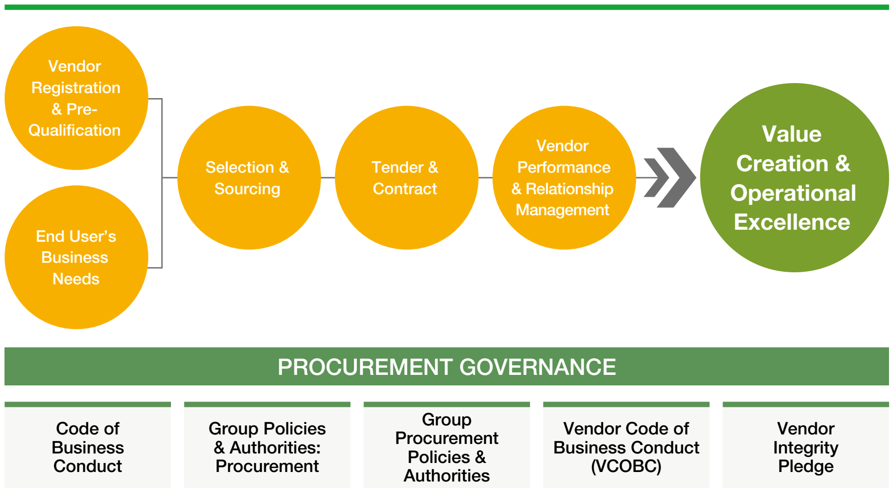
Whistleblowing

Our whistleblowing process embodies the Group's commitment to maintain an open and supportive working environment in which stakeholders are able to report instances of wrongdoings on a confidential basis without fear of retaliation. We take a serious view of any wrongdoing on the part of any of our employees, Management, Directors and vendors, in particular with respect to their obligations to the Group's interests and all reports made in good faith will be investigated, regardless of the length of service, position/title, relationship or connection of the alleged parties to the Group. To facilitate reporting of whistleblowing complaints, complaints can be lodged via various channels (website, e-mail, telephone, WhatsApp, postal box) throughout our global operations and are managed via an independent function to ensure the transparency and confidentiality of the process.

For further details on our compliance practices, refer to the GAC Report on pages 90 to 93

Vendor Management

Strong procurement governance is key to achieving SDP's operational excellence and this is sustained by upholding our procurement principles and complying with the established procurement policies and procedures. The Group's commitment to excellence extends beyond our organisation through our close working relationship with our vendors to ensure that our values and principles are adopted in every aspect of our business operations, as depicted in our procurement governance landscape below:



Our 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 & human rights, sustainability, health, safety & environment, and ethics & 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 or regulations, and not engage in bribery, corruption or fraud. All vendors are required to undergo the registration process and subsequently be pre-qualified for the Group to establish a quality and comprehensive Vendor List. A further evaluation may be conducted to assess the vendors' specific technical capabilities depending on the 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 to regulatory requirements and are published on our website on a timely basis.

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.

Digital Transformation

SDP's Digital Blueprint charts the Group's cultural shift towards becoming future-proof and digital-ready in adopting digitalisation within our business to build resilience and to ensure our long-term competitiveness. Initiatives identified are focussed towards key domain areas of SDP's business to unlock internal value and keep SDP ahead of competition for a sustainable future.

Sustainability

Our sustainability purpose is to contribute to a better society, minimise environmental harm and deliver sustainable development. All of our efforts around sustainability are guided by the United Nations' Sustainable Development Goals (UN SDGs). All employees are responsible to ensure the promotion of responsible and ethical practices are adopted in all operational and decision making processes.

Responsible Agriculture

Our Responsible Agriculture Charter articulates our commitments to no deforestation, no new development on peat, and no exploitation 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, amongst others, in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. This also includes our commitment to provide a safe and healthy working environment in all our operations.

Supply Chain Sustainability

Our Working with Our Suppliers to Draw the Line on Deforestation policy statement articulates our approach to engage with our suppliers to meet No Deforestation, No Peat and No Exploitation (NDPE) standards.

For further details on our sustainability practices, refer to the Sustainability Committee Report on pages 96 to 97

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 appointments 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 2017 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 12 April 2021.

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 2020, as presented on pages 111 to 230, 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 2020 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 12 April 2021.

BOARD APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements for the financial year ended 31 December 2020 are set out on pages 111 to 230. The preparation thereof was supervised by the Chief Financial Officer and approved by the Board of Directors on 12 April 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

For The Financial Year Ended 31 December 2020

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 2020.

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.

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 50 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	1,990,250	883,932
Tax expense	(465,526)	(139,606)
Profit for the financial year from continuing operations	1,524,724	744,326
Loss for the financial year from discontinued operations	(162,162)	–
Profit for the financial year	1,362,562	744,326
Profit/(loss) for the financial year attributable to:		
– equity holders of the Company		
– from continuing operations	1,346,731	619,685
– from discontinued operations	(162,162)	–
	1,184,569	619,685
– Perpetual Sukuk		
– from continuing operations	124,641	124,641
– non-controlling interests		
– from continuing operations	53,352	–
	1,362,562	744,326

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 2019:	
– Final dividend of 1.0 sen per share, paid in cash on 22 May 2020	68,846
In respect of financial year ended 31 December 2020:	
– Interim dividend of 2.57 sen per share, paid in cash on 26 November 2020	176,933
– Special interim dividend of 1.45 sen per share, paid in cash on 26 November 2020	99,826
	345,605

A final dividend of 5.42 sen per ordinary, amounting to RM373.1 million in respect of the financial year ended 31 December 2020 has been declared on 18 February 2021 and will be paid on 12 May 2021. The entitlement date for the dividend payment is 28 April 2021.

A special final dividend of 2.13 sen per ordinary share, amounting to RM146.6 million in respect of the financial year ended 31 December 2020 ("Special Final Dividend") has been declared on 15 March 2021 and it has been determined that the dividend reinvestment plan ("DRP") applies to the Special Final Dividend. The entitlement and payment dates for the Special Final Dividend are to be determined later by the Board of Directors.

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 issuance of ordinary shares, Perpetual Sukuk and debentures 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 date of this Report are:

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	(Appointed on 1 July 2020)
Tan Sri Dato' A. Ghani Othman	(Resigned on 30 June 2020)
Mohamad Helmy Othman Basha	
Tan Sri Datuk Dr Yusof Basiran	(Resigned on 1 September 2020)
Muhammad Lutfi	(Resigned on 30 June 2020)
Datuk Zaiton Mohd Hassan	
Dato' Mohd Nizam Zainordin	
Dato' Henry Sackville Barlow	
Dato' Halipah Esa	(Appointed on 1 September 2020)
Tunku Alizakri Raja Muhammad Alias	
Zainal Abidin Jamal	
Tan Ting Min	
Lou Leong Kok	

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out 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 July 2020	Acquired	Disposed	As at 31 December 2020
Direct interest				
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	5,000	–	–	5,000

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 2020

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 except that the Group and the Company had recognised impairment charge for its investment in a joint venture amounting to RM236.0 million and RM98.3 million respectively, as disclosed in Notes 6(e), 13 and 33 to the financial statements.

(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 except for the events disclosed in Notes 51 and 52 to the financial statements.

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
Adi Wira Abd Razak
Agus Dani Ariyanto
Ahmad Zairil Zainal
Alagendran Maniam
Amir Hisham Hashim
Amir Mohareb
Andrew Timothy Worrall
Ary Tri Prasetyo
Asanee Mallamphut
Asmawatti Othman
Azmi Jaafar
Bambang Sumantri Hadi Mulyanto
Benjamin McKeeman Oakley
Bryan Dyer
Budi Darmono
Budi Suyanto
Burhan Chahyadi
Chim Foong May
Craig Gibsone
Datuk Mohamad Nageeb Ahmad Abdul Wahab
Datu Haji Abdul Rashid Mohd Azis
Datuk Franki Anthony Dass
Denny Wicaksana
Djoko Martopo
Dodik Prayitno
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
Edeng Mulia Dermawan
Elaim Tangirongo
Ernie Gangloff
Farid
Fazli Salikin
Francois van Hoydonck
Gajani Nayagi Seeveneserajah
Godfrey Shiletikwa Urasa
Handi Kusnandar
Hersoebeno Brotowinoto
Ir Khirul Nizam Shamsudin
Ir Mohd Yusrizal Mohd Yusof
Ir Safwani
Izaidin Mohd Zahari
Johari Meor Ngah
Jonathan Pennefather
Khaizarudin Awaludin
Lakon Anak Igey
Lee Ai Leng
Lee Chong Yee
Lim Ban Yeow
Lui Phang Yee Mabel
Lisnawati Ibrahim
M. Rukun Siregar
Marie-Claude Priscille Koenig
Mersal Abang Rosli (Alternate Director to Datu Haji Abdul Rashid Mohd Azis)
Michael Barkhuysen
Michelle Chang Yuet Ling
Mohamed Abd Samad
Mohd Azlan Shah Mohd Zain
Mohammad Japri Giman
Mohd Amri Baharuddin
Mohd Hafiz Hamzah
Mohd Hamdi Abd Karim
Mohd Haris Mohd Arshad
Mohd Khiri Abd Wahab
Mohd Zamri Pardi
Muhammud Nurazli Razali
Nor Aznan Mohd Yusof
Noor Haizal Noordin
Nuchanand Sukmongkol
Nurwanto
Osamu Watanabe (Alternate Director to Shogo Yoshida)
Pandu Wibowo
Panca Iswandaru
Philip KO Kunjappy
Prof Peter Caligari
R Krishna Moorthy Ramasamy
Raden Dwi Heru Wahono
Rashyid Redza Anwarudin
Renaka Ramachandran
Robert Anak Tugang
Robert Nilkare
Roslin Azmy Hassan
Ruari MacWilliam
Sandeep Bhan
Shahrakbah Yacob
Shahrizan Aini Shamsul Khalil
Shamsuddin Muhammad
Shogo Yoshida
Suhartono
Sujoto
Supasak Chirasavinuprapand Suparmadi
Syah Nizam
Syamsidar Syamsul, SH
Tan Sri Datuk Dr Yusof Basiran
Tan Sri Datuk Amar Haji Bujang
Mohammed Bujang Mohammed Nor
Datuk Haji Abang Abdul Wahab Bin Haji Abang Julai (Alternate Director to Tan Sri Datuk Amar Haji Bujang Mohammed Bujang Mohammed Nor)
Vavan Safwan Isman
Vistra NC B.V.
Wan Fauzan Shah Wan Ismail
Yogesh Kotak
Yustinus Lambang Setyo Putro
Zuhairi Zubir
Zulkifli Zainal Abidin

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2020

SUBSIDIARIES
Details of subsidiaries of the Company are set out in Note 50 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
The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2020 are disclosed in Note 6(f) 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 the re-appointment as auditors.

This Report was approved by the Board of Directors on 12 April 2021.

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

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
12 April 2021

STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 31 December 2020

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue	5	**13,081,128**	12,062,266	**3,769,886**	3,161,885
Operating expenses	6	**(11,573,157)**	(11,651,019)	**(3,411,988)**	(3,307,209)
Other operating income	7	**591,585**	202,361	**446,855**	168,980
Other gains and losses	8	**(14,175)**	(209,376)	**169,288**	(99,387)
Operating profit/(loss)		**2,085,381**	404,232	**974,041**	(75,731)
Share of results of joint ventures	22(a)	**(908)**	3,911	**–**	–
Share of results of associates	23(a)	**4,901**	(2,257)	**–**	–
Profit/(loss) before interest and tax		**2,089,374**	405,886	**974,041**	(75,731)
Finance income	9	**17,294**	12,975	**36,248**	17,786
Finance costs	10	**(116,418)**	(167,545)	**(126,357)**	(197,844)
Profit/(loss) before tax		**1,990,250**	251,316	**883,932**	(255,789)
Tax (expense)/credit	12	**(465,526)**	23,569	**(139,606)**	(5,755)
Profit/(loss) for the financial year from continuing operations		**1,524,724**	274,885	**744,326**	(261,544)
Discontinued operations					
Loss for the financial year from discontinued operations	13	**(162,162)**	(321,793)	**–**	–
Profit/(loss) for the financial year		**1,362,562**	(46,908)	**744,326**	(261,544)
Profit/(loss) for the financial year attributable to:					
– equity holders of the Company					
– from continuing operations		**1,346,731**	121,633	**619,685**	(385,844)
– from discontinued operations	13	**(162,162)**	(321,793)	**–**	–
		1,184,569	(200,160)	**619,685**	(385,844)
– Perpetual Sukuk					
– from continuing operations	36	**124,641**	124,300	**124,641**	124,300
– non-controlling interests					
– from continuing operations	37	**53,352**	28,952	**–**	–
		1,362,562	(46,908)	**744,326**	(261,544)

		sen	sen
Basic/diluted earnings/(loss) per share attributable to equity holders of the Company			
– from continuing operations	14	**19.56**	1.77
– from discontinued operations	14	**(2.36)**	(4.67)

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2020

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(loss) for the financial year		**1,362,562**	(46,908)	**744,326**	(261,544)
Continuing operations					
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences losses/(gains):					
– subsidiaries	16	**(154,985)**	88,580	**–**	–
Cash flow hedge					
– changes in fair value		**(251,490)**	(17,564)	**(9,998)**	(18,899)
– transfers to profit or loss	8	**(6,708)**	(6,433)	**1,246**	1,211
Tax credit/(expense) relating to components of other comprehensive income	16	**58,465**	(1,181)	**2,249**	(302)
		(354,718)	63,402	**(6,503)**	(17,990)
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit plans	38	**12,674**	(15,257)	**(1,807)**	–
Investment at fair value through other comprehensive income ("FVOCI")					
– changes in fair value	25	**(3,401)**	1,175	**(3,662)**	1,300
Tax credit relating to components of other comprehensive loss	16	**7,866**	3,567	**434**	–
		17,139	(10,515)	**(5,035)**	1,300
Other comprehensive (loss)/income from continuing operations		**(337,579)**	52,887	**(11,538)**	(16,690)
Other comprehensive income from discontinued operations	13	**(113,128)**	2,000	**–**	–
Total other comprehensive (loss)/income for the financial year	16	**(450,707)**	54,887	**(11,538)**	(16,690)
Total comprehensive income/(loss) for the financial year		**911,855**	7,979	**732,788**	(278,234)
Total comprehensive income/(loss) for the financial year attributable to:					
– equity holders of the Company					
– from continuing operations		**1,017,090**	173,236	**608,147**	(402,534)
– from discontinuing operations	13	**(275,290)**	(319,793)	**–**	–
		741,800	(146,557)	**608,147**	(402,534)
– Perpetual Sukuk					
– from continuing operations		**124,641**	124,300	**124,641**	124,300
– non-controlling interests					
– from continuing operations		**45,414**	30,236	**–**	–
		911,855	7,979	**732,788**	(278,234)

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2020

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	**17,283,404**	17,314,025	**7,960,778**	7,914,895
Investment properties	18	**7,467**	7,609	**–**	–
Right-of-use assets	20	**2,063,441**	2,145,540	**277,362**	282,601
Subsidiaries	21	**–**	–	**7,970,164**	8,032,180
Joint ventures	22	**34,647**	34,152	**3,745**	3,745
Associates	23	**42,635**	39,755	**420**	420
Intangible assets	24	**2,788,792**	2,840,508	**2,083,124**	2,073,603
Investments at fair value through other comprehensive income ("FVOCI")	25	**27,068**	30,469	**23,387**	27,049
Deferred tax assets	26	**620,867**	640,094	**–**	–
Tax recoverable	27	**264,643**	333,674	**–**	–
Trade and other receivables	28	**185,985**	155,741	**–**	–
Amount due from a subsidiary	30	**–**	–	**82,052**	59,768
		23,318,949	23,541,567	**18,401,032**	18,394,261
CURRENT ASSETS					
Inventories	29	**1,569,398**	1,498,398	**141,279**	141,046
Biological assets	19	**224,408**	188,764	**45,336**	27,767
Trade and other receivables	28	**2,246,482**	1,933,597	**242,220**	227,902
Tax recoverable	27	**214,513**	312,616	**78,922**	50,821
Amounts due from subsidiaries	30	**–**	–	**427,057**	536,325
Amounts due from related parties	30	**3,246**	2,158	**2,858**	3,226
Planned assets	38	**43,886**	–	**–**	–
Derivatives	31	**67,590**	76,737	**3,273**	35,489
Bank balances, deposits and cash	32	**309,029**	431,347	**49,215**	85,403
		4,678,552	4,443,617	**990,160**	1,107,979
Non-current assets held for sale	33	**323,150**	522,538	**201,320**	328,247
TOTAL ASSETS		**28,320,651**	28,507,722	**19,592,512**	19,830,487

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2020

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
EQUITY					
Share capital	34	**1,506,119**	1,506,119	**1,506,119**	1,506,119
Reserves	35	**12,147,381**	11,754,854	**7,711,685**	7,449,143
Attributable to equity holders of the Company		**13,653,500**	13,260,973	**9,217,804**	8,955,262
Perpetual Sukuk	36	**2,231,398**	2,231,398	**2,231,398**	2,231,398
Non-controlling interests	37	**384,850**	368,351	**–**	–
TOTAL EQUITY		**16,269,748**	15,860,722	**11,449,202**	11,186,660
NON-CURRENT LIABILITIES					
Retirement benefits	38	**277,380**	259,736	**51,428**	50,699
Deferred income	40	**67**	207	**–**	–
Deferred tax liabilities	26	**2,622,961**	2,598,247	**786,738**	701,855
Amount due to a subsidiary	30	**–**	–	**494,475**	503,112
Borrowings	39	**4,396,917**	5,255,384	**3,278,041**	4,051,838
Lease liabilities		**163,801**	162,112	**6,279**	6,954
Trade and other payables	42	**80,734**	77,401	**46,773**	58,071
		7,541,860	8,353,087	**4,663,734**	5,372,529
CURRENT LIABILITIES					
Trade and other payables	42	**1,555,026**	1,360,612	**403,824**	387,133
Contract liabilities	41	**28,087**	13,071	**–**	7
Amounts due to subsidiaries	30	**–**	–	**1,132,479**	994,982
Amounts due to related parties	30	**17,835**	6,989	**12,828**	6,027
Retirement benefits	38	**17,871**	15,189	**–**	–
Lease liabilities		**25,951**	25,163	**400**	1,340
Tax payable		**201,537**	104,698	**–**	–
Derivatives	31	**359,751**	242,913	**7,597**	134,197
Borrowings	39	**2,285,286**	2,489,543	**1,922,448**	1,747,612
		4,491,344	4,258,178	**3,479,576**	3,271,298
Liabilities directly associated with non-current assets held for sale	33	**17,699**	35,735	**–**	–
TOTAL LIABILITIES		**12,050,903**	12,647,000	**8,143,310**	8,643,827
TOTAL EQUITY AND LIABILITIES		**28,320,651**	28,507,722	**19,592,512**	19,830,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2020

		Attributable to equity holders of the Company						
GROUP	Note	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 2020		**1,506,119**	**745,931**	**11,008,923**	**13,260,973**	**2,231,398**	**368,351**	**15,860,722**
Continuing operations								
Profit for the financial year		**–**	**–**	**1,346,731**	**1,346,731**	**124,641**	**53,352**	**1,524,724**
Other comprehensive (loss)/income for the financial year	16	**–**	**(346,215)**	**20,154**	**(326,061)**	**–**	**(8,555)**	**(334,616)**
Disposal of subsidiaries		**–**	**(3,580)**	**–**	**(3,580)**	**–**	**617**	**(2,963)**
Total comprehensive (loss)/income for the financial year		**–**	**(349,795)**	**1,366,885**	**1,017,090**	**124,641**	**45,414**	**1,187,145**
Transactions with equity holders:								
– dividends		**–**	**–**	**(345,605)**	**(345,605)**	**–**	**(32,521)**	**(378,126)**
– distribution to Perpetual Sukuk holders	36	**–**	**–**	**–**	**–**	**(124,641)**	**–**	**(124,641)**
– changes in ownership		**–**	**–**	**(3,668)**	**(3,668)**	**–**	**3,606**	**(62)**
Discontinued operations								
Total comprehensive loss for the financial year	13	**–**	**(113,128)**	**(162,162)**	**(275,290)**	**–**	**–**	**(275,290)**
At 31 December 2020		**1,506,119**	**283,008**	**11,864,373**	**13,653,500**	**2,231,398**	**384,850**	**16,269,748**
At 1 January 2019		1,100,000	670,359	11,348,090	13,118,449	2,231,398	396,078	15,745,925
Continuing operations								
Profit for the financial period		–	–	121,633	121,633	124,300	28,952	274,885
Other comprehensive income/(loss) for the financial year	16	–	62,170	(10,567)	51,603	–	1,284	52,887
Total comprehensive income for the financial year		–	62,170	111,066	173,236	124,300	30,236	327,772
Transactions with equity holders:								
– share issue	34	406,119	–	–	406,119	–	–	406,119
– dividends		–	–	(117,038)	(117,038)	–	(57,963)	(175,001)
– distribution to Perpetual Sukuk holders	36	–	–	–	–	(124,300)	–	(124,300)
Discontinued operations								
Total comprehensive income/(loss) for the financial year	13	–	13,402	(333,195)	(319,793)	–	–	(319,793)
At 31 December 2019		1,506,119	745,931	11,008,923	13,260,973	2,231,398	368,351	15,860,722

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2020

		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 2020		**1,506,119**	**26,812**	**7,422,331**	**8,955,262**	**2,231,398**	**11,186,660**
Profit for the financial year		**–**	**–**	**619,685**	**619,685**	**124,641**	**744,326**
Other comprehensive loss for the financial year	16	**–**	**(10,165)**	**(1,373)**	**(11,538)**	**–**	**(11,538)**
Total comprehensive (loss)/income for the financial year		**–**	**(10,165)**	**618,312**	**608,147**	**124,641**	**732,788**
Transactions with equity holders:							
– dividends	15	**–**	**–**	**(345,605)**	**(345,605)**	**–**	**(345,605)**
– distribution to Perpetual Sukuk holders	36	**–**	**–**	**–**	**–**	**(124,641)**	**(124,641)**
At 31 December 2020		**1,506,119**	**16,647**	**7,695,038**	**9,217,804**	**2,231,398**	**11,449,202**
At 1 January 2019		1,100,000	43,502	7,925,213	9,068,715	2,231,398	11,300,113
(Loss)/profit for the financial year		–	–	(385,844)	(385,844)	124,300	(261,544)
Other comprehensive loss for the financial year	16	–	(16,690)	–	(16,690)	–	(16,690)
Total comprehensive (loss)/income for the financial year		–	(16,690)	(385,844)	(402,534)	124,300	(278,234)
Transactions with equity holders:							
– share issue	34	406,119	–	–	406,119	–	406,119
– dividends	15	–	–	(117,038)	(117,038)	–	(117,038)
– distribution to Perpetual Sukuk holders	36	–	–	–	–	(124,300)	(124,300)
At 31 December 2019		1,506,119	26,812	7,422,331	8,955,262	2,231,398	11,186,660

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2020

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for the financial year from continuing operations		**1,524,724**	274,885	**744,326**	(261,544)
Adjustments for:					
Amortisation of intangible assets	24	**34,136**	32,544	**7,573**	7,990
Bad debts written off	6(e)	**842**	19	**842**	19
Depreciation of:					
– property, plant and equipment	6(a)	**1,122,231**	1,073,555	**254,155**	255,811
– investment properties	18	**70**	84	**–**	–
– right-of-use assets	6(a)	**68,110**	99,830	**4,894**	5,337
Dividend income					
– other investments	5(b)	**(6,669)**	(4,059)	**(6,669)**	(4,059)
– a subsidiary	5(b)	**–**	–	**(43,678)**	–
Finance costs	10	**116,418**	167,545	**126,357**	197,844
Finance income	9	**(17,294)**	(12,975)	**(36,248)**	(17,786)
Unrealised fair value (gains)/losses:					
– commodities options and futures contracts	8	**(92,958)**	178,701	**(99,599)**	92,785
– forward foreign exchange contracts (non-hedging derivatives)	8	**(5,610)**	(3,744)	**–**	–
Fair value changes in biological assets (net)	6(e)	**(32,346)**	(13,065)	**(17,569)**	(8,760)
Gains on disposals of:					
– property, plant and equipment	7	**(2,785)**	(60,684)	**(5,925)**	(54,280)
– non-current assets held for sale	6(e),7	**(462,501)**	(19,455)	**(408,850)**	(832)
Impairment of:					
– property, plant and equipment	6(e)	**14,798**	2,474	**12,179**	–
– right-of-use assets	6(e)	**–**	19,446	**–**	–
– advances for plasma plantation projects	6(e)	**1,624**	1,703	**–**	–
– trade and other receivables	6(e)	**10,326**	9,310	**485**	1,475
– amounts due from subsidiaries	6(e)	**–**	–	**761**	18,267
– amounts due from joint ventures	6(e)	**159**	27,501	**159**	25,088
– investment in subsidiaries	21	**–**	–	**12,411**	309,462
– investment in a joint venture		**–**	–	**–**	11,350
– non-current assets held for sale	6(e)	**–**	–	**98,298**	–
Write off of:					
– intangible assets	24	**–**	13	**–**	–
– property, plant and equipment	17	**20,367**	26,218	**2,213**	9,510
Write–down of:					
– right-of-use assets	20	**488**	1,971	**–**	321
– inventories (net)	6(e)	**10,046**	3,554	**152**	459
Retirement benefits	38	**35,401**	41,805	**6,620**	7,622
Reversal of impairment of:					
– investment in a subsidiary	7	**–**	–	**–**	(94,731)
– amounts due from subsidiaries	7	**–**	–	**–**	(1,153)
– advances for plasma plantation projects	7	**–**	(2,130)	**–**	–
– trade and other receivables	7	**(2,984)**	(18,309)	**(659)**	–
Waiver of intercompany payable to wholly-owned subsidiaries which were liquidated	7	**–**	–	**(3,301)**	–
Share of results of:					
– joint ventures	22(a)	**908**	(3,911)	**–**	–
– associates	23(a)	**(4,901)**	2,257	**–**	–

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2020

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Tax expense/(credit)	12	**465,526**	(23,569)	**139,606**	5,755
Unrealised exchange losses/(gains) (net)		**23,724**	(13,856)	**(174,197)**	(5,571)
		2,821,850	1,787,658	**614,336**	500,379
Changes in working capital:					
Inventories		**(81,533)**	154,978	**(385)**	78,025
Trade and other payables		**213,481**	(90,751)	**101,552**	28,281
Trade and other receivables		**(402,226)**	137,264	**(15,246)**	(11,906)
Intercompany and related party balances		**9,757**	(44,822)	**194,142**	(128,694)
Cash generated from operations		**2,561,329**	1,944,327	**894,399**	466,085
Tax (paid)/refunded (net)		**(102,902)**	(111,214)	**(80,204)**	27,943
Retirement benefits paid	38	**(32,391)**	(25,242)	**(7,698)**	(7,229)
Operating cash flow from continuing operations		**2,426,036**	1,807,871	**806,497**	486,799
Operating cash flow used in discontinued operations		**(1,481)**	(63,363)	**–**	–
Net cash generated from operating activities		**2,424,555**	1,744,508	**806,497**	486,799
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital contribution to a subsidiary	47(c)	**–**	–	**(19,319)**	(63,081)
Advances for plasma plantation projects		**(8,229)**	(10,078)	**–**	–
Repayment of advances for plasma plantation projects		**14,162**	8,137	**–**	–
Advances to subsidiaries		**–**	–	**–**	(46,365)
Repayment of advances to a subsidiary	47(c)	**–**	–	**–**	77,333
Repayment of capital contribution from a subsidiary	47(c)	**–**	–	**–**	161,653
Dividends received from:					
– associates		**1,189**	2,955	**–**	–
– other investments	5(b)	**6,669**	4,059	**6,669**	4,059
– a subsidiary	5(b)	**–**	–	**43,678**	–
Finance income received		**17,294**	12,975	**23,129**	10,464
Proceeds from sale of:					
– property, plant and equipment		**5,716**	71,340	**6,202**	58,922
– non-current assets held for sale		**506,629**	122,575	**474,694**	846
Purchase of:					
– property, plant and equipment		**(1,307,388)**	(1,566,157)	**(340,753)**	(394,903)
– intangible assets		**(26,372)**	(6,406)	**(16,814)**	(3,054)
– biological assets		**(2,914)**	–	**–**	–
Payment for incidental cost of disposal of a subsidiary		**(23,853)**	–	**–**	–
Investing cash flow (used in)/ generated from continuing operations		**(817,097)**	(1,360,600)	**177,486**	(194,126)
Investing cash flow used in discontinued operations		**–**	–	**–**	–
Net cash (used in)/generated from investing activities		**(817,097)**	(1,360,600)	**177,486**	(194,126)

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		**(163,022)**	(261,831)	**(145,174)**	(211,824)
Loans raised		**3,031,352**	6,028,965	**2,083,846**	4,877,644
Borrowing transaction cost paid	39	**(11,775)**	(10,644)	**(9,988)**	(10,437)
Loan repayments		**(4,039,970)**	(5,557,088)	**(2,476,490)**	(4,340,450)
Repayment of lease liabilities		**(44,294)**	(56,078)	**(1,652)**	(2,901)
Distribution to Perpetual Sukuk holders	36	**(124,641)**	(124,300)	**(124,641)**	(124,300)
Dividend paid to shareholders	15	**(345,605)**	(459,011)	**(345,605)**	(459,011)
Dividend paid to non-controlling interests of subsidiaries	37	**(32,521)**	(57,963)	**–**	–
Financing cash flow used in continuing operations		**(1,730,476)**	(497,950)	**(1,019,704)**	(271,279)
Financing cash flow from discontinued operations	13(a)	**–**	63,081	**–**	–
Net cash used in from financing activities		**(1,730,476)**	(434,869)	**(1,019,704)**	(271,279)
NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(123,018)**	(50,961)	**(35,721)**	21,394
Exchange differences		**700**	(7,240)	**(467)**	(1,684)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**431,347**	491,042	**85,403**	65,693
Less: Reclassified to non-current assets held for sale	33(e)	**–**	(1,494)	**–**	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	**309,029**	431,347	**49,215**	85,403

NOTES TO STATEMENTS OF CASH FLOWS

(A) Reconciliation of non-cash transactions arising from investing activities

The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
Acquisition of property, plant and equipment during the financial year	17	**1,411,072**	1,734,427	**367,666**	432,094
Less non–cash items:					
– Depreciation of property, plant and equipment capitalised in bearer plants	6(c)	**(36,480)**	(45,642)	**(8,485)**	(9,194)
– Depreciation of right–of–use assets capitalised in bearer plants	6(c)	**(562)**	(9,275)	**(348)**	(460)
– Finance costs capitalised in capital work–in–progress	10	**(18,910)**	(25,316)	**(1,443)**	(1,424)
– Finance costs capitalised in bearer plants	10	**(47,732)**	(88,037)	**(16,637)**	(26,113)
Net cash outflow for the acquisition of property, plant and equipment		**1,307,388**	1,566,157	**340,753**	394,903

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2020

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(B) 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
2020				
At 1 January 2020		**7,788,469**	**187,275**	**7,975,744**
Cash flows from financing activities				
Finance costs paid		**(163,022)**	**–**	**(163,022)**
Loans raised		**3,031,352**	**–**	**3,031,352**
Borrowing transaction cost paid	39	**(11,775)**	**–**	**(11,775)**
Loan repayments		**(4,039,970)**	**–**	**(4,039,970)**
Repayment of lease liabilities		**–**	**(44,294)**	**(44,294)**
Non-cash changes				
Finance costs	10	**171,630**	**11,710**	**183,340**
Recognition of additional lease liabilities		**–**	**33,560**	**33,560**
Exchange differences		**(57,848)**	**1,501**	**(56,347)**
At 31 December 2020		**6,718,836**	**189,752**	**6,908,588**
2019				
At 1 January 2019		7,342,384	192,555	7,534,939
Cash flows from financing activities				
Finance costs paid		(261,831)	–	(261,831)
Loans raised		6,092,046	–	6,092,046
Borrowing transaction cost paid	39	(10,644)	–	(10,644)
Loan repayments		(5,557,088)	–	(5,557,088)
Repayment of lease liabilities		–	(56,078)	(56,078)
Non-cash changes				
Finance costs	10	273,436	7,691	281,127
Recognition of additional lease liabilities		–	42,615	42,615
Exchange differences		(89,834)	492	(89,342)
At 31 December 2019		7,788,469	187,275	7,975,744

* The borrowings include interest payable for the Group which was classified under trade and other payable in Note 42.

NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

(B) 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
2020					
At 1 January 2020		**5,816,473**	**8,294**	**515,919**	**6,340,686**
Cash flows from financing activities					
Finance costs paid		**(128,426)**	**–**	**(16,748)**	**(145,174)**
Loan raised		**1,964,590**	**–**	**119,256**	**2,083,846**
Borrowing transaction cost paid	39	**(9,988)**	**–**	**–**	**(9,988)**
Loan repayments		**(2,476,490)**	**–**	**–**	**(2,476,490)**
Repayment of lease liabilities		**–**	**(1,652)**	**–**	**(1,652)**
Non-cash changes					
Finance costs	10	**126,778**	**37**	**17,902**	**144,717**
Exchange differences		**(85,372)**	**–**	**(9,778)**	**(95,150)**
At 31 December 2020		**5,207,565**	**6,679**	**626,551**	**5,840,795**
2019					
At 1 January 2019		5,289,563	9,397	511,765	5,810,725
Cash flows from financing activities					
Finance costs paid		(200,423)	–	(11,401)	(211,824)
Loan raised		4,877,644	–	–	4,877,644
Borrowing transaction cost paid	39	(10,437)	–	–	(10,437)
Loan repayments		(4,340,450)	–	–	(4,340,450)
Repayment of lease liabilities		–	(2,901)	–	(2,901)
Non-cash changes					
Finance costs	10	207,666	877	17,067	225,610
Recognition of additional lease liabilities		–	921	–	921
Exchange differences		(7,090)	–	(1,512)	(8,602)
At 31 December 2019		5,816,473	8,294	515,919	6,340,686

* The borrowings include interest payable for the Company which was classified under trade and other payable in Note 42.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2020

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.

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 50 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 is 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.

Prior to 1 June 2020, the Group and the Company measure their commodity derivatives at fair value through profit or loss in accordance with MFRS 9 "Financial Instruments". With effect from 1 June 2020, the Group and the Company have applied cash flows hedges to account for its forecasted commodity sales at fair value through other comprehensive income to match the commodity derivatives that is also measured at fair value. The application of cash flow hedges minimises the fluctuations arose from the commodity price movements as any fair value gains or losses on the hedging instrument is deferred in the hedging reserve. As at 31 December 2020, the Group and the Company have recognised a loss on derivatives that qualify for cash flow hedges of approximately RM178.8 million and RM0.6 million in other comprehensive income until the transactions are realised.

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 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3 “Definition of a Business”
- Amendments to MFRS 101 and MFRS 108 “Definition of Material”
- Amendments to MFRS 9, MFRS 139 and MFRS 7 “Interest Rate Benchmark Reform”

The adoption of these amendments listed above did not have any impact on the current year or any prior period/years and is not likely to affect future periods.

b. IFRIC agenda decisions that are concluded and published

In view that MFRS is fully converged with IFRS, the Group considers all agenda decisions published by IFRS Interpretation Committee (“IFRIC”). Where relevant, the Group may change its accounting policy to be aligned with the agenda decision.

- IFRIC agenda decision – over time transfer of constructed goods

The adoption of these agenda decision listed above did not have any impact on the current year or any prior period/years and is not likely to affect future periods.

2. BASIS OF PREPARATION (CONTINUED)

c. Standards and amendments that have been issued but not yet effective

Interpretation and amendments that are effective after 1 June 2020

- Amendments to MFRS 16 “COVID-19 – Related Rent Concessions”

The amendments shall be applied retrospectively.

Interpretation and amendments that are effective after 1 January 2022

- Amendments to MFRS 116 "Proceeds Before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfiling a Contract"
- Amendments to MFRS 141 "Taxation in Fair Value Measurements"

The amendments shall be applied retrospectively.

- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The amendments shall be applied prospectively.

Interpretation and amendments that are effective after 1 January 2023

- Amendments to MFRS 101 "Classifications of Liabilities as Current or Non-current"

The amendments shall be applied retrospectively.

The amendments listed above are not expected to have any significant effect on the financial statements.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

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.

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 amount 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 its residual value over its estimated useful life 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 2020

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 and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life 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 comprised 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 activity is also tested for impairment whenever indication of impairment exists. See Note 3(l)(i) on impairment of non-financial assets.

Development costs previously recognised as an expense in profit and loss are not recognised as an asset in 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 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%
Assets 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. 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.

(i) Inventories

Inventories comprise palm oil products, sugar stocks, coconut oil, 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 19 and as part of "fair value changes in biological assets (net)" in determining the profit.

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.

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 its 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), 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 its 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 this 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 for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current.

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. 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.

The Group and the Company perform impairment exercise annually and whenever events or circumstances occur indicating that impairment may exist.

(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 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.

General 3-stage approach for other receivables, non-trade inter-company balances, advances for plasma plantation projects and financial guarantee contracts issued

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).

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Impairment of financial assets (continued)

Simplified approach for trade receivables including inter-company balances

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.

Significant increase in credit risk

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.

Definition of default and credit-impaired financial assets

The Group and the Company consider a financial asset in default, which is fully aligned with the definition of credit-impaired, when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also 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.

Grouping of instruments for ECL measured on collective basis

Collective assessment

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.

Individual assessment

Trade receivables, other receivables, advances from plasma plantation projects, amounts due from subsidiaries and amounts due from related parties 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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Share capital and Perpetual Sukuk (continued)

(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 period in which it is declared.

(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 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 period 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 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(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.

(p) Financial liabilities

The Group's financial liabilities are classified into four 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), amounts due to subsidiaries, amounts due to related parties, 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 for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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.

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.

<u>Sales of agricultural produce and refined palm oil related products</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue (continued)

(i) Revenue from contracts with customers (continued)

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 is made with credit terms of up to 30 days.

(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 highly probable.

(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 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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

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.

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 48(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.

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 goodwill

The Group determines whether 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 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 2020 were USD517.0 million (RM2,086.9 million based on 31 December 2020 exchange rate) arising from the acquisition of New Britain Palm Oil Limited ("NBPOL") and goodwill of RM1,974.8 million arising from the merger exercise of plantation businesses as disclosed in Note 24(i) to the financial statements. Based on the impairment assessments, no impairment charge is required. The key assumptions are also disclosed in Note 24(i) to the financial statements.

(b) Impairment of investment in subsidiaries and joint ventures

The Group and the Company had assessed whether there is any indication that the investments in subsidiaries and joint ventures are impaired at the end of each reporting period in accordance with the respective accounting policies. Significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and the Company's test for impairment of assets.

Based on the impairment assessments, no impairment losses are required to be made for the investment in subsidiaries and joint ventures, other than:

(i) the impairment of the Group's and the Company's investment in Emery Group of RM236.0 million and RM98.3 million respectively, in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", as disclosed in Note 6(e) and 13. The key assumptions used in the impairment assessment for its investment in this joint venture has been disclosed in Note 33 to the financial statements; and

(ii) the impairment of the Company's investment in its subsidiaries of RM12.4 million, recognised in accordance with MFRS 136 "Impairment of Assets" as disclosed in Note 21.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

(c) Taxation

(i) Income taxes

The Group is subject to income taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group also recognised certain tax recoverable for which the Group believes that there is reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax provisions, tax recoverable and tax payable balances in the financial year in which such determination is made.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves estimate regarding future taxable profits of particular entities within the Group in which the deferred tax asset has been recognised.

During the financial year, the Group has recognised deferred tax assets arising from unutilised tax losses and other deductible temporary differences as disclosed in Note 26.

(d) Estimated useful lives of right-of-use assets in Indonesia

The Group has a diversified portfolio of land use rights in various countries which is classified as right-of-use assets in accordance with MFRS 16 "Lease" as at reporting date. The extension of the lease period is subject to the decision made by the local authority and terms and conditions imposed on the renewal of land use rights ("HGU") in Indonesia. The Group has revised the useful lives of the existing HGU in Indonesia by extending the lease period based on the success rate of past renewal applications. The effect of the change of useful life of the right-of-use assets to the Group's financial statements is a reduction of depreciation charge of RM25.0 million for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2020

5. REVENUE

The Group and the Company derive the following types of revenue:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers	5(a)	**13,063,055**	12,046,316	**3,709,939**	3,148,353
Revenue from other sources	5(b)	**18,073**	15,950	**59,947**	13,532
		13,081,128	12,062,266	**3,769,886**	3,161,885

(a) Disaggregation of revenue from contracts with customers

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Upstream					
– Malaysia		**560,462**	780,944	**854,626**	539,780
– Indonesia		**803,810**	865,114	**–**	–
– Papua New Guinea and Solomon Islands ("PNG/SI")		**802,056**	836,398	**–**	–
Downstream					
– Bulk products	5(a)(i)	**6,731,022**	5,514,435	**1,506,350**	1,095,600
– Differentiated products	5(a)(ii)	**4,106,445**	3,994,753	**1,340,762**	1,505,966
Other operations		**59,260**	54,672	**8,201**	7,007
		13,063,055	12,046,316	**3,709,939**	3,148,353

(i) Bulk products include crude palm oil ("CPO") purchased, crude palm kernel oil ("CPKO") which is refined in kernel crushing plants, basic refined products comprising Refined Bleached Deodorised ("RBD") palm oil, palm olein and stearin, Palm Fatty Acid Distillate ("PFAD") which are refined in the bulk refineries and coconut oils products which are extracted from the copra.

(ii) Differentiated products are further processed from the basic refined products into products catering to customers' specific requirements.

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**12,801,779**	11,741,983	**3,668,885**	3,108,308
Management fee income from subsidiaries	**–**	–	**32,634**	32,652
Freight services	**252,185**	297,099	**219**	386
Tolling services	**9,091**	7,234	**8,201**	7,007
	13,063,055	12,046,316	**3,709,939**	3,148,353
Timing of revenue recognition				
– at point in time	**12,801,779**	11,741,983	**3,668,885**	3,108,308
– over time	**261,276**	304,333	**41,054**	40,045
	13,063,055	12,046,316	**3,709,939**	3,148,353

(b) Revenue from other sources

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Dividends (gross) received/receivable from:				
– other investments	**6,669**	4,059	**6,669**	4,059
– a subsidiary	**–**		**43,678**	–
Rental income	**11,404**	11,891	**9,600**	9,473
	18,073	15,950	**59,947**	13,532

5. REVENUE (CONTINUED)

(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:

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
Freight income	41	**28,087**	13,071	**–**	7

6. OPERATING EXPENSES

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
(a) Operating expenses include:					
Cost of raw materials and inventories sold for palm products, rubber, sugar, beef and other agricultural products		**5,269,250**	5,325,886	**1,525,323**	1,169,704
Other direct costs of sales	6(b)	**1,932,126**	1,883,434	**517,450**	508,099
Employee costs	6(d)	**2,372,422**	2,301,133	**769,860**	715,160
Depreciation of:					
– property, plant and equipment	6(c)	**1,122,231**	1,073,555	**254,155**	255,811
– right-of-use assets	6(c)	**68,110**	99,830	**4,894**	5,337
– investment properties	18	**70**	84	**–**	–
Amortisation of intangible assets	24	**34,136**	32,544	**7,573**	7,990
Other operating expenses	6(e)	**774,812**	934,553	**332,733**	645,108
		11,573,157	11,651,019	**3,411,988**	3,307,209
(b) Other direct costs of sales include:					
Transport and handling charges		**707,367**	676,858	**80,025**	54,206
Commissions fees		**5,646**	7,046	**36,107**	32,980
Tolling fees		**30,135**	23,121	**3,776**	4,787
Upkeep, manuring, and collection expenses		**552,051**	601,137	**202,940**	218,284
Selling and distribution expenses		**97,161**	83,100	**911**	761
Mills and refineries maintenance expenses		**176,166**	173,783	**65,803**	62,584
Research expenses		**2,463**	2,585	**75,800**	87,250
Others		**361,137**	315,804	**52,088**	47,247
		1,932,126	1,883,434	**517,450**	508,099
(c) Depreciation of:					
Depreciation for the financial year					
– property, plant and equipment	17	**1,158,711**	1,119,197	**262,640**	265,005
– capitalised in immature bearer plant		**(36,480)**	(45,642)	**(8,485)**	(9,194)
	6(a)	**1,122,231**	1,073,555	**254,155**	255,811
Depreciation for the financial year					
– right-of-use assets	20	**68,672**	109,105	**5,242**	5,797
– capitalised in immature bearer plant		**(562)**	(9,275)	**(348)**	(460)
	6(a)	**68,110**	99,830	**4,894**	5,337
Depreciation included in profit or loss		**1,190,341**	1,173,385	**259,049**	261,148

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

6. OPERATING EXPENSES (CONTINUED)

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(d) Employee costs include:					
Salaries, wages and bonus		**2,021,410**	1,899,838	**549,387**	490,720
Defined contribution plans		**100,920**	104,630	**82,975**	80,624
Retirement benefits	38	**35,401**	41,805	**6,620**	7,622
Termination benefits		**12,396**	3,072	**12,396**	3,072
Other employee benefits		**202,295**	251,788	**118,482**	133,122
		2,372,422	2,301,133	**769,860**	715,160
(e) Other operating expenses include:					
Fair value changes in biological assets (net)		**(32,346)**	(13,065)	**(17,569)**	(8,760)
Impairment of:					
– property, plant and equipment	17	**14,798**	2,474	**12,179**	–
– right-of-use assets	20	**–**	19,446	**–**	–
– advances for plasma plantation projects	48(a)(iii)	**1,624**	1,703	**–**	–
– trade and other receivables	48(a)(iii)	**10,326**	9,310	**485**	1,475
– amounts due from subsidiaries	48(a)(iii)	**–**	–	**761**	18,267
– amounts due from joint ventures	48(a)(iii)	**159**	27,501	**159**	25,088
– investment in subsidiaries	21	**–**	–	**12,411**	309,462
– investment in joint venture		**–**	–	**–**	11,350
– non-current assets held for sale	33	**–**	–	**98,298**	–
Write off of:					
– property, plant and equipment	17	**20,367**	26,218	**2,213**	9,510
– intangible assets	24	**–**	13	**–**	–
– bad debts		**842**	19	**842**	19
Write–down of:					
– right-of-use assets	20	**488**	1,971	**–**	321
– inventories		**10,046**	3,554	**152**	459
Loss on disposal of non-current assets held for sale		**3,348**	–	**–**	–
Donations		**28,010**	20,000	**10,367**	2,948
Insurance charges		**34,759**	32,354	**5,509**	5,511
Information technology charges		**76,827**	74,610	**20,093**	22,284
Professional fees		**61,679**	108,510	**14,596**	34,506
Quit rent and assessment		**58,533**	48,224	**27,788**	21,195
Expense relating to short-term leases		**32,888**	22,224	**15,414**	12,476
Repairs and maintenance		**187,790**	225,198	**30,439**	30,464
Telecommunication expenses		**6,526**	9,621	**878**	1,118
Travelling expenditure		**21,255**	40,789	**4,395**	11,483
Utilities expenditure		**112,041**	137,150	**32,228**	34,000
Incidental cost of disposal of a subsidiary		**–**	–	**19,319**	20,650

6. OPERATING EXPENSES (CONTINUED)

	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
(f) Auditors' remuneration				
Fees for statutory audits:				
– PricewaterhouseCoopers PLT, Malaysia	**3,009**	2,769	**1,600**	1,521
– Member firms of PricewaterhouseCoopers International Limited	**7,537**	7,503	**–**	–
– Other firms	**158**	334	**–**	–
	10,704	10,606	**1,600**	1,521
Fees for non-audit services:				
– PricewaterhouseCoopers PLT, Malaysia	**1,476**	318	**1,144**	318
– Member firms of PricewaterhouseCoopers International Limited	**1,523**	1,717	**–**	–
– Other firms*	**760**	1,853	**290**	1,212
	3,759	3,888	**1,434**	1,530

* Fees for non-audit services provided by other firms for the financial year ended 31 December 2019 exclude amounts capitalised in intangible asset of RM3.5 million for the Group and the Company.

7. OTHER OPERATING INCOME

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
Gain on disposal of:					
– property, plant and equipment		**2,785**	60,684	**5,925**	54,280
– non-current assets held for sale		**465,849**	19,455	**408,850**	832
Government grants/incentives		**9,054**	7,543	**720**	–
Insurance claims		**14,110**	25,670	**1,233**	1,111
Other compensation income		**8,996**	17,526	**7,714**	742
Reversal of impairment of:					
– investment in a subsidiary	21	**–**	–	**–**	94,731
– amounts due from subsidiaries	48(a)(iii)	**–**	–	**–**	1,153
– trade and other receivables	48(a)(iii)	**2,984**	18,309	**659**	–
– advances for plasma plantation projects	48(a)(iii)	**–**	2,130	**–**	–
Waiver of intercompany payable to wholly-owned subsidiaries which were liquidated		**–**	–	**3,301**	–
Sale of scrap		**24,482**	13,765	**1,077**	4,280
Sale of rubber wood		**1,890**	3,204	**1,890**	3,204
Other income		**61,435**	34,075	**15,486**	8,647
		591,585	202,361	**446,855**	168,980

NOTES TO THE FINANCIAL STATEMENTS
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8. OTHER GAINS AND LOSSES

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value (losses)/gains on forward foreign exchange contracts:				
– realised non-hedging derivatives	**(19,822)**	(2,494)	**–**	–
– unrealised non-hedging derivatives	**5,610**	3,744	**–**	–
– cash flow hedge	**(6,708)**	(6,433)	**1,246**	1,211
Fair value (losses)/gains on commodities futures contracts:				
– realised	**(57,724)**	(68,836)	**(23,955)**	(65,499)
– unrealised	**92,958**	(178,701)	**99,599**	(92,785)
Foreign currencies exchange (losses)/gains:				
– realised	**(4,765)**	29,488	**(81,799)**	52,115
– unrealised	**(23,724)**	13,856	**174,197**	5,571
	(14,175)	(209,376)	**169,288**	(99,387)

RM58.5 million and RM1.6 million losses (2019: nil) arising from cash flow hedge ineffectiveness has been recognised in the realised and unrealised fair value (losses)/gains on commodities futures contracts respectively as the forecasted sale transaction is not expected to occur.

9. FINANCE INCOME

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income from:				
– banks and other financial institutions	**7,788**	8,478	**2,529**	1,970
– subsidiaries	**–**	–	**20,558**	8,482
– financial guarantee contracts	**–**	–	**13,119**	7,322
– others	**9,506**	4,497	**42**	12
	17,294	12,975	**36,248**	17,786

10. FINANCE COSTS

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance costs charged by:					
– banks and other financial institutions		**163,022**	261,831	**119,682**	196,098
– lease liabilities		**11,710**	7,691	**37**	877
– subsidiaries		**–**	–	**17,902**	17,067
Amortisation of deferred financing expenses	39	**8,608**	11,605	**7,096**	11,568
		183,340	281,127	**144,717**	225,610
Interests capitalised in:					
– capital work-in-progress		**(18,910)**	(25,316)	**(1,443)**	(1,424)
– immature bearer plants		**(47,732)**	(88,037)	**(16,637)**	(26,113)
– intangible assets	24	**(280)**	(229)	**(280)**	(229)
		(66,922)	(113,582)	**(18,360)**	(27,766)
Net finance costs		**116,418**	167,545	**126,357**	197,844

11. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive Directors:				
– fees and allowances	**4,240**	4,189	**3,717**	3,018
– estimated monetary value of benefits	**135**	237	**135**	237
	4,375	4,426	**3,852**	3,255
Executive Director:				
– salaries and other emoluments	**3,140**	3,704	**3,140**	3,704
– defined contribution pension plans	**494**	290	**494**	290
– estimated monetary value of benefits	**47**	40	**47**	40
	3,681	4,034	**3,681**	4,034

12. TAX EXPENSE

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax:					
In respect of current financial year					
– Malaysian income tax		**56,593**	23,834	**17,097**	3,724
– foreign income tax		**242,275**	108,586	**–**	–
– real property gain tax		**41,620**	188	**41,620**	188
		340,488	132,608	**58,717**	3,912
(Over)/under provision in respect of prior financial year/period					
– Malaysian income tax		**(2,829)**	30,086	**(6,677)**	10,696
– foreign income tax		**5,647**	(13,528)	**–**	–
		2,818	16,558	**(6,677)**	10,696
Deferred tax					
– origination and reversal of temporary differences	26	**122,220**	(172,735)	**87,566**	(8,853)
Tax expense/(credit)		**465,526**	(23,569)	**139,606**	5,755

NOTES TO THE FINANCIAL STATEMENTS
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12. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense/(credit) applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate is as follows:

		GROUP		COMPANY	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(loss) from continuing operations before income tax expense		**1,990,250**	251,316	**883,932**	(255,789)
Loss from discontinued operations before income tax expense	13	**(162,162)**	(321,793)	**–**	–
		1,828,088	(70,477)	**883,932**	(255,789)
Applicable tax	12(a)	**418,776**	(54,350)	**212,144**	(61,389)
Effects of income not subject to tax		**(63,380)**	(99,367)	**(61,151)**	(60,435)
Effects of expenses not deductible for tax purposes		**128,936**	102,440	**103,027**	169,406
Expenses subject to double deductions		**(27,956)**	(26,667)	**(20,859)**	(22,691)
Tax incentive		**(4,801)**	–	**–**	–
Income subject to different tax rate		**(58,326)**	188	**(56,964)**	–
Effects of changes in statutory tax rates on deferred tax		**73,974**	(33,116)	**–**	–
Deferred tax assets not recognised in respect of tax losses and deductible temporary differences for the current financial year		**25,156**	93,460	**–**	–
Under/(over) provision in respect of prior financial year/period		**2,818**	16,558	**(6,677)**	10,696
Perpetual Sukuk distribution and expenses		**(29,914)**	(29,832)	**(29,914)**	(29,832)
Share of tax expense from associates and joint ventures		**243**	7,117	**–**	–
Tax expense/(credit) for the financial year		**465,526**	(23,569)	**139,606**	5,755
Effective tax rate (%)	12(b)	**25.5**	(33.4)	**15.8**	2.2

(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/(loss) before tax multiplied by the domestic tax rate of the Company.

(b) During the financial year, the effective tax rate is higher than the average tax rate of the Group mainly due to the effect of a change in the statutory income tax rate in Indonesia which reduced gradually from 25% to 22% for 2020 and 2021 and to 20% in 2022 and thereafter, resulting in a net reduction of deferred tax assets previously recognised by RM74.0 million.

13. DISCONTINUED OPERATIONS

In the previous financial year, the Board of Directors had approved the Group's intention to exit the upstream business in Liberia (Sime Darby Plantation (Liberia) Inc. ("SDP Liberia")), to dispose its investments in the joint ventures, Emery Oleochemicals (M) Sdn Bhd and Emery Specialty Chemicals Sdn Bhd (collectively known as "Emery Group") and to cease further investment in its joint venture, MYBiomass Sdn Bhd ("MYBiomass"). The associated assets and liabilities were consequently presented as held for sale in Note 33 to the financial statements.

On 15 January 2020, the disposal of SDP Liberia was completed and a gain of disposal of RM73.8 million was recognised in the consolidated profit or loss as disclosed in Note 33(d)(i) to the financial statements.

During the current financial year, the Group has reassessed the Fair Value Less Cost of Disposal ("FVLCTS") of its investment in the joint ventures, Emery Group resulting in an impairment charge of RM236.0 million in the consolidated profit or loss as the carrying amounts are higher than the FVLCTS as at 31 December 2020. The critical estimates and key assumptions used in the impairment assessment and the status of the planned disposal are disclosed in Note 33(b) to the financial statements.

In 2019, the Group had recognised an impairment charge of RM8.2 million on its investment in MYBiomass and it remains as dormant since then.

13. DISCONTINUED OPERATIONS (CONTINUED)

(a) Analysis of the results and cash flow information of the discontinued operations are as follows:

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000
Statements of Profit or Loss			
Revenue		**–**	51,790
Operating expenses		**(236,000)**	(377,644)
Other operating income		**73,838**	–
Operating loss	13(b)	**(162,162)**	(325,854)
Share of results of joint ventures	22(a)	**–**	4,061
Loss before tax/ loss for the financial year		**(162,162)**	(321,793)
Loss for the financial year attributable to:			
– equity holders of the Company		**(162,162)**	(321,793)
Statements of Comprehensive Income			
Loss for the financial year		**(162,162)**	(321,793)
Items that will be reclassified subsequently to profit/(loss):			
Currency translation differences (loss)/gain:			
– subsidiary		**(113,128)**	1,412
– joint ventures	22(a)	**–**	11,990
		(113,128)	13,402
Items that will not be reclassified subsequently to profit/(loss):			
Share of other comprehensive loss of joint ventures	22(a)	**–**	(11,402)
Total other comprehensive (loss)/income for the financial year	16	**(113,128)**	2,000
Total comprehensive loss for the financial year		**(275,290)**	(319,793)
Statements of Cash Flows			
Net cash used in operating activities		**(1,481)**	(63,363)
Net cash used in investing activities		**–**	–
Net cash generated from financing activities		**–**	63,081
Net decrease in cash and cash equivalents		**(1,481)**	(282)
Foreign exchange differences		**(13)**	(18)
Cash and cash equivalents at beginning of the financial year		**1,494**	1,794
Cash and cash equivalents at end of the financial year		**–**	1,494

(b) Significant operating expenses of the discontinued operations for the financial year are as follow:

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000
Impairment of:			
– a joint venture		**236,000**	8,176
– property, plant and equipment	17	**–**	224,467
– right-of-use assets	20	**–**	10,967
Gain on disposal of a subsidiary	33(d)(i)	**(73,838)**	–
Depreciation of:			
– property, plant and equipment	17	**–**	19,520
– right-of-use assets	20	**–**	206
Incidental cost of disposal of a subsidiary		**23,853**	20,650

NOTES TO THE FINANCIAL STATEMENTS
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14. 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	
	2020 RM'000	2019 RM'000
Profit/(loss) for the financial year (RM'000)		
– continuing operations	**1,346,731**	121,633
– discontinued operations	**(162,162)**	(321,793)
Weighted average number of ordinary shares in issue ('000 units)		
– continuing operations	**6,884,575**	6,884,575
– discontinued operations	**6,884,575**	6,884,575
Basic earnings/(loss) per share (sen)		
– continuing operations	**19.56**	1.77
– discontinued operations	**(2.36)**	(4.67)

Diluted earnings per share

There is no dilution in earnings per share as there is no potential dilutive ordinary shares.

15. DIVIDENDS

Dividends payable and paid in respect of the ordinary shares for the financial year are as follows:

	GROUP	
	2020 RM'000	2019 RM'000
Dividends for the financial year ended 31 December 2018:		
– Final dividend of 1.0 sen per share, paid in cash on 21 May 2019	**–**	117,038
Dividends for the financial year ended 31 December 2019:		
– Final dividend of 1.0 sen per share, paid in cash on 22 May 2020	**68,846**	–
Dividends for the financial year ended 31 December 2020:		
– Interim dividend of 2.57 sen per share, paid in cash on 26 November 2020	**176,933**	–
– Special interim dividend of 1.45 sen per share, paid in cash on 26 November 2020	**99,826**	–
	345,605	117,038

A final dividend of 5.42 sen per ordinary share, amounting to RM373.1 million in respect of the financial year ended 31 December 2020 has been declared on 18 February 2021 and will be paid on 12 May 2021. The entitlement date for the dividend payment is 28 April 2021.

A special final dividend of 2.13 sen per ordinary share, amounting to RM146.6 million in respect of the financial year ended 31 December 2020 ("Special Final Dividend") has been declared on 15 March 2021 and it has been determined that that the dividend reinvestment plan ("DRP") applies to the Special Final Dividend. The entitlement and payment dates for the Special Final Dividend are to be determined later by the Board of Directors.

16. OTHER COMPREHENSIVE INCOME

GROUP	Note	Attributable to equity holders of the Company Hedging reserve RM'000	Investments at FVOCI reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2020								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences:								
– subsidiaries		**–**	**–**	**(146,478)**	**–**	**(146,478)**	**(8,507)**	**(154,985)**
Net changes in fair value:								
– cash flow hedge		**(258,198)**	**–**	**–**	**–**	**(258,198)**	**–**	**(258,198)**
Tax credit relating to components of other comprehensive income		**58,465**	**–**	**–**	**–**	**58,465**	**–**	**58,465**
		(199,733)	**–**	**(146,478)**	**–**	**(346,211)**	**(8,507)**	**(354,718)**
Items that will not be reclassified subsequently to profit or loss:								
Actuarial gain on defined benefit plans	38	**–**	**–**	**–**	**12,674**	**12,674**	**–**	**12,674**
Net changes in fair value:								
– investment at FVOCI	25	**–**	**(3,584)**	**–**	**–**	**(3,584)**	**183**	**(3,401)**
Tax credit relating to actuarial loss on defined benefit plans		**–**	**–**	**–**	**7,480**	**7,480**	**386**	**7,866**
		–	**(3,584)**	**–**	**20,154**	**16,570**	**569**	**17,139**
Continuing operations		**(199,733)**	**(3,584)**	**(146,478)**	**20,154**	**(329,641)**	**(7,938)**	**(337,579)**
Discontinued operations	13	**–**	**–**	**(113,128)**	**–**	**(113,128)**	**–**	**(113,128)**
Total other comprehensive (loss)/income		**(199,733)**	**(3,584)**	**(259,606)**	**20,154**	**(442,769)**	**(7,938)**	**(450,707)**
2019								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences:								
– subsidiaries		–	–	86,821	–	86,821	1,759	88,580
Net changes in fair value:								
– cash flow hedge		(24,645)	–	–	382	(24,263)	266	(23,997)
Tax expenses relating to components of other comprehensive income		(1,181)	–	–	–	(1,181)	–	(1,181)
		(25,826)	–	86,821	382	61,377	2,025	63,402
Items that will not be reclassified subsequently to profit or loss:								
Actuarial loss on defined benefit plans	38	–	–	–	(14,516)	(14,516)	(741)	(15,257)
Net changes in fair value:								
– investment at FVOCI	25	–	1,175	–		1,175	–	1,175
Tax credit relating to actuarial loss on defined benefit plans		–	–	–	3,567	3,567	–	3,567
		–	1,175	–	(10,949)	(9,774)	(741)	(10,515)
Continuing operations		(25,826)	1,175	86,821	(10,567)	51,603	1,284	52,887
Discontinued operations	13	–	–	13,402	(11,402)	2,000	–	2,000
Total other comprehensive (loss)/income		(25,826)	1,175	100,223	(21,969)	53,603	1,284	54,887

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16. OTHER COMPREHENSIVE INCOME (CONTINUED)

COMPANY	Note	Investments at FVOCI reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
2020					
Items that will be reclassified subsequently to profit or loss:					
Net changes in fair value:					
– cash flow hedge		**–**	**(8,752)**	**–**	**(8,752)**
Tax credit relating to cash flow hedge		**–**	**2,249**	**–**	**2,249**
		–	**(6,503)**	**–**	**(6,503)**
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on defined benefit plans		**–**	**–**	**(1,807)**	**(1,807)**
Net changes in fair value:					
– investment at FVOCI	25	**(3,662)**	**–**	**–**	**(3,662)**
Tax credit relating to actuarial loss on defined benefit plans		**–**	**–**	**434**	**434**
		(3,662)	**–**	**(1,373)**	**(5,035)**
Total other comprehensive loss		**(3,662)**	**(6,503)**	**(1,373)**	**(11,538)**
2019					
Items that will be reclassified subsequently to profit or loss:					
Net changes in fair value:					
– cash flow hedge		–	(17,688)	–	(17,688)
Tax expenses relating to cash flow hedge		–	(302)	–	(302)
		–	(17,990)	–	(17,990)
Items that will not be reclassified subsequently to profit or loss:					
Net changes in fair value:					
– investment at FVOCI	25	1,300	–	–	1,300
Total other comprehensive income/(loss)		1,300	(17,990)	–	(16,690)

17. PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Freehold land RM'000	Buildings RM'000	Bearer plants RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
2020								
Net Book Value								
At 1 January 2020		**2,707,957**	**3,416,225**	**8,327,280**	**1,887,108**	**490,371**	**485,084**	**17,314,025**
Additions		**756**	**16,135**	**842,522**	**50,767**	**109,587**	**391,305**	**1,411,072**
Disposals		**(277)**	**(277)**	**–**	**(2,377)**	**–**	**–**	**(2,931)**
Write offs	6(e)	**–**	**(747)**	**(17,204)**	**(2,274)**	**(142)**	**–**	**(20,367)**
Depreciation charge for the financial year	6(c)	**–**	**(228,579)**	**(488,910)**	**(296,423)**	**(144,799)**	**–**	**(1,158,711)**
Impairment charge for the financial year	6(e)	**–**	**(11,040)**	**–**	**(3,758)**	**–**	**–**	**(14,798)**
Transfer to non-current assets held for sale	33(e)	**(26,041)**	**(14,041)**	**(69,721)**	**(5,165)**	**(195)**	**(2,737)**	**(117,900)**
Reclassification		**–**	**138,676**	**–**	**173,499**	**25,852**	**(338,027)**	**–**
Exchange differences		**(2,943)**	**(40,241)**	**(81,540)**	**(6,082)**	**2,828**	**992**	**(126,986)**
At 31 December 2020		**2,679,452**	**3,276,111**	**8,512,427**	**1,795,295**	**483,502**	**536,617**	**17,283,404**
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**
2019								
Net Book Value								
At 1 January 2019		2,759,863	3,158,441	7,915,811	1,935,156	485,174	749,628	17,004,073
Additions		–	16,097	1,027,961	61,646	109,033	519,690	1,734,427
Disposals		(4,701)	(19)	(652)	(1,539)	(1,471)	(2,274)	(10,656)
Write offs	6(e)	–	(1,063)	(23,777)	(1,123)	(255)	–	(26,218)
Depreciation charge for the financial year	6(c), 13(b)	–	(225,262)	(456,790)	(320,809)	(135,856)	–	(1,138,717)
Impairment charge for the financial year	6(e), 13(b)	–	(38,760)	(145,928)	(24,822)	(6,324)	(11,107)	(226,941)
Transfer to non-current assets held for sale	33(e)	(51,655)	(17,397)	(23,676)	(3,670)	(1,905)	(2,477)	(100,780)
Reclassification		–	505,857	–	217,337	43,745	(766,939)	–
Exchange differences		4,450	18,331	34,331	24,932	(1,770)	(1,437)	78,837
At 31 December 2019		2,707,957	3,416,225	8,327,280	1,887,108	490,371	485,084	17,314,025
Cost		2,707,957	5,219,349	11,653,369	4,280,529	2,222,541	488,870	26,572,615
Accumulated depreciation		–	(1,789,232)	(3,324,455)	(2,375,447)	(1,726,464)	–	(9,215,598)
Accumulated impairment losses		–	(13,892)	(1,634)	(17,974)	(5,706)	(3,786)	(42,992)
Net book value		2,707,957	3,416,225	8,327,280	1,887,108	490,371	485,084	17,314,025

Included in depreciation charge for the previous financial year are depreciation charged for continuing and discontinued operations of RM1,119.2 million and RM19.5 million respectively while included in impairment charge for the previous financial year are impairment charged for continuing and discontinued operations of RM2.5 million and RM224.5 million respectively. There is no depreciation or impairment charge attributable to discontinued operations during the current financial year.

The finance cost is capitalised at an average capitalisation rate of 2.48% (2019: 3.65%).

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17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Note	Freehold land RM'000	Buildings RM'000	Bearer plants RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
2020								
Net Book Value								
At 1 January 2020		**4,041,763**	**982,501**	**2,385,412**	**321,044**	**115,918**	**68,257**	**7,914,895**
Additions		**756**	**7,288**	**233,361**	**14,066**	**27,932**	**84,263**	**367,666**
Intra group acquisition		**–**	**–**	**–**	**202**	**489**	**–**	**691**
Disposals		**(277)**	**–**	**–**	**–**	**–**	**–**	**(277)**
Intra group disposal		**–**	**(192)**	**–**	**(497)**	**(7,261)**	**–**	**(7,950)**
Write offs	6(e)	**–**	**(40)**	**(2,065)**	**(91)**	**(17)**	**–**	**(2,213)**
Depreciation charge for the financial year	6(c)	**–**	**(59,627)**	**(109,564)**	**(57,370)**	**(36,079)**	**–**	**(262,640)**
Impairment charge for the financial year	6(e)	**–**	**(8,857)**	**–**	**(3,322)**	**–**	**–**	**(12,179)**
Transfer to non-current assets held for sale	33(e)	**(36,369)**	**(45)**	**(801)**	**–**	**–**	**–**	**(37,215)**
Reclassification		**–**	**17,793**	**–**	**30,265**	**7,725**	**(55,783)**	**–**
At 31 December 2020		**4,005,873**	**938,821**	**2,506,343**	**304,297**	**108,707**	**96,737**	**7,960,778**
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**
2019								
Net Book Value								
At 1 January 2019		4,102,105	1,013,713	2,205,905	342,155	116,629	58,481	7,838,988
Additions		–	7,656	301,918	9,203	24,147	89,170	432,094
Intra group acquisition		–	–	–	–	27	–	27
Disposals		(4,642)	–	–	–	–	–	(4,642)
Intra group disposal		–	(408)	–	(3,296)	(4,387)	–	(8,091)
Write offs	6(e)	–	(4)	(9,019)	–	(12)	(475)	(9,510)
Depreciation charge for the financial year	6(c)	–	(59,681)	(100,513)	(67,331)	(37,480)	–	(265,005)
Transfer to non-current assets held for sale	33(e)	(55,700)	(285)	(12,879)	(102)	–	–	(68,966)
Reclassification		–	21,510	–	40,415	16,994	(78,919)	–
At 31 December 2019		4,041,763	982,501	2,385,412	321,044	115,918	68,257	7,914,895
Cost		4,041,763	1,468,577	3,076,086	902,206	421,274	68,257	9,978,163
Accumulated depreciation		–	(486,076)	(690,674)	(577,714)	(305,356)	–	(2,059,820)
Accumulated impairment losses		–	–	–	(3,448)	–		(3,448)
Net book value		4,041,763	982,501	2,385,412	321,044	115,918	68,257	7,914,895

The finance cost is capitalised at an average capitalisation rate of 2.22% (2019: 3.38%).

17. 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
2020								
Net Book Value:								
At 1 January 2020	**5,472,818**	**44,530**	**1,677**	**5,519,025**	**2,578,507**	**229,748**	**2,808,255**	**8,327,280**
Additions	**–**	**–**	**–**	**–**	**816,030**	**26,492**	**842,522**	**842,522**
Write offs	**(17,204)**	**–**	**–**	**(17,204)**	**–**	**–**	**–**	**(17,204)**
Depreciation charge for the financial year	**(484,666)**	**(2,538)**	**(1,706)**	**(488,910)**	**–**	**–**	**–**	**(488,910)**
Transfer to non-current assets held for sale	**(37,206)**	**–**	**–**	**(37,206)**	**(32,515)**	**–**	**(32,515)**	**(69,721)**
Reclassification	**1,261,695**	**–**	**–**	**1,261,695**	**(1,261,695)**	**–**	**(1,261,695)**	**–**
Exchange differences	**(59,050)**	**–**	**29**	**(59,021)**	**(22,519)**	**–**	**(22,519)**	**(81,540)**
At 31 December 2020	**6,136,387**	**41,992**	**–**	**6,178,379**	**2,077,808**	**256,240**	**2,334,048**	**8,512,427**
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**
2019								
Net Book Value								
At 1 January 2019	5,230,084	44,016	223	5,274,323	2,455,313	186,175	2,641,488	7,915,811
Additions	–	–	–	–	980,978	46,983	1,027,961	1,027,961
Disposals	(219)	–	–	(219)	(433)	–	(433)	(652)
Write offs	(23,186)	(331)	–	(23,517)	(260)	–	(260)	(23,777)
Depreciation charge for the financial year	(455,697)	(2,565)	1,472	(456,790)	–	–	–	(456,790)
Impairment charge for the financial year	(145,693)	–	–	(145,693)	(235)	–	(235)	(145,928)
Transfer to non-current assets held for sale	(16,507)	–	9	(16,498)	(7,178)	–	(7,178)	(23,676)
Reclassification	874,302	3,410	–	877,712	(874,302)	(3,410)	(877,712)	–
Exchange differences	9,734	–	(27)	9,707	24,624	–	24,624	34,331
At 31 December 2019	5,472,818	44,530	1,677	5,519,025	2,578,507	229,748	2,808,255	8,327,280
Cost	8,687,151	58,415	97,914	8,843,480	2,580,141	229,748	2,809,889	11,653,369
Accumulated depreciation	(3,214,333)	(13,885)	(96,237)	(3,324,455)	–	–	–	(3,324,455)
Accumulated impairment losses	–	–	–	–	(1,634)	–	(1,634)	(1,634)
Net book value	5,472,818	44,530	1,677	5,519,025	2,578,507	229,748	2,808,255	8,327,280

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17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

COMPANY	Mature Oil palm RM'000	Mature Rubber trees RM'000	Mature Total RM'000	Immature Oil palm RM'000	Immature Rubber trees RM'000	Immature Total RM'000	Total bearer plants RM'000
2020							
Net Book Value:							
At 1 January 2020	**1,581,176**	**44,545**	**1,625,721**	**576,708**	**182,983**	**759,691**	**2,385,412**
Additions	**–**	**–**	**–**	**212,130**	**21,231**	**233,361**	**233,361**
Write offs	**(2,065)**	**–**	**(2,065)**	**–**	**–**	**–**	**(2,065)**
Depreciation charge for the financial year	**(107,026)**	**(2,538)**	**(109,564)**	**–**	**–**	**–**	**(109,564)**
Transfer to non-current assets held for sale	**(594)**	**–**	**(594)**	**(207)**	**–**	**(207)**	**(801)**
Reclassification	**248,904**	**–**	**248,904**	**(248,904)**	**–**	**(248,904)**	**–**
At 31 December 2020	**1,720,395**	**42,007**	**1,762,402**	**539,727**	**204,214**	**743,941**	**2,506,343**
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**
2019							
Net Book Value:							
At 1 January 2019	1,399,378	44,016	1,443,394	610,757	151,754	762,511	2,205,905
Additions	–	–	–	267,279	34,639	301,918	301,918
Write offs	(8,443)	(316)	(8,759)	(260)	–	(260)	(9,019)
Depreciation charge for the financial year	(97,948)	(2,565)	(100,513)	–	–	–	(100,513)
Transfer to non-current assets held for sale	(10,720)	–	(10,720)	(2,159)	–	(2,159)	(12,879)
Reclassification	298,909	3,410	302,319	(298,909)	(3,410)	(302,319)	–
At 31 December 2019	1,581,176	44,545	1,625,721	576,708	182,983	759,691	2,385,412
Cost	2,257,966	58,429	2,316,395	576,708	182,983	759,691	3,076,086
Accumulated depreciation	(676,790)	(13,884)	(690,674)	–	–	–	(690,674)
Net book value	1,581,176	44,545	1,625,721	576,708	182,983	759,691	2,385,412

(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 (formerly known as Sime Darby 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 RM235 million (2019: RM253 million), comprised of property, plant and equipment of RM222 million (2019: RM240 million) and right-of-use assets of RM13 million (2019: RM13 million).

18. INVESTMENT PROPERTIES

GROUP	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
2020				
Cost				
At 1 January 2020		**7,321**	**715**	**8,036**
Exchange differences		**(67)**	**(12)**	**(79)**
At 31 December 2020		**7,254**	**703**	**7,957**
Accumulated depreciation				
At 1 January 2020		**–**	**427**	**427**
Charge for the financial year	6(a)	**–**	**70**	**70**
Exchange differences		**–**	**(7)**	**(7)**
At 31 December 2020		**–**	**490**	**490**
Net book value at 31 December 2020		**7,254**	**213**	**7,467**
2019				
Cost				
At 1 January 2019		14,719	1,406	16,125
Transfer to non-current assets held for sale	33	(8,259)	(799)	(9,058)
Exchange differences		861	108	969
At 31 December 2019		7,321	715	8,036
Accumulated depreciation				
At 1 January 2019		–	611	611
Charge for the financial year	6(a)	–	84	84
Transfer to non-current assets held for sale	33	–	(317)	(317)
Exchange differences		–	49	49
At 31 December 2019		–	427	427
Accumulated impairment losses				
At 1 January 2019		–	338	338
Transfer to non-current assets held for sale	33	–	(364)	(364)
Exchange differences		–	26	26
At 31 December 2019		–	–	–
Net book value at 31 December 2019		7,321	288	7,609

The aggregate direct operating expenses arising from investment properties that did not generate rental income which were recognised during the financial year amounted to RM78,000 (2019: RM91,000) respectively.

The fair value of investment properties is RM11.9 million (2019: RM11.6 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).

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19. BIOLOGICAL ASSETS

GROUP	Note	Oil palm RM'000	Growing canes RM'000	Livestock RM'000	Total RM'000
2020					
At 1 January 2020		**62,898**	**57,129**	**68,737**	**188,764**
Additions		**–**	**–**	**2,914**	**2,914**
Transfers to produce stocks		**(63,465)**	**(58,448)**	**(70,138)**	**(192,051)**
Fair value changes		**111,861**	**37,199**	**75,337**	**224,397**
Transfer to non-current assets held for sale	33(e)	**(556)**	**–**	**–**	**(556)**
Exchange differences		**948**	**1,043**	**(1,051)**	**940**
At 31 December 2020		**111,686**	**36,923**	**75,799**	**224,408**
2019					
At 1 January 2019		33,335	96,888	48,560	178,783
Transfers to produce stocks		(33,366)	(98,172)	(49,203)	(180,741)
Fair value changes		63,018	59,043	71,745	193,806
Exchange differences		(89)	(630)	(2,365)	(3,084)
At 31 December 2019		62,898	57,129	68,737	188,764

COMPANY	Total RM'000
Oil Palm	
2020	
At 1 January 2020	**27,767**
Transfers to produce stocks	**(27,767)**
Fair value changes	**45,336**
At 31 December 2020	**45,336**
2019	
At 1 January 2019	19,007
Transfers to produce stocks	(19,007)
Fair value changes	27,767
At 31 December 2019	27,767

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 are 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.

19. 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 9,278,000 metric tonnes ("MT") of FFB (2019: 9,579,000 MT) and 3,556,700 MT of FFB (2019: 3,610,557 MT) respectively. The quantity of unharvested FFB of the Group and of the Company as at 31 December 2020 included in the fair valuation of FFB was 315,325 MT (2019: 291,652 MT) and 94,949 MT (2019: 87,373 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 then 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 FFB tonnage changes by 10% (2019: 10%) and 10% (2019: 10%) respectively, the impact of fair value of FFB would be as follows:

	GROUP	
	2020 RM'000	2019 RM'000
GROUP		
FFB tonnage increase by 10% (2019: 10%)	**18,618**	10,861
FFB tonnage decrease by 10% (2019: 10%)	**(18,618)**	(10,861)
COMPANY		
FFB tonnage increase by 10% (2019: 10%)	**7,228**	3,020
FFB tonnage decrease by 10% (2019: 10%)	**(7,228)**	(3,020)

(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 225,067 MT (2019: 165,680 MT) of canes. The estimated quantity of unharvested canes as at 31 December 2020 included in the fair valuation of growing canes of the Group was 218,560 MT (2019: 258,040 MT).

The determination of fair value for the Group's growing canes 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. 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. The fair value of the growing canes at the statement of financial position date is based on the estimated fair value of the growing canes less further costs to be incurred in growing and harvesting the canes up to the point of harvest and contributory asset charges.

If the estimated harvest volume of canes increased or decreased by 10% (2019: 10%), fair value changes in growing canes would have increased or decreased by approximately RM6.1 million (2019: RM8.3 million) accordingly.

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19. BIOLOGICAL ASSETS (CONTINUED)

The biological assets of the Group and the Company comprise of: (continued)

(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 2,007 tonnes (2019: 1,957.5 tonnes) of beef. The number of cattle as at 31 December 2020 included in the fair values of livestock was 27,006 heads (2019: 24,625 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% (2019: 1%), fair value changes in livestock would have increased or decreased by approximately RM0.7 million (2019: RM0.7 million) respectively.

20. 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
2020						
Net Book Value:						
At 1 January 2020		**2,067,366**	**47,347**	**27,242**	**3,585**	**2,145,540**
Additions		**1,042**	**23,322**	**6,699**	**2,497**	**33,560**
Write–downs	6(e)	**(96)**	**(362)**	**–**	**(30)**	**(488)**
Depreciation charge for the financial year	6(c)	**(40,036)**	**(14,048)**	**(13,337)**	**(1,251)**	**(68,672)**
Transfer to non-current assets held for sale	33(e)	**(17,742)**	**(13)**	**–**	**–**	**(17,755)**
Exchange differences		**(27,647)**	**(4,845)**	**3,995**	**(247)**	**(28,744)**
At 31 December 2020		**1,982,887**	**51,401**	**24,599**	**4,554**	**2,063,441**
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**
2019						
Net Book Value:						
At 1 January 2019		2,152,669	40,626	39,726	6,191	2,239,212
Additions		11,178	24,789	5,420	1,228	42,615
Write–downs	6(e)	–	(1,181)	–	(790)	(1,971)
Depreciation charge for the financial year	6(c)	(71,181)	(17,984)	(17,058)	(3,088)	(109,311)
Impairment charge for the financial year		(30,393)	(20)	–	–	(30,413)
Exchange differences		5,093	1,117	(846)	44	5,408
At 31 December 2019		2,067,366	47,347	27,242	3,585	2,145,540
Cost		3,294,170	74,366	56,235	9,142	3,433,913
Accumulated depreciation		(1,207,065)	(26,999)	(28,993)	(5,557)	(1,268,614)
Accumulated impairment		(19,739)	(20)	–	–	(19,759)
Net book value		2,067,366	47,347	27,242	3,585	2,145,540

Included in the depreciation charge for previous financial year are depreciation charged for continuing and discontinued operations of RM109.1 million and RM0.2 million respectively, while included in impairment charge for the previous financial year are impairment charged for continuing and discontinued operations of RM19.4 million and RM11.0 million respectively. There is no depreciation or impairment attributable to discontinued operation during the financial year.

Pursuant to the proposed disposal of SDP Liberia, an impairment of right-of-use assets of RM11.0 million had been recognised in the profit or loss in the previous financial year within discontinued operations as disclosed in Note 13(b). The carrying cost of SDP Liberia's right-of-use assets impaired, accumulated depreciation and accumulated impairment of RM12.4 million, RM1.4 million and RM11.0 million respectively had been reclassified to non-current assets held for sale as at 31 December 2019.

20. 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
2020						
Net Book Value:						
At 1 January 2020		**274,929**	**36**	**6,854**	**782**	**282,601**
Additions		**–**	**–**	**–**	**3**	**3**
Depreciation charge for the financial year	6(c)	**(3,579)**	**(36)**	**(922)**	**(705)**	**(5,242)**
At 31 December 2020		**271,350**	**–**	**5,932**	**80**	**277,362**
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**
2019						
Net Book Value:						
At 1 January 2019		278,191	200	7,388	1,698	287,477
Additions		312	78	–	852	1,242
Write-downs	6(e)	–	–	–	(321)	(321)
Depreciation charge for the financial year	6(c)	(3,574)	(242)	(534)	(1,447)	(5,797)
At 31 December 2019		274,929	36	6,854	782	282,601
Cost		316,878	428	7,655	2,932	327,893
Accumulated depreciation		(41,949)	(392)	(801)	(2,150)	(45,292)
Net book value		274,929	36	6,854	782	282,601

(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 RM107 million (2019: RM109 million).

21. SUBSIDIARIES

	COMPANY	
	2020 RM'000	2019 RM'000
Unquoted shares at cost	**7,592,093**	7,748,778
Amounts due from subsidiaries – non-interest bearing	**1,084,902**	1,084,902
Accumulated impairment losses	**(706,831)**	(801,500)
	7,970,164	8,032,180

The amounts due from subsidiaries above are deemed as capital contribution to subsidiaries as the repayment of these amounts are neither fixed nor expected.

Movements of impairment losses for investment in subsidiaries are as follows:

		COMPANY	
	Note	2020 RM'000	2019 RM'000
At 1 January		**801,500**	1,465,048
Charge for the financial year	6(e)	**12,411**	309,462
Reversal for the financial year	7	**–**	(94,731)
Transfer to non-current assets held for sale		**–**	(878,279)
Disposal of a subsidiary		**(107,080)**	–
At 31 December		**706,831**	801,500

During the financial year, an impairment charge on its investment in subsidiaries of RM12.4 million was recognised in the Company's profit or loss relating mainly for its investment in Sime Darby Plantation International Investments Limited ("SDPIIL") of RM7.7 million and Sime Darby Plantation Ecogardens Sdn Bhd ("SDP Ecogardens") of RM4.6 million. The costs of investment in SDPIIL and SDP Ecogardens were impaired as the recoverable amount was lower than the carrying value of the investment in these companies.

As set out in Note 13 and 33, the Group had completed the disposal of its entire 100% equity interest in SDP Liberia to Mano Palm Oil Industries Limited ("MPOI") on 15 January 2020 for a total cash consideration of USD1. An impairment loss of RM305.9 million was recognised in the previous financial year, for the excess of the carrying amount of the cost of investment in SDP Liberia (including the amount due from SDP Liberia which was deemed as capital contribution to SDP Liberia) over the fair value less cost of disposal ("FVLCTS"), as determined by the expected purchase consideration, less any directly related costs not yet recognised as expense.

The Company disposed of its investment in Sime Darby Oils Netherlands B.V. ("SDO Netherlands") to its wholly-owned subsidiary for a consideration of RM1. The investment in SDO Netherlands of RM107.1 million was fully impaired in the prior years.

In the previous financial year, a reversal of impairment on the amount due from Sime Darby Oils Zwijndrecht Refinery B.V. (which deemed as capital contribution) of RM94.7 million was recognised in the Company's profit or loss as a result of a higher recoverable amount. The recoverable amount was determined based on its value-in-use calculations using cash flows from the approved financial budgets covering a 5 year period.

The Group's equity interest in the subsidiaries as at 31 December 2020 and 31 December 2019, their principal activities and countries of incorporation are shown in Note 50.

22. JOINT VENTURES

The Group’s equity interest in the joint ventures as at 31 December 2020 and 31 December 2019, their respective principal activities and countries of incorporation are shown in Note 50.

(a) Share of results of joint ventures

The Group's share of results of joint ventures are as follows:

	GROUP	
	2020 RM’000	2019 RM’000
Share of results for the financial year	**(908)**	3,911
Aggregate amount from discontinuing operations:		
Share of results for the financial year	**–**	4,061
Currency translation differences	**–**	11,990
Share of other comprehensive loss (net of tax)	**–**	(11,402)
Share of total comprehensive income from discontinued operations	**–**	4,649

(b) Investments in joint ventures

The Group’s and the Company’s investments in joint ventures are as follows:

	GROUP		COMPANY	
	2020 RM’000	2019 RM’000	2020 RM’000	2019 RM’000
Unquoted shares, at cost	**80,751**	79,348	**3,745**	3,745
Share of post-acquisition reserves	**(46,104)**	(45,196)	**–**	–
	34,647	34,152	**3,745**	3,745

The Group's investments in joint ventures are in 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) Summarised financial information

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	GROUP	
	2020 RM’000	2019 RM’000
Aggregate carrying amount of individually immaterial joint ventures	**34,647**	34,152
Aggregate amounts of the Group's share of:		
(Loss)/profit from continuing operations	**(908)**	3,911
Post–tax profit from discontinued operations	**–**	4,061
Other comprehensive income	**–**	588
Total comprehensive (loss)/income	**(908)**	8,560

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23. ASSOCIATES

The Group's equity interest in the associates as at 31 December 2020 and 31 December 2019, their respective principal activities and countries of incorporation are shown in Note 50.

(a) Share of results of associates

The Group's share of results of associates are as follows:

	GROUP	
	2020 RM'000	2019 RM'000
Share of results for the financial year	**4,901**	(2,257)

(b) Investments in associates

The Group's and the Company's investments in associates are as follows:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	**72,901**	73,733	**420**	420
Share of post-acquisition reserves	**(30,266)**	(33,978)	**–**	–
	42,635	39,755	**420**	420

The Group's investments in associate companies are in 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	
	2020 RM'000	2019 RM'000
Aggregate carrying amount of individually immaterial associates	**42,635**	39,755
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	**4,901**	(2,257)

24. INTANGIBLE ASSETS

GROUP	Note	Goodwill RM'000	Assets 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
2020											
Net book value											
At 1 January 2020		**2,148,976**	**691**	**13,860**	**543,651**	**1,677**	**13,452**	**70,963**	**12,683**	**34,555**	**2,840,508**
Additions		**–**	**–**	**–**	**–**	**–**	**19,539**	**1,424**	**5,689**	**–**	**26,652**
Amortisation	6(a)	**–**	**(132)**	**(840)**	**(15,897)**	**(737)**	**(8,614)**	**(4,695)**	**–**	**(3,221)**	**(34,136)**
Exchange differences		**(36,800)**	**3**	**–**	**(8,652)**	**40**	**1,931**	**(22)**	**(132)**	**(600)**	**(44,232)**
At 31 December 2020		**2,112,176**	**562**	**13,020**	**519,102**	**980**	**26,308**	**67,670**	**18,240**	**30,734**	**2,788,792**
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 as at 31 December 2020		**2,112,176**	**562**	**13,020**	**519,102**	**980**	**26,308**	**67,670**	**18,240**	**30,734**	**2,788,792**
2019											
Net book value											
At 1 January 2019		2,169,202	824	14,700	560,929	2,592	20,693	76,972	8,816	38,115	2,892,843
Additions		–	–	–	–	–	2,765	3	3,867	–	6,635
Write-off	6(e)	–	–	–	–	–	(13)	–	–	–	(13)
Amortisation	6(a)	–	(132)	(840)	(14,977)	(724)	(7,996)	(4,650)	–	(3,225)	(32,544)
Transfer to non-current assets held for sale	33	(3,113)	–	–	–	–	(15)	–	–	–	(3,128)
Exchange differences		(17,113)	(1)	–	(2,301)	(191)	(1,982)	(1,362)	–	(335)	(23,285)
At 31 December 2019		2,148,976	691	13,860	543,651	1,677	13,452	70,963	12,683	34,555	2,840,508
Cost		2,154,499	1,925	16,800	610,924	9,741	172,063	87,668	12,683	69,909	3,136,212
Accumulated amortisation		–	(1,234)	(2,940)	(67,273)	(8,064)	(155,203)	(16,705)	–	(33,036)	(284,455)
Accumulated impairment losses		(5,523)	–	–	–	–	(3,408)	–	–	(2,318)	(11,249)
Net book value as at 31 December 2019		2,148,976	691	13,860	543,651	1,677	13,452	70,963	12,683	34,555	2,840,508

Included in the additions of the Group's intangible assets during the financial year is borrowing costs capitalised of RM0.3 million (2019: RM0.2 million).

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For The Financial Year Ended 31 December 2020

24. 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
2020							
At 1 January 2020		**1,974,805**	**13,860**	**2,813**	**70,255**	**11,870**	**2,073,603**
Additions		**–**	**–**	**11,537**	**–**	**5,557**	**17,094**
Amortisation	6(a)	**–**	**(840)**	**(2,483)**	**(4,250)**	**–**	**(7,573)**
At 31 December 2020		**1,974,805**	**13,020**	**11,867**	**66,005**	**17,427**	**2,083,124**
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 as at 31 December 2020		**1,974,805**	**13,020**	**11,867**	**66,005**	**17,427**	**2,083,124**
2019							
At 1 January 2019		1,977,918	14,700	5,486	74,504	8,816	2,081,424
Additions		–	–	228	–	3,054	3,282
Amortisation	6(a)	–	(840)	(2,901)	(4,249)	–	(7,990)
Transfer to non-current assets held for sale	33	(3,113)	–	–	–	–	(3,113)
At 31 December 2019		1,974,805	13,860	2,813	70,255	11,870	2,073,603
Cost		1,974,805	16,800	64,895	84,995	11,870	2,153,365
Accumulated amortisation		–	(2,940)	(62,082)	(14,740)	–	(79,762)
Net book value as at 31 December 2019		1,974,805	13,860	2,813	70,255	11,870	2,073,603

Included in the additions of the Company's intangible assets during the financial year is borrowing costs capitalised of RM0.3 million (2019: RM0.2 million).

(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 (RM2,086.9 million based on 31 December 2020 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 ("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 and had not been impacted from Group's planned disposal of Verdant Bioscience Pte Ltd, as set out in Note 33(d)(ii)).

The impairment assessment is carried out on the goodwill allocated to NBPOL CGU of USD367 million (equivalent to RM1,481.4 million) (2019: USD367 million (equivalent to RM1,507.2 million)) and Minamas Group CGU of USD150 million (equivalent to RM605.5 million) (2019: USD150 million (equivalent to RM616.1 million)).

24. 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:

	GROUP	
	2020	2019
NBPOL CGU		
Projection period	A 36-year cash flow projection, based on the average remaining lease period of land in NBPOL	A 37-year cash flow projection, based on the average remaining lease period of land in NBPOL
FFB yields	22.9 to 29.5 MT per hectare ("ha")	24.7 to 30.7 MT per ha
CPO price	USD626 to USD892 per MT	USD581 to USD944 per MT
Discount rate	10.4% per annum	10.4% per annum
Minamas Group CGU		
Projection period	A 44-year cash flow projection, based on the average remaining lease period of land in Indonesia	A 45-year cash flow projection, based on the average remaining lease period of land in Indonesia
FFB yields	18.6 to 25.3 MT per ha	18.7 to 27.2 MT per ha
CPO price	USD500 to USD665 per MT	USD500 to USD718 per MT
Discount rate	9.5% per annum	9.8% per annum

The Group's impairment assessment of both CGUs as outlined above included a sensitivity analysis on the key assumptions used. 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 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 :

	Sensitivity	Value in use lower by RM'million
NBPOL CGU		
FFB yields	Lower by 1 MT per ha	403.7
CPO price	Lower by 5%	686.2
Discount rate	Higher by 50 basis points	359.2

The NBPOL CGU is sensitive to the changes in CPO price. A reduction in the CPO price by 5% would result in the value-in-use approximating the carrying amounts of the NBPOL CGU. Other than changes in CPO price, the management believes that no reasonable possible change in any of the other key assumptions used would result in the carrying amount of the NBPOL CGU to materially exceed the recoverable amounts.

	Sensitivity	Value in use lower by RM'million
Minamas CGU		
FFB yields	Lower by 1 MT per ha	761.3
CPO price	Lower by 5%	910.3
Discount rate	Higher by 50 basis points	420.6

Based on the results of the sensitivity analysis for Minamas Group CGU, there are no reasonably possible changes in any of the key assumptions used that would cause the carrying value of the Minamas Group CGU to materially exceed the recoverable amount.

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For The Financial Year Ended 31 December 2020

24. 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 RM1,974.8 million.

The Company evaluates the recoverable amounts of the goodwill as one CGU based on its value-in-use calculations using cash flow from approved financial budgets covering a 8 year (2019: 5 year) period inclusive of the terminal values.

	COMPANY	
	2020	2019
Discount rates (%)	**9**	9
CPO price (RM per MT)	**2,400 to 2,776**	2,200 to 2,675
FFB yields (MT per ha)	**22.9 to 29.5**	24.7 to 30.7

The assessment indicated that no impairment charge is required on the goodwill as the recoverable amounts exceed the carrying value of the CGUs' 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 amounts.

(ii) Smallholder relationships

The smallholder relationships arose from the acquisition of a controlling interest in 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, Synamatix Sdn Bhd for RM16.8 million. The Company 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.

25. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Unquoted shares				
At 1 January	**30,469**	29,294	**27,049**	25,749
Net changes in fair value	**(3,401)**	1,175	**(3,662)**	1,300
At 31 December	**27,068**	30,469	**23,387**	27,049

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.

26. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets	**620,867**	640,094	**–**	–
Deferred tax liabilities	**(2,622,961)**	(2,598,247)	**(786,738)**	(701,855)
	(2,002,094)	(1,958,153)	**(786,738)**	(701,855)

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	
	2020 RM'000	2019 RM'000
Unutilised tax losses		
– Expiring within 10 years*	**319,530**	1,522,416
Deductible temporary differences		
– No expiry period	**20,269**	20,354
	339,799	1,542,770

* Included previous year's unutilised tax losses related to discontinued operations of SDP Liberia of RM1.0 billion, that is no longer available to the Group upon disposal of SDP Liberia during the financial year.

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	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January		**(1,958,153)**	(2,144,879)	**(701,855)**	(710,406)
(Charged)/credited to profit or loss	12				
– property, plant and equipment		**(76,899)**	(27,194)	**(65,451)**	(3,120)
– biological assets		**(8,811)**	(12,214)	**(4,217)**	(2,102)
– right-of-use assets		**13,576**	8,641	**–**	–
– derivatives		**(36,481)**	39,227	**(24,901)**	26,867
– unutilised tax losses		**(24,148)**	136,965	**–**	–
– retirement benefits		**(9,094)**	4,815	**1,274**	(1,438)
– impairments and provisions		**12,369**	2,063	**8,297**	(11,354)
– others		**7,268**	20,432	**(2,568)**	–
		(122,220)	172,735	**(87,566)**	8,853
Credited/(charged) to other comprehensive income	16	**66,331**	2,386	**2,683**	(302)
Transfers to non-current assets held for sale	33	**(3,596)**	(6,150)	**–**	–
Exchange differences		**15,544**	17,755	**–**	–
At 31 December		**(2,002,094)**	(1,958,153)	**(786,738)**	(701,855)

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26. DEFERRED TAX (CONTINUED)

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets (before offsetting)					
– unutilised tax losses		**194,325**	221,656	**–**	–
– retirement benefits		**63,000**	66,540	**12,343**	10,635
– impairments and provisions		**62,703**	51,202	**17,012**	8,715
– derivatives		**59,636**	33,454	**1,038**	23,690
– property, plant and equipment	26(a)	**312,155**	386,235	**–**	–
– others		**10,323**	6,402	**–**	–
		702,142	765,489	**30,393**	43,040
Offsetting		**(81,275)**	(125,395)	**(30,393)**	(43,040)
Deferred tax assets (after offsetting)		**620,867**	640,094	**–**	–
Deferred tax liabilities (before offsetting)					
– property, plant and equipment		**(2,343,015)**	(2,348,364)	**(803,682)**	(738,231)
– biological assets		**(60,615)**	(52,167)	**(10,881)**	(6,664)
– intangible assets		**(117,680)**	(122,114)	**–**	–
– right-of-use assets		**(165,753)**	(181,381)	**–**	–
– derivatives		**(7,881)**	–	**–**	–
– others		**(9,292)**	(19,616)	**(2,568)**	–
		(2,704,236)	(2,723,642)	**(817,131)**	(744,895)
Offsetting		**81,275**	125,395	**30,393**	43,040
Deferred tax liabilities (after offsetting)		**(2,622,961)**	(2,598,247)	**(786,738)**	(701,855)

(a) The Ministry of Finance in Indonesia has issued a new 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. The deferred tax assets arising from the special tax incentive have been revised during the current financial year arising from the revision in the statutory tax rate in Indonesia as set out in Note 12, resulting in reduction in deferred tax assets by RM74.0 million.

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 RM1,098 million (2019: RM938 million) would have been payable.

27. TAX RECOVERABLE

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
Non-current					
Corporate income taxes recoverable	27(a)	**143,727**	177,250	**–**	–
Value added tax recoverable	27(b)	**112,779**	144,832	**–**	–
Other taxes recoverable		**8,137**	11,592	**–**	–
		264,643	333,674	**–**	–
Current					
Corporate income taxes recoverable	27(a)	**99,668**	149,419	**78,922**	50,821
Value added tax recoverable	27(b)	**114,845**	163,197	**–**	–
		214,513	312,616	**78,922**	50,821

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 IDR1,003 billion (RM290 million) (2019: IDR635 billion (RM187 million)) and paid tax assessments of IDR622 billion (RM180 million) (2019: IDR160 billion (RM47 million)).

(b) During the financial year, the Group has received Value Added Taxes ("VAT") refund of ID653 billion (RM189 million) (2019: IDR609 billion (RM180 million)) out of the approved VAT refund of IDR654 billion (RM189 million) (2019: IDR457 billion (RM135 million)).

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.

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28. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Advances for plasma plantation projects		**172,511**	179,579	**–**	–
Other receivables		**35,327**	–	**–**	–
		207,838	179,579		
Accumulated impairment losses:					
Advances for plasma plantation projects	48(a)(iii)	**(21,853)**	(23,838)	**–**	–
		185,985	155,741	**–**	–
Current					
Trade receivables		**1,470,752**	1,264,454	**208,956**	181,261
Other receivables		**499,293**	293,283	**12,929**	18,599
Goods and services tax/value added tax receivable		**140,496**	204,019	**6,326**	6,326
Prepayments		**120,926**	144,178	**6,175**	15,791
Deposits		**15,503**	16,626	**8,879**	8,683
Amounts due from associates		**967**	2,425	**158**	778
Amounts due from joint ventures		**53,460**	51,881	**41,974**	40,541
Interest receivable		**21,411**	29,302	**–**	–
		2,322,808	2,006,168	**285,397**	271,979
Accumulated impairment losses:					
Trade receivables	48(a)(iii)	**(28,186)**	(24,648)	**(1,146)**	(766)
Other receivables	48(a)(iii)	**(3,573)**	(3,081)	**(1,871)**	(2,692)
Amounts due from associates	48(a)(iii)	**–**	(618)	**–**	(618)
Amounts due from joint ventures	48(a)(iii)	**(44,567)**	(44,224)	**(40,160)**	(40,001)
		(76,326)	(72,571)	**(43,177)**	(44,077)
		2,246,482	1,933,597	**242,220**	227,902

Credit terms for trade receivables of the Group and of the Company ranges from 7 to 120 days (2019: 7 to 120 days).

Trade and other receivables pledged as security for borrowings is disclosed in Note 39(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 (2019: 30 days).

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 48(a)(i) and 48(a)(iii).

29. INVENTORIES

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Produce inventories:				
– palm oil products	**457,400**	429,144	**27,783**	20,383
– sugar stocks	**11,348**	5,526	**–**	–
– rubber	**3,795**	15,769	**3,795**	14,013
Trading inventories	**30,655**	6,505	**–**	–
Raw materials and consumable stores	**702,343**	699,403	**62,734**	40,711
Refined inventories:				
– work-in-progress	**208,800**	194,560	**41,282**	52,907
– finished goods	**155,057**	147,491	**5,685**	13,032
	1,569,398	1,498,398	**141,279**	141,046

Included in the inventories above are amounts of RM28.1 million of the Group (2019: RM24.1 million) and nil of the Company (2019: RM12.5 million) which are stated at net realisable value.

30. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Amount due from a subsidiary				
– interest bearing (non-trade)	**–**	–	**82,052**	59,768
Amount due to a subsidiary				
– interest bearing (non-trade)	**–**	–	**(494,475)**	(503,112)
Current				
Amounts due from subsidiaries				
– interest bearing (non-trade)	**–**	–	**255,229**	235,485
– non-interest bearing (non-trade)	**–**	–	**132,266**	111,015
– non-interest bearing (trade)	**–**	–	**39,562**	189,825
	–	–	**427,057**	536,325
Amounts due from related parties				
– non-interest bearing (trade)	**3,246**	2,158	**2,858**	3,226
Amounts due to subsidiaries				
– interest bearing (non-trade)	**–**	–	**(132,076)**	(12,807)
– non-interest bearing (trade)	**–**	–	**(1,000,403)**	(982,175)
	–	–	**(1,132,479)**	(994,982)
Amounts due to related parties				
– non-interest bearing (trade)	**(17,835)**	(6,989)	**(12,828)**	(6,027)

Interest rates per annum

	COMPANY	
	2020 %	2019 %
Non-current		
Amount due from a subsidiary	**3.12**	2.65 – 4.16
Amount due to a subsidiary	**2.90**	3.29
Current		
Amounts due from subsidiaries	**2.43 – 4.02**	4.02 – 4.45
Amounts due to subsidiaries	**2.28 – 3.88**	3.29

The amounts due (to)/from 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.

The Group's and the Company's currency exposure profile and concentration of credit risk are disclosed in Note 48(a)(i) and 48(a)(iii).

NOTES TO THE FINANCIAL STATEMENTS

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31. DERIVATIVES

The Group's and the Company's derivatives are as follows:

GROUP	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
2020			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	**709,833**	**5,509**	**(5,482)**
– interest rate swap contracts	**469,748**	**–**	**(7,273)**
– commodities futures contracts	**1,706,411**	**4,883**	**(219,117)**
	2,885,992	**10,392**	**(231,872)**
Non-hedging derivatives:			
– forward foreign exchange contracts	**581,170**	**9,810**	**(2,898)**
– commodities options and futures contracts	**24,794**	**280**	**(3,410)**
– commodities forward contracts	**420,131**	**47,108**	**(121,571)**
	1,026,095	**57,198**	**(127,879)**
	3,912,087	**67,590**	**(359,751)**
2019			
Current			
Cash flow hedges:			
– forward foreign exchange contracts	395,253	2,584	(405)
– interest rate swap contracts	797,785	232	–
	1,193,038	2,816	(405)
Non-hedging derivatives:			
– forward foreign exchange contracts	194,418	3,661	(3,616)
– commodities options and futures contracts	716,427	35,300	(136,341)
– commodities forward contracts	499,059	34,960	(102,551)
	1,409,904	73,921	(242,508)
	2,602,942	76,737	(242,913)

31. DERIVATIVES (CONTINUED)

The Group's and the Company's derivatives are as follows: (continued)

COMPANY	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
2020			
Current			
Cash flow hedges:			
– interest rate swap contracts	**469,748**	**–**	**(7,273)**
– forward foreign exchange contracts	**205,286**	**3,018**	**(116)**
	675,034	**3,018**	**(7,389)**
Non-hedging derivatives:			
– commodities futures contracts	**2,659**	**255**	**(208)**
	2,659	**255**	**(208)**
	677,693	**3,273**	**(7,597)**
2019			
Current			
Cash flow hedges:			
– interest rate swap contracts	797,785	232	–
– forward foreign exchange contracts	171,724	1,609	(36)
	969,509	1,841	(36)
Non-hedging derivatives:			
– commodities options and futures contracts	692,202	33,648	(134,161)
	692,202	33,648	(134,161)
	1,661,711	35,489	(134,197)

The Group and the Company have 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 (2019: 1 month to 6 months) and the Company's exposures ranging from 1 month to 6 months (2019: 1 month to 6 months).

The interest rate swap contracts require settlement of net interest receivable or payable every 6 months. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

These derivatives are entered into to hedge certain risks as described in Note 48(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
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31. 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:

	Within 1 year	
GROUP	2020 RM'000	2019 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**134,375**	79,487
– European Union Euro	**–**	146
– United Kingdom Pound	**11,565**	–
Forward contracts used to hedge receivables		
– United States Dollar	**191,288**	215,811
– European Union Euro	**4,053**	–
– United Kingdom Pound	**6,703**	–
Forward contracts used to hedge anticipated purchases		
– United States Dollar	**206,468**	–
Forward contracts used to hedge payables		
– United States Dollar	**155,381**	99,809
– European Union Euro	**–**	–
	709,833	395,253

	Within 1 year	
COMPANY	2020 RM'000	2019 RM'000
Forward contracts used to hedge anticipated sales		
– United States Dollar	**28,454**	–
Forward contracts used to hedge receivables		
– United States Dollar	**42,594**	–
Forward contracts used to hedge payables		
– United States Dollar	**134,238**	171,724
	205,286	171,724

(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:

	Within 1 year	
	2020 RM'000	2019 RM'000
GROUP		
Commodities futures contracts – buying	**56,179**	–
Commodities futures contracts – selling	**1,650,232**	–
	1,706,411	–

31. 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 2020	At 2019	At 2020	At 2019
Plain vanilla	17.08.2020 to 17.02.2021	1.89	1.44	**24,938**	–	**100,660**	–
Plain vanilla	17.08.2020 to 17.02.2021	1.84	1.44	**24,938**	–	**100,660**	–
Plain vanilla	17.08.2020 to 17.02.2021	1.75	1.44	**16,625**	–	**67,108**	–
Plain vanilla	17.08.2020 to 17.02.2021	1.78	1.44	**24,938**	–	**100,660**	–
Plain vanilla	17.08.2020 to 17.02.2021	1.78	1.44	**24,938**	–	**100,660**	–
Plain vanilla	19.08.2019 to 18.02.2020	1.89	3.11	**–**	41,625	**–**	170,954
Plain vanilla	19.08.2019 to 18.02.2020	1.84	3.11	**–**	41,625	**–**	170,954
Plain vanilla	19.08.2019 to 18.02.2020	1.75	3.11	**–**	27,750	**–**	113,969
Plain vanilla	19.08.2019 to 18.02.2020	1.78	3.11	**–**	41,625	**–**	170,954
Plain vanilla	19.08.2019 to 18.02.2020	1.78	3.11	**–**	41,625	**–**	170,954

The notional amount, fair value and maturity periods of the interest rate swap contracts are as follows:

	GROUP/COMPANY	
	2020 RM'000	2019 RM'000
Notional amount		
Maturity periods:		
– due not later than one year	**469,748**	797,785
Fair value (liabilities)/assets		
Maturity periods:		
– due not later than one year	**(7,273)**	232

32. BANK BALANCES, DEPOSITS AND CASH

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	**24,347**	76,389	**1,534**	52,833
Cash and bank balances	**284,682**	354,958	**47,681**	32,570
	309,029	431,347	**49,215**	85,403
Effective annual interest rates applicable during the financial year are as follows:				
	%	%	**%**	%
Deposits with licensed banks	**3.83**	3.77	**2.16**	3.02

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32. BANK BALANCES, DEPOSITS AND CASH (CONTINUED)

The maturity period for deposits with licensed banks of the Group and the Company range from 1 to 90 days (2019: 1 to 90 days) and 4 days (2019: 3 days) respectively.

Bank balances are non-interest bearing deposits held at call with banks.

The currency exposure profile is disclosed in Note 48(a)(i).

33. ASSETS AND LIABILITIES HELD FOR SALE

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets held for sale					
– property, plant and equipment	33(a)	**33,599**	65,946	**43,450**	68,966
– intangible assets	24	**–**	3,128	**–**	3,113
– right-of-use assets		**469**	–	**–**	
– joint ventures	33(b)	**157,870**	393,870	**157,870**	256,168
Disposal group held for sale					
– property, plant and equipment		**89,284**	34,668	**–**	–
– right-of-use assets		**1,261**	–	**–**	
– other assets		**40,667**	24,926	**–**	–
		323,150	522,538	**201,320**	328,247
Disposal group held for sale					
– liabilities		**(17,699)**	(35,735)	**–**	–
		305,451	486,803	**201,320**	328,247

(a) Proposed disposal of property, plant and equipment

As at 31 December 2020, 34 parcels of land totalling 1,299.7 hectares (2019: 12 parcels of land totalling 1,004 hectares) have been approved for disposal by the Board of Directors of the Company. During the current financial year, 8 parcels of land was disposed resulting in a gain of disposal of RM410.3 million and RM408.9 million (2019: nil) for the Group and the Company respectively.

The proposed land disposal are expected to be completed within the next 12 months subsequent to the financial year end. Subsequent to the financial year end as described in Note 52, the condition precedents of another 3 parcels of land have been fulfilled.

(b) Proposed divestment of joint ventures

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 and Emery Specialty Chemicals Sdn Bhd (collectively known as "Emery Group"). Consequently, the Group and the Company had classified its carrying amount of the joint ventures as non-current assets held for sale as at 31 December 2019 and the Group ceased equity accounting of its interest in Emery Group.

The disposal process was affected by the prolonged impact of COVID-19 on the global economy and movement restrictions imposed by various countries during the current financial year. As the BOD has reaffirmed its plan to dispose of the investment in Emery Group, the Group's and the Company's joint venture investment in Emery Group continues to be classified as non-current assets held for sale in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("MFRS 5"). The Group has an active plan to locate buyers to sell the respective Cash Generating Units ("CGU") of Emery Group and expects to complete the disposals within the next 12 months.

As at 31 December 2020, the carrying amount of Emery Group was estimated to be RM157.9 million based on its FVLCTS. The FVLCTS of Emery Group takes into consideration accepted valuation approaches, which includes amongst others based on Enterprise Value/EBITDA multiple and a proposal to purchase at market value for its respective CGUs. The key assumptions used in determining Enterprise Value/ EBITDA multiple comprise its forecasted EBITDA and enterprise values of comparable companies. Meanwhile, the proposal to purchase is being evaluated, to determine its market value relative to its current fair value.

As a result, the Group and the Company had recognised an impairment of RM236.0 million and RM98.3 million respectively in the current financial year for its investment in joint ventures.

The FVLCTS calculation are, however, subject to estimation uncertainties that may have a significant risk of changes resulting in additional impairment to be recognised.

33. ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

c) Proposed divestment of subsidiaries

On 16 April 2020, the Board of Directors approved a proposed divestment of the entire equity interest in PT Sedjahtera Indo Agro (formerly known as PT Sime Darby Plantation Indo Agro) ("PT SIA"), a subsidiary of the Group. The Group is actively seeking for potential buyers and the transaction is expected to be completed within the next 12 months subsequent to the financial year end.

(d) Completed divestment of subsidiaries

(i) Sime Darby Plantation Investment (Liberia) Private Limited, a wholly-owned subsidiary of the Group, had on 15 January 2020, completed the disposal of its entire 100% equity interest in Sime Darby Plantation (Liberia) Inc. ("SDP Liberia") to Mano Palm Oil Industries Limited ("MPOI") for a total cash consideration of USD1 plus an earn-out payment to be determined by the average future crude palm oil ("CPO") price and future CPO production of SDP Liberia. The earn-out consideration will be payable quarterly over a period of eight years, commencing from April 2023.

Details of the assets, liabilities and net cashflow arising from the disposal of the subsidiary are as follows:

	RM'000
Consideration received*	–
Less: Incidental cost of disposal	(23,853)
Consideration received, net of transaction costs	(23,853)
Receivables	702
Inventories	13,674
Bank	1,481
Payables	(420)
Net assets disposed	15,437
Loss on disposal of the subsidiary before reclassification of foreign currency translation reserve	(39,290)
Reclassification of foreign currency translation reserve	113,128
Gain on disposal of the subsidiary	73,838
Consideration received, net of transaction costs	(23,853)
Less: Cash and cash equivalent in a subsidiary	(1,481)
Net cash outflow from disposal of a subsidiary	(25,334)

* Total consideration received for the disposal of SDP Liberia amounts to USD 1.

(ii) Ultra Oleum Pte Ltd ("Ultra"), an indirect wholly-owned subsidiary of the Group had on 29 May 2020, completed the disposal of its entire 52% equity interest in Verdant Bioscience Pte Ltd ("VBS") and its subsidiary, PT Timbang Deli Indonesia to SIPEF and Ackermans & van Haaren NV ("AVH") for a total cash consideration of USD8.6 million (equivalent to approximately RM37.6 million).

Details of the assets, liabilities and net cash flow arising from the disposal of the subsidiary are as follows:

	RM'000
Consideration received	37,557
Property, plant and equipment	37,670
Right-of-use assets	16,141
Receivables	2,020
Inventories	851
Deferred tax assets	2,950
Cash and cash equivalents	1,283
Payables	(76,534)
Non-controlling interest	319
Net liabilities disposed	(15,300)
Gain on disposal of the subsidiary before reclassification of foreign currency translation reserve	52,857
Reclassification of foreign currency translation reserve	2,703
Gain on disposal of the subsidiaries	55,560
Consideration received, net of transaction costs	37,557
Less: Cash and cash equivalent in a subsidiary	(1,283)
Net cash inflow from disposal of a subsidiary	36,274

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33. ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(d) Completed divestment of subsidiaries (continued)

(iii) During the financial year, the Group has completed the disposal of the entire shareholding in PT Indo Sukses Lestari Makmur for a purchase consideration of RM1.4 million and a loss of RM0.2 million has been recognised in the consolidated profit and loss.

(iv) In November 2020, the Group has completed the disposal of its entire equity interest of 94.47% in PT Tamiyang Sumber Rezeki for a purchase consideration of USD1 and a loss of RM3.1 million has been recognised in the consolidated profit and loss.

(v) On 15 February 2019, the Board of Directors had completed the divestment of the entire 100% equity stake in PT Mitra Austral Sejahtera ("PT MAS"), a subsidiary of the Group. The disposal of the equity interest in PT MAS for a consideration of USD29.7 million (equivalent to approximately RM123.1 million) was completed on 25 June 2019.

Details of the assets, liabilities and net cashflow arising from the disposal of the subsidiary were as follows:

	RM'000
Property, plant and equipment	77,468
Rights–of–use assets	2,005
Advances for plasma plantation projects	12,952
Receivables	759
Prepayments	34
Inventories	3,614
Bank	796
Payables	(2,885)
Net assets disposed	94,743
Gain on disposal of a subsidiary	8,682
Consideration received, net of transaction costs	103,425
Less: Cash and cash equivalent in a subsidiary	(796)
Net cash inflow from disposal of a subsidiary	102,629

(e) The movements during the financial year relating to net assets held for sale are as follows:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January		**486,803**	103,542	**328,247**	14
Change in value of disposal group		**(37,612)**	(15,652)	**–**	–
Transfers from/(to):					
– property, plant and equipment	17	**117,900**	100,780	**37,215**	68,966
– right-of-use assets	20	**17,755**	–	**–**	–
– intangible assets	24	**–**	3,128	**–**	3,113
– investment property	18	**–**	8,377	**–**	–
– joint ventures		**–**	393,870	**–**	256,168
– inventories		**5,636**	14,174	**–**	–
– trade and other receivables		**7,780**	3,292	**–**	–
– biological assets	19	**556**	–	**–**	–
– tax recoverable		**21,820**	–	**–**	–
– deferred tax assets	26	**3,596**	6,150	**–**	–
– trade and other payables		**(8,672)**	(32,101)	**–**	–
– retirement benefits	38	**(6,862)**	–	**–**	–
– lease liabilities		**(14)**	–	**–**	–
– bank balances, deposits and cash		**–**	1,494	**–**	–
Disposals		**(64,311)**	(103,120)	**(65,844)**	(14)
Impairment on a joint venture	13, 6(e)	**(236,000)**	–	**(98,298)**	–
Exchange differences		**(2,924)**	2,869	**–**	–
At 31 December		**305,451**	486,803	**201,320**	328,247

34. SHARE CAPITAL

	GROUP/COMPANY			
	Number of shares		Amount	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Issued and fully paid ordinary shares with no par value:				
At 1 January	**6,884,575**	6,800,839	**1,506,119**	1,100,000
Shares Issue	**–**	83,736	**–**	406,119
At 31 December	**6,884,575**	6,884,575	**1,506,119**	1,506,119

The final single tier dividend and special final single tier dividend in respect of the financial year ended 30 June 2018 ("FYE June 2018 Final Dividend") of RM748.1 million was paid on 7 January 2019, RM406.1 million which was satisfied by the issuance of 83,735,906 new Sime Darby Plantation Berhad shares pursuant to the Company's Dividend Reinvestment Plan ("DRP") and cash of RM342.0 million.

35. 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
2020								
At 1 January 2020		**5,631**	**9,574**	**27,594**	**720,828**	**(17,696)**	**11,008,923**	**11,754,854**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**1,346,731**	**1,346,731**
Total other comprehensive (loss)/ income for the financial year	16	**(199,733)**	**–**	**(3,584)**	**(142,898)**	**–**	**20,154**	**(326,061)**
Disposal of subsidiaries		**–**	**–**	**–**	**(3,580)**	**–**	**–**	**(3,580)**
Transactions with equity holders:								
– dividends	15	**–**	**–**	**–**	**–**	**–**	**(345,605)**	**(345,605)**
– changes in ownership		**–**	**–**	**–**	**–**	**–**	**(3,668)**	**(3,668)**
Continuing operations		**(194,102)**	**9,574**	**24,010**	**574,350**	**(17,696)**	**12,026,535**	**12,422,671**
Discontinued operations	13	**–**	**–**	**–**	**(113,128)**	**–**	**(162,162)**	**(275,290)**
At 31 December 2020		**(194,102)**	**9,574**	**24,010**	**461,222**	**(17,696)**	**11,864,373**	**12,147,381**
2019								
At 1 January 2019		31,457	9,574	26,419	620,605	(17,696)	11,348,090	12,018,449
Profit for the financial year		–	–	–	–	–	121,633	121,633
Total other comprehensive (loss)/ income for the financial year	16	(25,826)	–	1,175	86,821	–	(10,567)	51,603
Transactions with equity holders:								
– dividends	15	–	–	–	–	–	(117,038)	(117,038)
Continuing operations		5,631	9,574	27,594	707,426	(17,696)	11,342,118	12,074,647
Discontinued operations	13	–	–	–	13,402	–	(333,195)	(319,793)
At 31 December 2019		5,631	9,574	27,594	720,828	(17,696)	11,008,923	11,754,854

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.

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35. RESERVES (CONTINUED)

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 48(a)(i).

COMPANY	Note	Investments at FVOCI reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
2020					
At 1 January 2020		**25,944**	**868**	**7,422,331**	**7,449,143**
Profit for the financial year		**–**	**–**	**619,685**	**619,685**
Total other comprehensive loss for the financial year	16	**(3,662)**	**(6,503)**	**(1,373)**	**(11,538)**
Transactions with equity holders:					
– dividends	15	**–**	**–**	**(345,605)**	**(345,605)**
At 31 December 2020		**22,282**	**(5,635)**	**7,695,038**	**7,711,685**
2019					
At 1 January 2019		24,644	18,858	7,925,213	7,968,715
Loss for the financial year		–	–	(385,844)	(385,844)
Total other comprehensive income/(loss) for the financial year	16	1,300	(17,990)	–	(16,690)
Transactions with equity holders:					
– dividends	15	–	–	(117,038)	(117,038)
At 31 December 2019		25,944	868	7,422,331	7,449,143

36. PERPETUAL SUKUK

	GROUP/COMPANY 2020 RM'000	GROUP/COMPANY 2019 RM'000
At 1 January	**2,231,398**	2,231,398
Profit attributable to Perpetual Sukuk holders	**124,641**	124,300
Distribution to Perpetual Sukuk holders	**(124,641)**	(124,300)
At 31 December	**2,231,398**	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 49 for the rating of 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 20(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.

36. PERPETUAL SUKUK (CONTINUED)

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: (continued)

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.

37. 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:

	Proportion of equity held by owners of non-controlling interests (%)		
Name of subsidiaries	**2020**	**2019**	**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**	11.40	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
– PT Indo Sukses Lestari Makmur	**–**	5.00	Indonesia
Subsidiaries of New Britain Palm Oil Limited:			
– PT Timbang Deli Indonesia	**–**	51.00	Indonesia
– Guadalcanal Plains Palm Oil Limited	**20.00**	20.00	Solomon Islands
– Verdant Bioscience Pte Ltd	**–**	48.00	Singapore
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.

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37. 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	Subsidiaries of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2020					
Revenue	**691,706**	**140,282**	**69,661**	**2,323,662**	**3,225,311**
Profit for the financial year	**121,407**	**83,842**	**13,131**	**56,630**	**275,010**
Other comprehensive loss	**(3,266)**	**–**	**(47)**	**(6,317)**	**(9,630)**
Total comprehensive income	**118,141**	**83,842**	**13,084**	**50,313**	**265,380**
Profit allocated to non-controlling interests	**43,926**	**3,393**	**3,286**	**2,747**	**53,352**
Dividends paid to non-controlling interests	**(26,654)**	**(5,815)**	**(52)**	**–**	**(32,521)**
2019					
Revenue	677,158	115,026	51,774	1,995,607	2,839,565
Profit for the financial year	88,199	(86,600)	1,493	63,583	66,675
Other comprehensive (loss)/income	(5,921)	(100)	–	24	(5,997)
Total comprehensive income/(loss)	82,278	(86,700)	1,493	63,607	60,678
Profit/(loss) allocated to non-controlling interests	20,898	396	(153)	7,811	28,952
Dividends paid to non-controlling interests	(57,963)	–	–	–	(57,963)

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	Subsidiaries of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000	Others RM'000	Total RM'000
2020					
Non-current assets	**1,110,503**	**174,466**	**234,523**	**561,767**	**2,081,259**
Current assets	**293,150**	**86,695**	**31,015**	**415,888**	**826,748**
Non-current liabilities	**(59,194)**	**(38,039)**	**(34,682)**	**(213,018)**	**(344,933)**
Current liabilities	**(309,046)**	**(18,866)**	**(40,407)**	**(199,956)**	**(568,275)**
Net assets	**1,035,413**	**204,256**	**190,449**	**564,681**	**1,994,799**
Non-controlling interests' share of net assets	**230,873**	**56,546**	**75,797**	**21,634**	**384,850**
2019					
Non-current assets	1,084,838	357,266	211,600	490,494	2,144,198
Current assets	307,556	142,570	11,620	708,664	1,170,410
Non-current liabilities	(46,391)	(108,067)	(30,899)	(188,349)	(373,706)
Current liabilities	(323,199)	(91,733)	(14,904)	(497,870)	(927,706)
Net assets	1,022,804	300,036	177,417	512,939	2,013,196
Non-controlling interests' share of net assets	217,382	59,874	72,576	18,519	368,351

37. 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	Subsidiaries of New Britain Palm Oil Limited RM'000	Wangsa Mujur Sdn. Bhd. (Group) RM'000
2020			
Cash flows from operating activities			
Cash generated from operations	**200,899**	**36,199**	**14,887**
Tax paid	**(18,605)**	**–**	**(57)**
Net cash from operating activities	**182,294**	**36,199**	**14,830**
Net cash used in investing activities	**(95,112)**	**(8,379)**	**(30,086)**
Net cash (used in)/generated from financing activities	**(86,317)**	**(807)**	**15,583**
Net increase in cash and cash equivalents	**865**	**27,013**	**327**
Exchange differences	**(913)**	**(559)**	**–**
Cash and cash equivalents at beginning of the financial year	**35,189**	**6,080**	**364**
Cash and cash equivalents at end of the financial year	**35,141**	**32,534**	**691**
2019			
Cash flows from operating activities			
Cash generated from operations	165,635	4,203	30,906
Tax (paid)/refunded	(20,078)	1,226	(245)
Net cash from operating activities	145,557	5,429	30,661
Net cash generated from /(used in) investing activities	1,253	(25,665)	(30,950)
Net cash (used in)/generated from financing activities	(172,356)	20,876	–
Net (decrease)/increase in cash and cash equivalents	(25,546)	640	(289)
Exchange differences	1,816	(191)	–
Cash and cash equivalents at beginning of the financial year	58,919	5,631	653
Cash and cash equivalents at end of the financial year	35,189	6,080	364

38. 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 subsidiary 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 3 February 2021, respectively.

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38. RETIREMENT BENEFITS (CONTINUED)

The movements during the financial year in the amounts recognised in the statements of financial position are as follows:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current liabilities					
At 1 January		**259,736**	229,809	**50,699**	50,306
Charge for the financial year	6(d)	**35,401**	41,805	**6,620**	7,622
Actuarial loss recognised in other comprehensive income	16	**29,665**	15,257	**1,807**	–
Contributions and benefits paid		**(32,391)**	(25,242)	**(7,698)**	(7,229)
Transfers to current retirement benefits		**(3,384)**	(7,188)	**–**	–
Transfer to non-current assets held for sale	33	**(6,862)**	–	**–**	–
Disposal of subsidiary		**(64)**	–	**–**	–
Exchange differences		**(4,721)**	5,295	**–**	–
At 31 December		**277,380**	259,736	**51,428**	50,699
Current liabilities					
At 1 January		**15,189**	7,784	**–**	–
Transfers from non-current retirement benefits		**3,384**	7,188	**–**	–
Exchange differences		**(702)**	217	**–**	–
At 31 December		**17,871**	15,189	**–**	–
Current assets					
At 1 January		**–**	–	**–**	–
Actuarial gain recognised in other comprehensive income	16	**42,339**	–	**–**	–
Exchange differences		**1,547**	–	**–**	–
At 31 December		**43,886**	–	**–**	–

The amounts recognised on the statements of financial position are determined as follows:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Present value of funded obligations	38(a)	**213,568**	193,271	**–**	–
Fair value of plan assets	38(b)	**(501,363)**	(454,175)	**–**	–
		(287,795)	(260,904)	**–**	–
Present value of unfunded obligations	38(a)	**539,160**	535,829	**51,428**	50,699
Net liabilities		**251,365**	274,925	**51,428**	50,699

The expenses recognised in statements of profit or loss are analysed as follows:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current service cost		**17,445**	17,706	**3,009**	2,925
Past service cost		**109**	–	**88**	–
Interest cost		**19,829**	23,199	**2,056**	2,309
Expected return on plan assets		**(4,672)**	(7,637)	**–**	–
Contracted gratuity		**2,760**	9,613	**1,467**	2,388
Curtailment		**(70)**	(1,076)	**–**	–
Total included in employee costs	6(d)	**35,401**	41,805	**6,620**	7,622

38. RETIREMENT BENEFITS (CONTINUED)

The expenses recognised in statements of profit or loss are analysed as follows: (continued)

(a) Changes in the present value of defined benefit (funded and unfunded) obligations

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January		**729,100**	653,244	**50,699**	50,306
Current service cost		**17,445**	17,706	**3,009**	2,925
Past service cost		**109**	–	**88**	–
Interest cost		**19,829**	23,199	**2,056**	2,309
Contracted gratuity		**2,760**	9,613	**1,467**	2,388
Curtailment		**(70)**	(1,076)	**–**	–
Benefits paid		**(42,337)**	(33,979)	**(7,698)**	(7,229)
Actuarial losses recognised in other comprehensive income		**3,886**	69,089	**1,807**	–
Transfer to non-current assets held for sale	33	**(6,862)**	–	**–**	–
Exchange differences		**28,868**	(8,696)	**–**	–
At 31 December		**752,728**	729,100	**51,428**	50,699

(b) Changes in the fair value of plan assets

	GROUP	
	2020 RM'000	2019 RM'000
At 1 January	**454,175**	415,651
Expected return on plan assets	**4,672**	7,637
Actuarial gains due to actual experience	**16,560**	53,832
Benefits paid	**(9,946)**	(8,737)
Exchange differences	**35,902**	(14,208)
At 31 December	**501,363**	454,175

The range of principal assumptions used in respect of the Group's and the Company's defined benefit plans are as follows:

	GROUP	
	2020 %	2019 %
Expected return on plan assets (per annum)	**0.9 – 7.7**	2.0 – 8.3
Discount rates (per annum)	**0.4 – 7.0**	1.9 – 8.3
Expected rate of salary increases (per annum)	**2.0 – 6.5**	1.5 – 6.5

	COMPANY	
	2020 %	2019 %
Discount rates (per annum)	**4.0**	5.2
Expected rate of salary increases (per annum)	**6.0**	6.0

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39. BORROWINGS

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Unsecured				
– term loans	**1,856,692**	2,709,767	**1,724,833**	2,466,226
– revolving credits-i	**1,572,218**	1,601,730	**1,572,218**	1,601,730
– bonds	**495,662**	459,738	**–**	–
– multi-currency Sukuk	**494,475**	503,112	**–**	–
– unamortised deferred financing expenses	**(22,130)**	(18,963)	**(19,010)**	(16,118)
	4,396,917	5,255,384	**3,278,041**	4,051,838
Current				
Secured				
– trade facilities	**16,415**	2	**–**	–
Unsecured				
– term loans	**798,451**	957,023	**702,920**	693,056
– revolving credits	**1,470,420**	1,532,518	**1,219,528**	1,054,556
	2,285,286	2,489,543	**1,922,448**	1,747,612
Total borrowings	**6,682,203**	7,744,927	**5,200,489**	5,799,450

In prior financial year, a subsidiary did not meet its loan covenant obligations. As a result, RM132.0 million had been reclassified from non-current to current liabilities as at 31 December 2019. During the current financial year, the subsidiary received an unconditional waiver from the financial institution.

The currency exposure profile is disclosed in Note 48(a)(i).

The breakdown of the unamortised deferred financing expenses is as follows:

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January		**18,963**	19,924	**16,118**	17,249
Drawdown during the financial year		**11,775**	10,644	**9,988**	10,437
Amortisation/acceleration of amortisation	10	**(8,608)**	(11,605)	**(7,096)**	(11,568)
At 31 December		**22,130**	18,963	**19,010**	16,118

39. 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. 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.

iii 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.

iv. USD35 million 5-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 16 March 2020.

v. USD35 million 3-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 23 March 2020.

vi. USD60 million 5-year unsecured term loan repayable monthly commencing from first drawdown date of 23 August 2018.

vii. USD500 million 7-year unsecured multi-currency term loan repayable over eight semi-annual instalments of 11.125%, commencing 36 months from the first drawdown date of 17 February 2015 and one final payment of 11% on the final maturity date.

The term loans which have been repaid during the financial year include the following:

i. THB432.5 million 10-year unsecured term loan repayable in equal quarterly instalments commencing from the first repayment date of 1 March 2017 was repaid in full on 28 February 2020.

(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. Facility limit of USD30 million (2019: IDR 1 trillion) or its equivalent in other currency with availability period within 12 months from the signing date. The loan agreement has been renewed several times.

iii. Facility limit of USD40 million or its equivalent in other currency with availability period within 12 months from the signing date. The loan agreement has been renewed several times.

iv. RM350 million multi-currency revolving credit facility with availability period of up to one year with annual extension subject to annual review by the bank.

v. RM190 million 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 uncommitted 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 (2019: USD 40 million) uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

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39. BORROWINGS (CONTINUED)

(b) Revolving credits (continued)

The revolving credits include the following: (continued)

viii. USD18 million uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

ix. USD35 million uncommitted short-term revolving loans facility for a period up to one year and automatically extended for a continuous one year period after each expiry date.

x. RM700 million multi-currency revolving credit facility, with first drawdown 16 August 2018. Facility has a maximum tenure of 5 years.

xi. USD160 million (2019: USD100 million) multi-currency revolving time loan facility with first drawdown date 2 July 2018. Tenure is up to a maximum of 6 month, as may be agreed by the bank from time to time.

xii. USD60 million multi-currency revolving credit facility for advances of 1 week, 1 month, 3 months or 6 months tenor, or any other period agreeable to the bank commencing from the effective date of 12 January 2015.

(c) Multi-currency Sukuk

Details of the Sukuk Programme that remains outstanding are as follows:

		Nominal value				
Date of issuance	Tenure (month)	At 2019 RM'000	At 2020 RM'000	At 2020 USD'000	Periodic distribution (per annum)	Maturity date
29.01.2013	120	503,112	494,475	122,501	3.29%	29.01.2023

See Note 49 for the ratings of the Sukuk Programme.

(d) Bonds

The N-bonds amounting to EUR100 million shall be repayable at a nominal amount on 12 August 2030.

(e) Other borrowings

For other borrowings, the factoring agreement is entered into with maximum limit of EUR75 million with 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 RM16.4 million (2019: RM1,575) are secured by fixed charge on trade receivables of the Group of an equivalent amount.

39. BORROWINGS (CONTINUED)

(f) Other information

(i) The average annual effective interest rates by currency profile of the borrowings are as follows:

	GROUP 2020 %	GROUP 2019 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**3.03**	4.51 – 4.55
– United States Dollar	**0.99 – 3.59**	2.68 – 3.85
– Thailand Baht	**3.36**	3.34
Revolving credits		
– Ringgit Malaysia	**2.39 – 3.50**	3.60 – 3.93
– United States Dollar	**0.53 – 3.10**	2.28 – 3.88
– European Union Euro	**–**	0.50
Trade facilities		
– European Union Euro	**0.60**	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 2020 %	COMPANY 2019 %
Floating interest rates		
Term loans		
– Ringgit Malaysia	**3.03**	4.51 – 4.55
– United States Dollar	**1.97 – 2.34**	3.01 – 3.55
Revolving credits		
– Ringgit Malaysia	**2.39 – 3.50**	3.60 – 3.93
– United States Dollar	**0.53 – 2.46**	2.28 – 3.86

(ii) The maturity periods of borrowings are as follows:

	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
Not later than 1 year	**2,285,286**	2,489,543	**1,922,448**	1,747,612
Later than 1 year but not later than 2 years	**875,833**	790,651	**797,009**	705,781
Later than 2 years but not later than 5 years	**3,025,422**	3,495,236	**2,481,032**	3,346,057
More than 5 years	**495,662**	969,497	**–**	–
	6,682,203	7,744,927	**5,200,489**	5,799,450

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.

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40. DEFERRED INCOME

	GROUP	
	2020 RM'000	2019 RM'000
Non-current		
Government grant	**67**	207

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.

41. CONTRACT LIABILITIES

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Deferred freight income	**28,087**	13,071	**–**	7

Significant changes of the deferred freight income during the financial year are as follows:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue recognised that was deferred from previous financial period/year	**13,071**	28,536	**7**	42
Consideration received for freight services that are partially or fully unsatisfied at the end of the financial year	**28,087**	13,071	**–**	7

42. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Other payables		**79,883**	76,774	**–**	–
Financial guarantee contracts	42(a)	**851**	627	**46,773**	58,071
		80,734	77,401	**46,773**	58,071
Current					
Trade payables		**609,190**	528,685	**121,265**	80,695
Accruals		**235,585**	364,614	**57,900**	62,003
Other payables		**302,772**	263,812	**95,585**	160,612
Employee related payables		**362,602**	154,204	**115,895**	59,478
Interest payable		**36,633**	43,542	**7,076**	17,023
Goods and services tax/value added tax payable		**7,637**	5,145	**–**	–
Financial guarantee contracts	42(a)	**607**	610	**6,103**	7,322
		1,555,026	1,360,612	**403,824**	387,133

Credit terms for trade payables of the Group and of the Company range from 1 to 90 days (2019: 1 to 90 days).

42. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Guarantees in respect of credit facilities granted to:				
– joint ventures	**4,702**	5,717	**4,702**	5,717
– subsidiaries	**–**	–	**680,088**	874,730
– plasma stakeholders	**54,527**	46,846	**–**	–

43. 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.

Management separately evaluates the performance of the upstream segment by geographical locations. Although the Upstream Liberia segment does not meet the quantitative threshold as a reportable segment, the segment remains closely monitored by the PLC up to the date of disposal, as disclosed in Note 33(d)(i).

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.

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, 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, sales of oleochemical products, 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.

43. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results

		Continuing operations								
	Note	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	Discontinued operations RM'000	Total RM'000
2020										
Segment revenue										
External		576,643	803,810	802,301	10,838,982	59,392	–	13,081,128	–	13,081,128
Inter-segment		2,818,124	1,026,730	926,425	165,709	208,969	(5,145,957)	–	–	–
		3,394,767	1,830,540	1,728,726	11,004,691	268,361	(5,145,957)	13,081,128	–	13,081,128
Segment results										
Operating profit/(loss)		1,088,460	453,851	143,600	385,755	13,715	–	2,085,381	(162,162)	1,923,219
Share of results of joint ventures and associates		–	–	–	–	3,993	–	3,993	–	3,993
Profit/(loss) before interest and tax		1,088,460	453,851	143,600	385,755	17,708	–	2,089,374	(162,162)	1,927,212
Finance income		2,692	11,218	9	2,895	480	–	17,294	–	17,294
Finance costs		(73,134)	–	–	(12,295)	(30,989)	–	(116,418)	–	(116,418)
Profit/(loss) before tax		1,018,018	465,069	143,609	376,355	(12,801)	–	1,990,250	(162,162)	1,828,088
Tax (expense)/credit		(182,104)	(194,245)	(55,458)	(34,675)	956	–	(465,526)	–	(465,526)
Profit/(loss) for the financial year		835,914	270,824	88,151	341,680	(11,845)	–	1,524,724	(162,162)	1,362,562
Included in the operating (profit)/loss are:										
Depreciation and amortisation	6(a)	370,965	234,046	486,275	112,287	20,974	–	1,224,547	–	1,224,547
Impairment losses of property, plant and equipment, advances for plasma plantation projects, trade and other receivable and amounts due from joint ventures	6(e), 13(b)	17,512	5,668	580	3,147	–	–	26,907	236,000	262,907
Write off of property, plant and equipment	6(e)	9,500	10,108	4	666	89	–	20,367	–	20,367
(Gains)/losses on disposals of property, plant and equipment and non-current assets held for sale (net)	6(e), 7	(416,339)	2,285	(51,092)	(140)	–	–	(465,286)	(73,838)	(539,124)

43. SEGMENT INFORMATION – GROUP (CONTINUED)

(a) Segment results (continued)

		Continuing operations								
	Note	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	Discontinued operations RM'000	Total RM'000
2019										
Segment revenue										
External		793,364	865,114	836,742	9,512,374	54,672	–	12,062,266	51,790	12,114,056
Inter-segment		2,275,669	833,804	439,067	81,699	288,437	(3,918,676)	–	–	–
		3,069,033	1,698,918	1,275,809	9,594,073	343,109	(3,918,676)	12,062,266	51,790	12,114,056
Segment results										
Operating profit/(loss)		155,246	196,202	(239,075)	283,850	8,009	–	404,232	(325,854)	78,378
Share of results of joint ventures and associates		–	–	–	–	1,654	–	1,654	4,061	5,715
Profit/(loss) before interest and tax		155,246	196,202	(239,075)	283,850	9,663	–	405,886	(321,793)	84,093
Finance income		1,988	6,858	–	3,525	604	–	12,975	–	12,975
Finance costs		(127,115)	–	–	(10,099)	(30,331)	–	(167,545)	–	(167,545)
Profit/(loss) before tax		30,119	203,060	(239,075)	277,276	(20,064)	–	251,316	(321,793)	(70,477)
Tax credit/(expense)		5,047	2,744	70,362	(27,941)	(26,643)	–	23,569	–	23,569
Profit/(loss) for the financial year		35,166	205,804	(168,713)	249,335	(46,707)	–	274,885	(321,793)	(46,908)
Included in the operating profit/(loss) are:										
Depreciation and amortisation	6(a), 13(b)	372,481	229,020	470,036	114,361	20,115	–	1,206,013	19,726	1,225,739
Impairment losses of property, plant and equipment, right-of-use assets, trade and other receivables, advances for plasma plantation projects and joint venture	6(e), 13(b)	27,501	3,545	2	9,776	19,610	–	60,434	243,610	304,044
Reversal of impairment losses of trade and other receivables and advances for plasma plantation projects	7	(3)	(2,130)	(1,086)	(17,206)	(14)	–	(20,439)	–	(20,439)
Gains on disposals of property, plant and equipment and non-current assets held for sale	7	(58,716)	(11,926)	(911)	(8,586)	–	–	(80,139)	–	(80,139)

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43. SEGMENT INFORMATION – GROUP (CONTINUED)

(b) Segment assets and liabilities and additions to non-current assets

	Continuing operations								
	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	Discontinued operations RM'000	Total RM'000
2020									
Segment assets									
Operating assets	**9,457,579**	**4,879,932**	**7,525,724**	**4,732,070**	**224,891**	**–**	**26,820,196**	**–**	**26,820,196**
Joint ventures and associates	**–**	**–**	**–**	**–**	**77,282**	**–**	**77,282**	**–**	**77,282**
Non-current assets held for sale	**31,544**	**131,212**	**–**	**–**	**2,524**	**–**	**165,280**	**157,870**	**323,150**
	9,489,123	**5,011,144**	**7,525,724**	**4,732,070**	**304,697**	**–**	**27,062,758**	**157,870**	**27,220,628**
Segment liabilities									
Liabilities	**634,347**	**652,887**	**53,246**	**923,323**	**72,948**	**–**	**2,336,751**	**–**	**2,336,751**
Liabilities directly associated with non-current assets held for sale	**–**	**17,699**	**–**	**–**	**–**	**–**	**17,699**	**–**	**17,699**
	634,347	**670,586**	**53,246**	**923,323**	**72,948**	**–**	**2,354,450**	**–**	**2,354,450**
Additions to non-current assets are as follows:									
Capital expenditure	**600,959**	**509,401**	**167,445**	**176,818**	**16,661**	**–**	**1,471,284**	**–**	**1,471,284**
2019									
Segment assets									
Operating assets	9,400,590	4,860,256	7,877,568	4,263,085	223,394	–	26,624,893	–	26,624,893
Joint ventures and associates	–	–	–	–	73,907	–	73,907	–	73,907
Non-current assets held for sale	69,059	–	43,909	–	–	–	112,968	409,570	522,538
	9,469,649	4,860,256	7,921,477	4,263,085	297,301	–	26,811,768	409,570	27,221,338
Segment liabilities									
Liabilities	660,775	287,839	81,657	878,896	66,951	–	1,976,118	–	1,976,118
Liabilities directly associated with non-current assets held for sale	–	3,507	31,804	–	–	–	35,311	424	35,735
	660,775	291,346	113,461	878,896	66,951	–	2,011,429	424	2,011,853
Additions to non-current assets are as follows:									
Capital expenditure	681,517	603,562	230,640	244,406	23,552	–	1,783,677	–	1,783,677

43. SEGMENT INFORMATION – GROUP (CONTINUED)

b) Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	2020 RM'000	2019 RM'000
Property, plant and equipment	**1,411,072**	1,734,427
Right-of-use assets	**33,560**	42,615
Intangible assets other than goodwill	**26,652**	6,635
	1,471,284	1,783,677

Reconciliations of segment assets and liabilities to total assets and total liabilities are as follows:

	2020 RM'000	2019 RM'000
Assets:		
Segment total	**27,220,628**	27,221,338
Tax assets	**1,100,023**	1,286,384
	28,320,651	28,507,722
Liabilities:		
Segment total	**2,354,450**	2,011,853
Tax liabilities	**2,824,498**	2,702,945
Borrowings	**6,682,203**	7,744,927
Lease liabilities	**189,752**	187,275
	12,050,903	12,647,000

c) Segment by geography

Revenue by location of customers is analysed as follows:

	GROUP	
	2020 RM'000	2019 RM'000
Malaysia	**3,316,943**	3,045,208
Europe	**3,119,469**	2,547,424
India	**1,939,680**	1,967,517
Indonesia	**875,314**	954,724
Thailand	**1,372,433**	1,059,900
Other countries in South East Asia	**176,710**	107,648
South Africa	**507,854**	541,545
Papua New Guinea and Solomon Islands	**349,276**	283,021
China	**380,690**	545,415
Other countries (which are individually insignificant)	**1,042,759**	1,009,864
	13,081,128	12,062,266

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43. 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	
	2020 RM'000	2019 RM'000
Malaysia	**11,933,935**	11,807,354
Indonesia	**4,018,903**	3,971,981
Papua New Guinea and Solomon Islands	**5,333,645**	5,739,975
Thailand	**287,946**	289,151
China	**27,201**	27,052
Europe	**604,844**	533,594
Singapore	**1,426**	–
South Africa	**12,486**	12,482
	22,220,386	22,381,589

Reconciliations of non-current assets, other than financial instruments and tax assets to the total non-current assets are as follows:

	GROUP	
	2020 RM'000	2019 RM'000
Non-current assets other than financial instruments and tax assets	**22,220,386**	22,381,589
Investments at FVOCI	**27,068**	30,469
Deferred tax assets	**620,867**	640,094
Tax recoverable	**264,643**	333,674
Receivables	**185,985**	155,741
	23,318,949	23,541,567

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.

44. CONTINGENT LIABILITIES

Other than those disclosed in Note 46, there are no significant contingent liabilities as at the financial year end.

45. COMMITMENTS

(a) Capital commitments

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Authorised capital expenditure not provided for in the financial statements:				
Contracted				
– property, plant and equipment	**209,581**	330,994	**55,097**	88,190
Not contracted				
– bearer plants	**732,000**	768,000	**230,193**	264,526
– property, plant and equipment	**101,739**	175,444	**80,535**	104,833
	1,043,320	1,274,438	**365,825**	457,549

(b) Plasma plantation

The Group is committed to develop a total of 53,449 (2019: 53,381) hectares of oil palm plantation for plasma farmers in Indonesia. A total of 44,032 (2019: 43,558) hectares have been developed of which approximately 37,106 (2019: 37,054) hectares have been transferred/handed over to plasma farmers.

46. MATERIAL LITIGATION

Material litigation against the Group are as follows:

(a) New Britain Palm Oil Limited ("NBPOL") vs. Masile Incorporated Land Group ("Masile"), Rikau Incorporated Land Group ("Rikau") & 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 will lodge 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. The parties had 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 was a copy, NBPOL is therefore 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 RM57.5 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.

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46. MATERIAL LITIGATION (CONTINUED)

Material litigation 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 RM71.0 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM39.4 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM71.8 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM143.7 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM286.4 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. As at the reporting date, parties are awaiting the official decision of the Jakarta Selatan Judicial Review by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review Decision. As at the reporting date, the matter is still before the Supreme Court.

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of the Company, 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). One of the 9 cargo owners is SDOZR. The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 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 2 lawsuits are still pending:

(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 RM29.7 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 RM46.1 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.9 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 this judgment however at present, the time limit of 60 days to file an appeal from the date of service of judgment has been suspended due to COVID-19 restrictions in Greece. 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 RM10.4 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.

47. 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 and balances:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Transactions with joint ventures				
(i) Sale of goods and tolling services				
– Emery Oleochemicals (M) Sdn Bhd	**30,823**	50,917	**30,823**	50,390
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**28,842**	33,758	**–**	14
(b) Transactions with associates				
(i) Purchase of palm oil				
– Thai Eastern Trat Co., Ltd.	**51,169**	36,904	**–**	–
(c) Transactions with subsidiaries				
(i) Sales of goods				
– Sime Darby Oils Trading (Labuan) Limited	**–**	–	**481,610**	941,320
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**442,229**	–
– Sime Darby Oils Biodiesel Sdn Bhd	**–**	–	**127,342**	152,226
– Sime Darby Oils Professional Sdn Bhd	**–**	–	**102,296**	74,597
– Sime Darby Oils Pasir Gudang Sdn Bhd	**–**	–	**52,086**	72,480
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**48,075**	43,282
– Sime Darby Oils South Africa (Pty) Ltd.	**–**	–	**13,923**	14,558
(ii) Research expenses				
– Sime Darby Plantation Technology Centre Sdn Bhd	**–**	–	**21,268**	27,745
– Sime Darby Plantation Research Sdn Bhd	**–**	–	**55,473**	58,568
(iii) Commission on purchase of FFB and sale of palm products				
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**35,878**	33,805
(iv) Management fees income				
– Sime Darby Plantation (Sabah) Sdn Bhd	**–**	–	**13,727**	13,688
(v) Interest income/(expenses)				
– Guthrie Industries Malaysia Sendirian Berhad	**–**	–	**11,519**	1,357
– Sime Darby Plantation Global Berhad	**–**	–	**(16,960)**	(16,669)
(vi) Purchases of goods				
– The China Engineers (Malaysia) Sdn Bhd	**–**	–	**161,728**	57,043
– Sime Darby Plantation Agri–Bio Sdn Bhd	**–**	–	**63,121**	106,593
– Sime Darby Oils Bintulu Sdn Bhd	**–**	–	**151,749**	26,792
– Sime Darby Oils Trading Sdn Bhd	**–**	–	**390,511**	–
(vii) Dividend income				
– Sime Darby Oils Trading (Labuan) Ltd	**–**	–	**43,678**	–

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47. 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 and balances: (continued)

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(c) Transactions with subsidiaries (continued)				
(viii) Capital contribution to subsidiaries/(repayment of capital contribution)				
– Sime Darby Plantation (Liberia) Inc.	**–**	–	**19,319**	63,081
– Sime Darby Oils Zwijndrecht Refinery B.V.	**–**	–	**–**	(161,653)
(ix) Advances from a subsidiary				
– New Britain Plantation Services Pte. Ltd.	**–**	–	**119,256**	–
(x) Advances to a subsidiary				
– Sime Darby Oils Trading (Labuan) Limited	**–**	–	**–**	41,945
(xi) Repayment of advances to a subsidiary				
– Sime Darby Oils Trading (Labuan) Limited	**–**	–	**–**	77,333
(xii) Acquisition of a subsidiary				
– Sime Darby Oils Singapore Limited	**–**	–	**–**	44,645
(xiii) Disposal of a subsidiary				
– Sime Darby Oils International Limited	**–**	–	**50,207**	7,074

(d) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.95% as at 31 December 2020 (2019: 56.49%) 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.

Transactions entered into during the financial year include the following:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Transactions with related parties				
(i) Purchase of heavy equipment, spare parts and services				
– Sime Darby Industrial Sdn Bhd	**15,382**	24,633	**4,202**	6,385
(ii) Foreign currency payment arrangement				
– Hastings Deering (PNG) Limited	**111,165**	124,225	**–**	–
Transactions with associate				
(i) Corporate social responsibility donation paid				
– Yayasan Sime Darby	**26,000**	20,000	**8,134**	2,800

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.

47. 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 and balances: (continued)

(e) Remuneration of key management personnel

	GROUP/COMPANY	
	2020 RM'000	2019 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	**26,525**	21,380
– Defined contribution pension plans	**2,923**	1,843
– Estimated monetary value of benefits by way of usage of the Group's and the Company's assets	**343**	532
	29,791	23,755

Key management personnel comprise of Director 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.

(f) The outstanding balances with related companies within the PNB Group are shown in Note 30. The significant outstanding balances with other related parties are as follows:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial guarantees in respect of credit facilities				
– Sime Darby Oils Nonthaburi Co., Ltd	**–**	–	**–**	38,027
– Sime Darby Oils Netherlands B.V	**–**	–	**639,404**	645,202
– New Britain Palm Oil Limited	**–**	–	**40,684**	191,501

All outstanding balances are unsecured and repayable within the normal credit periods.

NOTES TO THE FINANCIAL STATEMENTS
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48. 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 USD1,160.0 million (equivalent to RM4,764.1 million) (2019: USD1,271.3 million (equivalent to RM5,280.8 million)) are designated as a natural hedge against the net investment. The unrealised foreign currencies exchange gains of RM56.7 million (2019: unrealised foreign currencies exchange losses of RM145.9 million) in relation to the net investment hedge was adjusted to other comprehensive income. There was no ineffectiveness to be recorded from net investment in NBPOL group hedge.

48. 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
2020					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**27,068**	**27,068**
Trade and other receivables (net)					
– non-current	**–**	**–**	**–**	**185,985**	**185,985**
– current	**273,700**	**1,245**	**152,701**	**1,557,414**	**1,985,060**
Bank balances, deposits and cash	**38,774**	**29,180**	**53,942**	**187,133**	**309,029**
Amounts due from related parties	**–**	**–**	**–**	**3,246**	**3,246**
Derivatives assets	**63,219**	**36**	**–**	**4,335**	**67,590**
Long-term borrowings	**(2,908,903)**	**–**	**–**	**(1,488,014)**	**(4,396,917)**
Short-term borrowings	**(1,684,339)**	**–**	**–**	**(600,947)**	**(2,285,286)**
Lease liabilities					
– non-current	**–**	**–**	**(81,084)**	**(82,717)**	**(163,801)**
– current	**–**	**–**	**(7,965)**	**(17,986)**	**(25,951)**
Amounts due to related parties	**–**	**–**	**–**	**(17,835)**	**(17,835)**
Trade and other payables					
– non-current	**(61,406)**	**–**	**–**	**(19,328)**	**(80,734)**
– current	**(31,125)**	**(9,583)**	**(280,062)**	**(864,017)**	**(1,184,787)**
Derivatives liabilities	**(136,787)**	**(87)**	**(350)**	**(222,527)**	**(359,751)**
	(4,446,867)	**20,791**	**(162,818)**	**(1,348,190)**	**(5,937,084)**
2019					
Investments at FVOCI					
– non-current	–	–	–	30,469	30,469
Trade and other receivables (net)					
– non-current	–	–	–	155,741	155,741
– current	192,965	503	165,505	1,226,427	1,585,400
Bank balances, deposits and cash	61,456	26,512	17,892	325,487	431,347
Amounts due from related parties	–	–	–	2,158	2,158
Derivatives assets	6,377	101	–	70,259	76,737
Long-term borrowings	(4,262,646)	–	–	(992,738)	(5,255,384)
Short-term borrowings	(1,802,993)	–	–	(686,550)	(2,489,543)
Lease liabilities					
– non-current	–	–	(113,672)	(48,440)	(162,112)
– current	–	–	(11,772)	(13,391)	(25,163)
Amounts due to related parties	–	–	–	(6,989)	(6,989)
Trade and other payables					
– non-current	(64,778)	–	–	(12,623)	(77,401)
– current	(24,087)	(2,913)	(96,798)	(1,077,465)	(1,201,263)
Derivatives liabilities	(3,851)	(171)	–	(238,891)	(242,913)
	(5,897,557)	24,032	(38,845)	(1,266,546)	(7,178,916)

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48. 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
2020					
Investments at FVOCI					
– non-current	**–**	**–**	**–**	**23,387**	**23,387**
Trade and other receivables (net)	**42,594**	**–**	**40,238**	**146,887**	**229,719**
Bank balances, deposits and cash	**15,025**	**363**	**–**	**33,827**	**49,215**
Amounts due from related parties	**–**	**–**	**–**	**2,858**	**2,858**
Amounts due from subsidiaries					
– non-current	**–**	**–**	**–**	**82,052**	**82,052**
– current	**15,048**	**214,423**	**9,985**	**187,601**	**427,057**
Derivatives assets	**3,018**	**–**	**–**	**255**	**3,273**
Long-term borrowings	**(2,778,041)**	**–**	**–**	**(500,000)**	**(3,278,041)**
Short-term borrowings	**(1,432,448)**	**–**	**–**	**(490,000)**	**(1,922,448)**
Lease liabilities					
– non-current	**–**	**–**	**–**	**(6,279)**	**(6,279)**
– current	**–**	**–**	**–**	**(400)**	**(400)**
Amounts due to related parties	**–**	**–**	**–**	**(12,828)**	**(12,828)**
Amounts due to subsidiaries					
– non-current	**(494,475)**	**–**	**–**	**–**	**(494,475)**
– current	**(43,235)**	**(19,656)**	**(147,823)**	**(921,765)**	**(1,132,479)**
Trade and other payables					
– non-current	**(18)**	**(45,403)**	**–**	**(1,352)**	**(46,773)**
– current	**(6,286)**	**(5,684)**	**(337)**	**(275,622)**	**(287,929)**
Derivatives liabilities	**(7,389)**	**–**	**–**	**(208)**	**(7,597)**
	(4,686,207)	**144,043**	**(97,937)**	**(1,731,587)**	**(6,371,688)**
2019					
Investments at FVOCI					
– non-current	–	–	–	27,049	27,049
Trade and other receivables (net)	16,727	(14)	191	188,881	205,785
Bank balances, deposits and cash	9,965	410	–	75,028	85,403
Amounts due from related parties	–	–	–	3,226	3,226
Amounts due from subsidiaries					
– non-current	–	–	–	59,768	59,768
– current	16,743	199,682	28,142	291,758	536,325
Derivatives assets	1,841	–	–	33,648	35,489
Long-term borrowings	(3,551,838)	–	–	(500,000)	(4,051,838)
Short-term borrowings	(1,136,612)	–	–	(611,000)	(1,747,612)
Lease liabilities					
– non-current	–	–	–	(6,954)	(6,954)
– current	–	–	–	(1,340)	(1,340)
Amounts due to related parties	–	–	–	(6,027)	(6,027)
Amounts due to subsidiaries					
– non-current	(503,112)	–	–	–	(503,112)
– current	(31,832)	(18,231)	(51,899)	(893,020)	(994,982)

48. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(i) Foreign currency exchange risk (continued)

COMPANY	United States Dollar RM'000	European Union Euro RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
2019 (continued)					
Trade and other payables					
– non-current	(3,114)	(50,693)	(4,239)	(25)	(58,071)
– current	(17,725)	(5,609)	(1,035)	(303,286)	(327,655)
Derivatives liabilities	(33)	(3)	–	(134,161)	(134,197)
	(5,198,990)	125,542	(28,840)	(1,776,455)	(6,878,743)

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 2020 and 31 December 2019, both before and after taking into account the hedge instruments. If the major currencies strengthened by the following percentage at the end of the reporting year, the Group's and the Company's profit/(loss) after tax will improve/(decline) by:

				Impact on profit/(loss) after tax	
Major currency	Strengthened against RM by	Net monetary item RM'000	Hedged RM'000	Before hedge RM'000	After hedge RM'000
GROUP					
2020					
United States Dollar					
– Assets	**1%**	**375,693**	**273,700**	**3,757**	**1,020**
– Liabilities	**1%**	**(4,822,560)**	**(155,381)**	**(48,226)**	**(46,672)**
European Union Euro					
– Assets	**1%**	**30,461**	**4,053**	**305**	**264**
– Liabilities	**1%**	**(9,670)**	**–**	**(97)**	**(97)**
2019					
United States Dollar					
– Assets	5%	260,798	215,879	13,040	2,246
– Liabilities	5%	(6,158,355)	(108,721)	(307,918)	(302,482)
European Union Euro					
– Assets	4%	27,116	–	1,085	1,085
– Liabilities	4%	(3,084)	–	(123)	(123)
COMPANY					
2020					
United States Dollar					
– Assets	**1%**	**75,685**	**42,594**	**757**	**331**
– Liabilities	**1%**	**(4,761,892)**	**(134,238)**	**(47,619)**	**(46,277)**
European Union Euro					
– Assets	**1%**	**214,786**	**–**	**2,148**	**2,148**
– Liabilities	**1%**	**(70,743)**	**–**	**(707)**	**(707)**
2019					
United States Dollar					
– Assets	5%	45,276	–	2,264	2,264
– Liabilities	5%	(5,244,266)	(171,724)	(262,213)	(253,627)
European Union Euro					
– Assets	4%	200,078	–	8,003	8,003
– Liabilities	4%	(74,536)	–	(2,981)	(2,981)

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

48. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total of borrowings	**6,682,203**	7,744,927	**5,200,489**	5,799,450
Fixed rate borrowings	**990,137**	962,850	**–**	–
Floating rate borrowings (swapped to fixed)	**469,748**	797,785	**469,748**	797,785
Total fixed rate after swaps	**1,459,885**	1,760,635	**469,748**	797,785

Percentage of fixed rate borrowings over total of borrowings.

	GROUP		COMPANY	
	2020 %	2019 %	2020 %	2019 %
– before swaps	**15**	12	**–**	–
– after swaps	**22**	23	**9**	14

As at 31 December 2020, all of the Group's and the Company's floating rate borrowings (after interest swap contracts) stood at RM5,222.3 million (2019: RM5,984.3 million) and RM4,730.7 million (2019: RM5,001.7 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% (2019: 0.5%), the Group's and the Company's profit or loss after tax will be lower/ higher by:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit or loss after tax	**19,845**	22,740	**17,977**	19,005

A 0.5% (2019: 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% (2019: 0.5%), the Group's and the Company's hedging reserve will be higher by:

	GROUP/COMPANY	
	2020 RM'000	2019 RM'000
Hedging reserve	**2,353**	5,945

A 0.5% (2019: 0.5%) decrease in interest rate would have an equal but opposite effect.

48. 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 has a maximum exposure approximate to its carrying amount as stated in the statement of financial positions less collateral received amounting to RM417.2 million and RM3.2 million (2019: RM501.0 million and RM1.5 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 six types of 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
- 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 2020

48. 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 from plasma plantation projects.

	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from associates RM'000	Amounts due from joint ventures RM'000	Advances for plasma plantation projects RM'000	TOTAL RM'000
GROUP							
2020							
At 1 January		**24,648**	**3,081**	**618**	**44,224**	**23,838**	**96,409**
Charge for the financial year	6(e)	**9,795**	**531**	**–**	**159**	**1,624**	**12,109**
Write offs		**(6,532)**	**–**	**(618)**	**–**	**–**	**(7,150)**
Reversal for the financial year	7	**–**	**–**	**–**	**–**	**(2,984)**	**(2,984)**
Exchange differences		**275**	**(39)**	**–**	**184**	**(625)**	**(205)**
At 31 December		**28,186**	**3,573**	**–**	**44,567**	**21,853**	**98,179**
2019							
At 1 January		33,099	3,459	618	16,723	23,466	77,365
Charge for the financial year	6(e)	9,308	2	–	27,501	1,703	38,514
Reversal for the financial year	7	(17,930)	(379)	–	–	(2,130)	(20,439)
Exchange differences		171	(1)	–	–	799	969
At 31 December		24,648	3,081	618	44,224	23,838	96,409

	Note	Trade receivables RM'000	Other receivables RM'000	Amounts due from associates RM'000	Amounts due from joint ventures RM'000	Amounts due from subsidiaries (non-trade) RM'000	TOTAL RM'000
COMPANY							
2020							
At 1 January		**766**	**2,692**	**618**	**40,001**	**320,629**	**364,706**
Charge for the financial year	6(e)	**443**	**42**	**–**	**159**	**761**	**1,405**
Write offs		**(63)**	**(204)**	**(618)**	**–**	**–**	**(885)**
Reversal for the financial year	7	**–**	**(659)**	**–**	**–**	**–**	**(659)**
At 31 December		**1,146**	**1,871**	**–**	**40,160**	**321,390**	**364,567**
2019							
At 1 January		3,846	4,417	618	14,913	303,515	327,309
Charge for the financial year	6(e)	63	1,412	–	25,088	18,267	44,830
Write offs		(3,143)	(3,137)	–	–	–	(6,280)
Reversal for the financial year	7	–	–	–	–	(1,153)	(1,153)
At 31 December		766	2,692	618	40,001	320,629	364,706

48. 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
2020				
Upstream				
Local customers:				
Current	**22,126**	**0.0%**	**–**	**22,126**
Past due by:				
– 1 to 30 days	**35,839**	**0.0%**	**–**	**35,839**
– 31 to 60 days	**8,134**	**0.4%**	**(31)**	**8,103**
– 61 to 90 days	**345**	**82.0%**	**(283)**	**62**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**5,513**	**38.4%**	**(2,116)**	**3,397**
	71,957		**(2,430)**	**69,527**
Export customers:				
Current	**3,168**	**0.0%**	**–**	**3,168**
Past due by:				
– 1 to 30 days	**119,911**	**0.0%**	**–**	**119,911**
– 31 to 60 days	**24,789**	**18.3%**	**(4,541)**	**20,248**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**–**	**0.0%**	**–**	**–**
	147,868		**(4,541)**	**143,327**

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2020

48. 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
2020 (continued)				
Downstream				
Local customers:				
Current	**309,935**	**0.0%**	**–**	**309,935**
Past due by:				
– 1 to 30 days	**195,149**	**0.0%**	**(1)**	**195,148**
– 31 to 60 days	**35,685**	**0.0%**	**–**	**35,685**
– 61 to 90 days	**29,001**	**4.5%**	**(1,296)**	**27,705**
– 91 to 180 days	**685**	**2.0%**	**(14)**	**671**
– 181 to 360 days	**1,688**	**28.3%**	**(478)**	**1,210**
– more than 360 days	**14,761**	**83.0%**	**(12,251)**	**2,510**
	586,904		**(14,040)**	**572,864**
Export customers:				
Current	**505,571**	**0.0%**	**–**	**505,571**
Past due by:				
– 1 to 30 days	**114,631**	**0.0%**	**(13)**	**114,618**
– 31 to 60 days	**25,536**	**0.0%**	**(5)**	**25,531**
– 61 to 90 days	**1,232**	**12.1%**	**(149)**	**1,083**
– 91 to 180 days	**1,256**	**5.3%**	**(67)**	**1,189**
– 181 to 360 days	**893**	**24.6%**	**(220)**	**673**
– more than 360 days	**7,125**	**92.6%**	**(6,597)**	**528**
	656,244		**(7,051)**	**649,193**

48. 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
2020 (continued)				
Other Operations				
Local customers:				
Current	**1,328**	**0.0%**	**–**	**1,328**
Past due by:				
– 1 to 30 days	**48**	**0.0%**	**–**	**48**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**1**	**0.0%**	**–**	**1**
– 91 to 180 days	**33**	**0.0%**	**–**	**33**
– 181 to 360 days	**6**	**0.0%**	**–**	**6**
– more than 360 days	**–**	**0.0%**	**–**	**–**
	1,416		**–**	**1,416**
Export customers:				
Current	**–**	**0.0%**	**–**	**–**
Past due by:				
– 1 to 30 days	**3,003**	**0.0%**	**–**	**3,003**
– 31 to 60 days	**1,761**	**0.0%**	**–**	**1,761**
– 61 to 90 days	**883**	**0.0%**	**–**	**883**
– 91 to 180 days	**560**	**0.0%**	**–**	**560**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**156**	**79.5%**	**(124)**	**32**
	6,363		**(124)**	**6,239**

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

48. 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
2019				
Upstream				
Local customers:				
Current	82,353	0.0%	–	82,353
Past due by:				
– 1 to 30 days	16,449	12.6%	(2,075)	14,374
– 31 to 60 days	8,795	6.9%	(605)	8,190
– 61 to 90 days	1,293	0.0%	–	1,293
– 91 to 180 days	283	0.0%	–	283
– 181 to 360 days	16	0.0%	–	16
– more than 360 days	2,663	100.0%	(2,663)	–
	111,852		(5,343)	106,509
Export customers:				
Current	576	0.0%	–	576
Past due by:				
– 1 to 30 days	13,519	0.0%	–	13,519
	14,095		–	14,095
Downstream				
Local customers:				
Current	316,214	0.0%	–	316,214
Past due by:				
– 1 to 30 days	154,552	0.0%	(7)	154,545
– 31 to 60 days	41,082	0.0%	–	41,082
– 61 to 90 days	1,930	0.0%	–	1,930
– 91 to 180 days	177	35.0%	(62)	115
– 181 to 360 days	11,355	82.7%	(9,391)	1,964
– more than 360 days	2,873	100.0%	(2,873)	–
	528,183		(12,333)	515,850

48. 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
2019 (continued)				
Downstream (continued)				
Export customers:				
Current	503,542	0.0%	–	503,542
Past due by:				
– 1 to 30 days	72,715	0.0%	(20)	72,695
– 31 to 60 days	14,061	0.0%	–	14,061
– 61 to 90 days	2,990	19.0%	(569)	2,421
– 91 to 180 days	1,739	0.7%	(12)	1,727
– 181 to 360 days	4,670	40.8%	(1,906)	2,764
– more than 360 days	4,355	100.0%	(4,355)	–
	604,072		(6,862)	597,210
Other Operations				
Local customers:				
Current	273	0.0%	–	273
Past due by:				
– 1 to 30 days	313	0.0%	–	313
– 31 to 60 days	14	0.0%	–	14
– 61 to 90 days	2	0.0%	–	2
– 91 to 180 days	106	0.0%	–	106
– 181 to 360 days	35	0.0%	–	35
– more than 360 days	217	0.0%	–	217
	960		–	960
Export customers:				
Current	3,850	0.0%	–	3,850
Past due by:				
– 1 to 30 days	1,152	0.0%	–	1,152
– 31 to 60 days	180	0.0%	–	180
– 61 to 90 days	30	100.0%	(30)	–
– 91 to 180 days	–	0.0%	–	–
– 181 to 360 days	39	100.0%	(39)	–
– more than 360 days	41	100.0%	(41)	–
	5,292		(110)	5,182

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For The Financial Year Ended 31 December 2020

48. 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
2020				
Upstream				
Local customers:				
Current	**864**	**0.0%**	**–**	**864**
Past due by:				
– 1 to 30 days	**–**	**0.0%**	**–**	**–**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**336**	**100.0%**	**336**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**–**	**0.0%**	**–**	**–**
	1,200		**(336)**	**864**
Export customers:				
Current	**–**	**0.0%**	**–**	**–**
Past due by:				
– 1 to 30 days	**1,102**	**0.0%**	**–**	**1,102**
– 31 to 60 days	**–**	**0.0%**	**–**	**–**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
	1,102		**–**	**1,102**
Downstream				
Local customers:				
Current	**100,955**	**0.0%**	**–**	**100,955**
Past due by:				
– 1 to 30 days	**91,495**	**0.0%**	**–**	**91,495**
– 31 to 60 days	**20**	**0.0%**	**–**	**20**
– 61 to 90 days	**–**	**0.0%**	**–**	**–**
– 91 to 180 days	**–**	**0.0%**	**–**	**–**
– 181 to 360 days	**–**	**0.0%**	**–**	**–**
– more than 360 days	**367**	**100.0%**	**(367)**	**–**
	192,837		**(367)**	**192,470**
Export customers:				
Current	**11,075**	**0.0%**	**–**	**11,075**
Past due by:				
– 1 to 30 days	**1,531**	**0.0%**	**–**	**1,531**
– 31 to 60 days	**773**	**0.7%**	**(5)**	**768**
– 61 to 90 days	**5**	**100.0%**	**(5)**	**–**
– 91 to 180 days	**16**	**100.0%**	**(16)**	**–**
– 181 to 360 days	**81**	**100.0%**	**(81)**	**–**
– more than 360 days	**336**	**100.0%**	**(336)**	**–**
	13,817		**(443)**	**13,374**

48. 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
2019				
Upstream				
Local customers:				
Current	29,888	0.0%	–	29,888
Past due by:				
– 1 to 30 days	2,075	0.0%	–	2,075
– 31 to 60 days	579	0.0%	–	579
– 61 to 90 days	–	0.0%	–	–
– 91 to 180 days	59	0.0%	–	59
– 181 to 360 days	11	0.0%	–	11
– more than 360 days	389	100.0%	(336)	53
	33,001		(336)	32,665
Export customers:				
Current	–	0.0%	–	–
Past due by:				
– 1 to 30 days	1,042	0.0%	–	1,042
	1,042		–	1,042
Downstream				
Local customers:				
Current	69,333	0.0%	–	69,333
Past due by:				
– 1 to 30 days	61,696	0.0%	–	61,696
– 31 to 60 days	5,051	0.0%	–	5,051
– 61 to 90 days	16	0.0%	–	16
– 91 to 180 days	–	0.0%	–	–
– 181 to 360 days	–	0.0%	–	–
– more than 360 days	430	100.0%	(430)	–
	136,526		(430)	136,096
Export customers:				
Current	8,773	0.0%	–	8,773
Past due by:				
– 1 to 30 days	526	0.0%	–	526
– 31 to 60 days	1,393	0.0%	–	1,393
	10,692		–	10,692

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

48. 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 this 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 are amounting to RM531.0 million and RM11.1 million (2019: RM290.2 million and RM15.9 million) respectively. Management has assessed the other receivables 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.

48. 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 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
2020						
Trade and other payables	**1,147,547**	**–**	**–**	**79,883**	**1,227,430**	**1,227,430**
Borrowings						
– principal	**2,285,286**	**875,833**	**3,025,422**	**495,662**	**6,682,203**	**6,682,203**
– interest	**70,881**	**84,193**	**97,823**	**95,690**	**348,587**	**36,633**
Amounts due to related parties	**17,835**	**–**	**–**	**–**	**17,835**	**17,835**
Lease liabilities	**32,597**	**26,362**	**54,551**	**134,206**	**247,716**	**189,752**
Derivatives						
– gross settled	**709,833**	**–**	**–**	**–**	**709,833**	**8,380**
	4,263,979	**986,388**	**3,177,796**	**805,441**	**9,233,604**	**8,162,233**
2019						
Trade and other payables	1,157,111	–	–	76,774	1,233,885	1,233,885
Borrowings						
– principal	2,489,543	790,651	3,495,236	969,497	7,744,927	7,744,927
– interest	89,230	84,480	195,653	103,049	472,412	43,542
Amounts due to related parties	6,989	–	–	–	6,989	6,989
Lease liabilities	32,839	39,654	64,592	122,951	260,036	187,275
Derivatives	–	–	–	–	–	
– gross settled	395,253	–	–	–	395,253	4,021
	4,170,965	914,785	3,755,481	1,272,271	10,113,502	9,220,639

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For The Financial Year Ended 31 December 2020

48. 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
2020						
Trade and other payables	**274,750**	**–**	**–**	**–**	**274,750**	**274,750**
Borrowings						
– principal	**1,922,448**	**797,009**	**2,481,032**	**–**	**5,200,489**	**5,200,489**
– interest	**40,238**	**53,551**	**20,270**	**–**	**114,059**	**7,076**
Intra-group payables	**1,145,307**	**–**	**494,475**	**–**	**1,639,782**	**1,639,782**
Lease liabilities	**855**	**1,710**	**1,710**	**5,842**	**10,117**	**6,679**
Derivatives						
– gross settled	**205,286**	**–**	**–**	**–**	**205,286**	**116**
	3,588,884	**852,270**	**2,997,487**	**5,842**	**7,444,483**	**7,128,892**
2019						
Trade and other payables	303,310	–	–	–	303,310	303,310
Borrowings						
– principal	1,747,612	705,781	3,346,057	–	5,799,450	5,799,450
– interest	48,338	43,065	102,054	–	193,457	17,023
Intra-group payables	1,001,009	–	503,112	–	1,504,121	1,504,121
Lease liabilities	1,438	991	2,565	6,454	11,448	8,294
Derivatives						
– gross settled	171,724	–	–	–	171,724	36
	3,273,431	749,837	3,953,788	6,454	7,983,510	7,632,234

As at 31 December 2020, the Group's and the Company's maximum potential liabilities under financial guarantee contracts amounted to RM59.2 million and RM684.8 million respectively (2019: RM52.6 million and RM880.4 million respectively). Financial guarantee contracts are assumed to be immediately payable on demand.

48. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

(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 31(b).

The following table contains details of the commodities options and futures contracts that are accounted as derivatives.

(i) Cash flow hedges

	Notional Amount RM	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
GROUP – 2020				
Sale contracts	**1,650,232**	**Less than 12**	**574,050**	**2,875**
Purchase contracts	**56,179**	**Less than 12**	**16,700**	**3,364**

There were no commodities futures contracts that were designated as cash flow hedges as at the end of the financial year 31 December 2019.

(ii) Non-hedging derivatives

	Notional Amount RM	Maturity period Months	Tonnage Tonnes	Average contract price per tonne RM
GROUP – 2020				
Sale contracts	**333,632**	**Less than 12**	**102,755**	**3,247**
Purchase contracts	**111,293**	**Less than 12**	**39,538**	**2,815**
GROUP – 2019				
Sale contracts	860,018	Less than 12	426,501	2,868
Purchase contracts	355,468	Less than 12	134,285	2,559
COMPANY – 2020				
Sale contracts	**2,062**	**Less than 12**	**900**	**3,173**
Purchase contracts	**597**	**Less than 12**	**250**	**2,387**
COMPANY – 2019				
Sale contracts	461,725	Less than 12	384,725	1,200
Purchase contracts	230,477	Less than 12	89,400	2,578

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48. FINANCIAL INSTRUMENTS (CONTINUED)

(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 date 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
2020				
Financial assets				
Investments at FVOCI	**–**	**–**	**27,068**	**27,068**
Derivatives				
– commodities options and futures contracts	**5,163**	**–**	**–**	**5,163**
– commodities forward contracts	**–**	**47,108**	**–**	**47,108**
– forward foreign exchange contracts	**–**	**15,319**	**–**	**15,319**
	5,163	**62,427**	**27,068**	**94,658**
Financial liabilities				
Derivatives				
– commodities futures contracts	**(222,527)**	**–**	**–**	**(222,527)**
– commodities forward contracts	**–**	**(121,571)**	**–**	**(121,571)**
– forward foreign exchange contracts	**–**	**(8,380)**	**–**	**(8,380)**
– interest rate swap contracts	**–**	**(7,273)**	**–**	**(7,273)**
	(222,527)	**(137,224)**	**–**	**(359,751)**
2019				
Financial assets				
Investments at FVOCI	–	–	30,469	30,469
Derivatives				
– commodities options and futures contracts	35,300	–	–	35,300
– commodities forward contracts	–	34,960	–	34,960
– forward foreign exchange contracts	–	6,245	–	6,245
– interest rate swap contracts	–	232	–	232
	35,300	41,437	30,469	107,206
Financial liabilities				
Derivatives				
– commodities futures contracts	(136,341)	–	–	(136,341)
– commodities forward contracts	–	(102,551)	–	(102,551)
– forward foreign exchange contracts	–	(4,021)	–	(4,021)
	(136,341)	(106,572)	–	(242,913)

48. 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 date based on the three different levels as defined above: (continued)

COMPANY	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Investments at FVOCI	**–**	**–**	**23,387**	**23,387**
Derivatives				
– commodities options and futures contracts	**255**	**–**	**–**	**255**
– forward foreign exchange contracts	**–**	**3,018**	**–**	**3,018**
	255	**3,018**	**23,387**	**26,660**
Financial liabilities				
Derivatives				
– commodities options and futures contracts	**(208)**	**–**	**–**	**(208)**
– forward foreign exchange contracts	**–**	**(116)**	**–**	**(116)**
– interest rate swap contracts	**–**	**(7,273)**	**–**	**(7,273)**
	(208)	**(7,389)**	**–**	**(7,597)**
2019				
Financial assets				
Investments at FVOCI	–	–	27,049	27,049
Derivatives				
– commodities options and futures contracts	33,648	–	–	33,648
– forward foreign exchange contracts	–	1,609	–	1,609
– interest rate swap contracts	–	232	–	232
	33,648	1,841	27,049	62,538
Financial liabilities				
Derivatives				
– commodities options and futures contracts	(134,161)	–	–	(134,161)
– forward foreign exchange contracts	–	(36)	–	(36)
	(134,161)	(36)	–	(134,197)

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.

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For The Financial Year Ended 31 December 2020

48. 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.

49. 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 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	6.5.2020	BBB
Moody's Investors Service	Company and the USD1.5 billion Multi-currency Sukuk Programme	6.4.2020	Baa2
Malaysian Rating Corporation Berhad	RM3.0 billion Perpetual Subordinated Sukuk Programme (Perpetual Sukuk)	20.10.2020	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 statements of financial position). Interest cover is calculated as profit/(loss) 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	
	2020	2019	2020	2019
Gearing ratio (%)	**41.1**	48.8	**55.2**	56.3
Interest cover (times)				
– continuing operations	**11.4**	1.4	**7.8**	1.1

(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 2020 and 31 December 2019 except as disclosed in Note 39.

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

(i) Subsidiaries which are active as at 31 December 2020 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
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 (formerly known as Sime Darby Consulting Sdn Bhd)	Malaysia	**100.0**	100.0	1	Investment holding
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, guava juice and palm related products
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

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50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2020 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
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	Providing advisory and supervisory services on the renewable operation
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 Ecogarden 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
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 and processing of palm oil and palm kernel
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

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2020 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
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 Indo Sukses Lestari Makmur	Indonesia	**–**	95.0	2	Development of rubber plantation
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
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

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For The Financial Year Ended 31 December 2020

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2020 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
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 (formely known as PT Sime Darby Plantation 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
PT Tamiyang Sumber Rezeki	Indonesia	**–**	90.0	3	Cultivation of oil palm
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
PT Timbang Deli Indonesia	Indonesia	**–**	49.0	2	Oil palm seed production and cultivation of rubber
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
Ultra Oleum Pte. Ltd.	Singapore	**100.0**	100.0	2	Investment holding
Verdant Bioscience Pte. Ltd.	Singapore	**–**	52.0	2	Agriculture science and research

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Subsidiaries which are active as at 31 December 2020 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	Group's effective interest (%) 2019	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 (general) 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 (formerly known as Sime Darby China Oils And Fats Company Limited)	Hong Kong SAR	**100.0**	100.0	2	Investment holding
Sime Darby Plantation Hong Kong Nominees Limited (formerly known as Sime Darby Hong Kong 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
Sime Darby Plantation International Investments Limited	Cayman Islands	**100.0**	100.0	4	Investment holding
Sime Darby Plantation (Liberia) Inc.	Liberia	**–**	100.0	2	Cultivation of oil palm and rubber and processing of palm oil and palm kernel
Golden Hope Overseas Capital	Mauritius	**100.0**	100.0	2	Investment holding
Mulligan International B.V.	Netherlands	**100.0**	100.0	2	Investment holding
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	Processing and marketing of edible oil and related products
Sime Darby Oils Europe B.V.	Netherlands	**100.0**	100.0	4	Commodity trading, raw material procurement, logistics and market risk management
Sime Darby Oils Speciality Ingredients B.V.	Netherlands	**100.0**	100.0	4	Acquiring, processing, producing and selling of special ingredients for use in food, feed, nutritional, pharmaceutical and cosmetic 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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2020

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(ii) Joint ventures which are active as at 31 December 2020 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Emery Oleochemicals (M) Sdn Bhd	Malaysia	**50.0**	50.0	3	Investment holding, production and sale of fatty acids, fatty alcohols, refined glycerine, oilfield chemicals, ozone acids, plastic additives, methyl esters and other oleochemical derivatives
Emery Specialty Chemicals Sdn Bhd	Malaysia	**50.0**	50.0	3	Investment holding
SD Plantation TNB Renewables Sdn Bhd (formerly known as SD Plantation TNBES Renewable Energy 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	2	Storage and marketing of palm oil related products

(iii) Associates which are active as at 31 December 2020 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	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

51. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2019 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2020	2019		
Sime Darby Oils Trading Private Limited (formerly known as Kwang Joo Seng (Malaysia) Private Limited)	Singapore	**100.0**	100.0	2	Dormant
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
PT Sime Darby Plantation Commodities Trading (formerly known as PT Sime Darby Commodities Trading)	Indonesia	**100.0**	100.0	2	Dormant
Sime Darby Edible Products Tanzania Limited	Tanzania	**100.0**	100.0	4	Dormant
Sime Darby Oils Nutrition Sdn Bhd	Malaysia	**100.0**	100.0	1	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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2020

51. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iv) Subsidiaries which are dormant/inactive as at 31 December 2019 are as follows: (continued)

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%) 2020	2019	Auditors	Principal activities
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
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

(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 (%) 2020	2019	Auditors	Principal activities
Eminent Platform	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 Edible Products India Private Limited	India	**100.0**	100.0	4	In members' voluntary liquidation
Vertical Drive Sdn Bhd	Malaysia	**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
Sime Darby Plantation Holdings (Asia Pacific)	Cayman Islands	**–**	100.0	4	Liquidated
Sime Darby Plantation Holdings (Cayman Islands)	Cayman Islands	**–**	100.0	4	Liquidated

50. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(vi) Joint venture which is dormant/inactive as at 31 December 2020 are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2020	2019		
MYBiomass Sdn Bhd	Malaysia	**30.0**	30.0	3	Dormant

(vii) Associate liquidated during the financial year are as follows:

Name of company	Country of incorporation/ Principal place of business	Group's effective interest (%)		Auditors	Principal activities
		2020	2019		
Verdezyne, Inc.	United States of America	**–**	43.5	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 (formerly known as SD Plantation TNBES Renewable Energy 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.

51. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

In July 2020, a non-governmental organisation, Liberty Shared ("the petitioner"), made public a summary of its petition against the Group which was submitted to the United States Customs and Border Protection ("US CBP"). The Group commenced to engage the petitioner to seek further clarification of these allegations in order to address these with appropriate corrective actions, if any.

In October 2020, the Group proceeded to appoint a consulting firm in an effort to establish an effective channel of communication with the petitioner to obtain further details of the allegations on concerns and issues surrounding its Malaysian operations. Concurrently, the Group also appointed an international human rights activist specialising in migrant workers rights to support efforts to further strengthen its human rights commitments and compliances.

The Group also began its engagements with the US CBP to provide details of its existing policies and procedures and also periodic updates on any initiatives undertaken in its operations as part of its on-going continuous improvement.

However, on 30 December 2020, the US CBP proceeded to issue a Withhold Release Order ("WRO") on the Group's Malaysian produced palm products. In engagements with the Group, the US CBP has indicated that it does not intend to release any further details following its press release on the WRO.

The Group has taken the next responsible step and established a Third Party Human Rights Assessment Commission (the "Commission") which consists of credible experts who will be providing their oversight over the comprehensive evaluation of the Group's labour practices across its Malaysian operations. The evaluation will be undertaken by Impactt Ltd, an ethical trade consultancy with specific expertise in international labour laws. The Group together with advice from the Stakeholder Panel, whom is also part of the Commission, will then review the outcome of the evaluation and will jointly develop plans to address the issues found, if any.

52. SUBSEQUENT EVENTS AFTER REPORTING DATE

As at the date of this Report, the Group and the Company have completed the disposal of 3 parcels of land totalling 124.0 hectares, which were previously classified as non-current assets held for sale as disclosed in Note 33(a).

Arising from the completion of the land disposals, a gain of RM123.5 million and RM123.4 million, net of costs to sell and real property gain tax has been recognised by the Group and the Company respectively.

53. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 12 April 2021.

STATEMENT BY DIRECTORS

Pursuant Tosection 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 111 to 230 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 2020 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 12 April 2021.

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

MOHAMAD HELMY OTHMAN BASHA
DIRECTOR

Selangor
12 April 2021

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 111 to 230 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 12 April 2021.

Before me,

PESURUHJAYA SUMPAH
B 520
SHAHRUDIN
BIN ESA
1.1.2021-31.12.2023
MALAYSIA

B-1-08, Blok B, Oasis Square,
Ara Damansara, Jalan PJU 1A/7A,
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 2020, 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 2020 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 111 to 230.

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 (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of the Group's carrying amount of goodwill in New Britain Palm Oil Limited ("NBPOL") Refer to Notes 24(i) and 33(d)(ii) to the financial statements. The intangible assets of the Group's consolidated financial statements as at 31 December 2020 include goodwill of RM2,086.9 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 units ("CGUs") as Minamas Group operations are expected to benefit from the additional planting material synergies, through the use of Dami Super Family planting material, arising from the acquisition of NBPOL. Notwithstanding the disposal of Verdant Bioscience Pte Ltd ("Verdant Bioscience"), the entity that was importing the Dami Super Family seeds into Indonesia during the current financial year, management has assessed that the above synergies in Minamas Group will continue as Minamas Group has retained the rights to import the Dami Super Family seeds into Indonesia, following the disposal. In accordance with the Group's policy, the Group determines whether goodwill is impaired on an annual basis. Management performed impairment assessments of the two CGUs based on value-in-use ("VIU") determined using the discounted cash flow models, which was approved by the Directors. A range of sensitivity analysis was also performed by management. We continue to focus on the recoverability of the carrying amount of goodwill in the two CGUs as the amount involved is significant and there are significant judgements and estimates involved in determining the key assumptions used in deriving the recoverable amounts of the CGUs, in particular FFB yields, CPO selling prices and the discount rates as disclosed in Note 24(i). Based on management's assessments, no impairment was required as the recoverable amounts exceeded the carrying amount of goodwill in the two CGUs as at 31 December 2020.	We assessed the reliability of the management's cash flow projections by comparing the significant key assumptions and data from their previous years' forecasted results against past trends of the actual results. We checked that the cash flow projections had been updated with the previous financial period's historical results. We reviewed the Sale and Purchase Agreement for the disposal of Verdant Bioscience to validate Minamas Group's right to import the Dami Super Family seeds into Indonesia. We including our valuation experts, to the appropriate extent, in the evaluation of the key assumptions used to derive the approved VIU calculations in determining the recoverable amounts of the NBPOL and Minamas Group CGUs. We evaluated the reasonableness of the projected FFB yields by comparing the projected FFB yields to historical FFB yields achieved and management's updated Dami Super Family yields projections using more recent planting and research data. We evaluated the reasonableness of the projected CPO selling prices to forecasted commodity prices and qualitative industry information from analysts where appropriate. We involved our valuation experts to assess the method and data used in computing the discount rates used in determining the recoverable amounts of the respective CGUs and also determined whether the discount rates used as compared to the rates used in the previous financial period is reasonable. We assessed the sensitivity analysis performed by management, to evaluate the impact of changes in key assumptions on the respective CGUs carrying amount. We assessed the adequacy and reasonableness of the disclosures of the key assumptions, the sensitivity analysis and the corresponding effect on the respective CGUs recoverable amounts . Based on the above procedures, we did not note any material exception to management's assessment on the recoverability of the Group's carrying amount of goodwill arising from the acquisition of NBPOL and its related disclosures as at 31 December 2020.

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)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of the Group's and Company's investment in joint ventures – Emery Oleochemicals (M) Sdn Bhd and Emery Speciality Chemicals Sdn Bhd (collectively known as "Emery Group") Refer to Notes 4(b), 13 and 33(b) to the financial statements. During the current financial year, the Board of Directors ("BOD") reaffirmed its plan to dispose of the investment in Emery Group. Accordingly, the Group's and the Company's investment in Emery Group continues to be classified as non-current assets held for sale in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("MFRS 5") as there is an active plan to sell and complete the disposal within the next 12 months. As at 31 December 2020, the carrying amount of the Group's and the Company's investment in Emery Group had been reduced to RM157.9 million following an impairment charge of RM236.0 million and RM98.3 million respectively, as set out in Notes 4(b) and 13 to the financial statements. The recoverable amount of Emery Group of RM157.9 million was determined based on its fair value less cost of disposal ("FVLCTS") in accordance with MFRS 5. In estimating the FVLCTS, management had exercised significant judgement in determining the fair value from the disposal of Emery Group, that considered a combination of an Enterprise Value/Earnings Before Interest, Tax, Depreciation and Amortisation ("EV/EBITDA") multiple and a proposal to purchase for the respective CGUs. The key assumptions applied for the 31 December 2020 impairment assessment are disclosed in Note 33(b) to the financial statements. We focussed on this area due to the significant judgements involved in estimating the FVLCTS and the resulting impairment charge, which require judgement on the part of management on the EV/EBITDA multiple for Emery Group.	We have read the current year BOD's minutes which reaffirmed its plan to dispose of the investment in Emery Group and the action plans to complete the disposal submitted by management for the BOD's endorsement. We have assessed the reasonableness of the recoverable amount of the Group's and the Company's investment in Emery Group based on its fair value less cost of disposal ("FVLCTS") by: i) evaluating the methodology used in deriving the FVLCTS of Emery Group; ii) assessing the reasonableness of the key assumptions used in determining the EV/EBITDA multiple, by comparing to the available market information and assessing the reasonableness of the forecasted EBITDA; iii) examining the proposal received for the separate CGU of Emery Group and obtained an understanding of management's evaluation of the proposal; and iv) recomputed the resulting impairment charge. We also evaluated the appropriateness of the disclosures made in relation to the impairment assessment in the financial statements of the Group and the Company. Based on the above procedures, we did not note any material exception on the management's impairment assessment and disclosures arising from the planned divestment of Emery Group in the Group's and the Company's financial statements as at 31 December 2020.

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 2020 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.

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)

Auditors' responsibilities for the audit of the financial statements (continued)

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: (continued)

(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.

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 50 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	**LEE TUCK HENG**
LLP0014401-LCA & AF 1146	02092/09/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
12 April 2021

PROPERTIES OF THE GROUP

As at 31 December 2020

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	18,829	1978-2006	15	Oil palm and rubber estates and a palm oil mill	491
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, Sungei Samak, Sungei Wangi, Tali Ayer	Freehold	37,083	1978-2001	11-27	Oil palm and rubber estates and 5 palm oil mills	1,088
Chersonese, Cluny, Kalumpong, Kamuning, Kinta Kellas, Sogomana, Sungai Samak, Sungei Wangi, Tali Ayer	Leasehold expiring 2035-2897	5,446	1978-1987	–	Oil palm estates	77
Pahang Darul Makmur						
Bukit Puteri, Chenor, Jabor, Jentar, Kerdau, Mentakab, Sungai Mai	Freehold	9,336	1985-2006	24	Oil palm estates and 2 palm oil mills	302
Bukit Puteri, Chenor, Kerdau, Sungai Mai	Leasehold expiring 2057-2086	10,621	1985-1992	14-24	Oil palm estates and a palm oil mill	116
Selangor Darul Ehsan						
Banting, Bestari Jaya, Bukit Cheraka, Bukit Kerayong, Bukit Lagong, Bukit Rajah, Bukit Rotan, Bukit Talang, Dusun Durian, East Carey Island, Elmina, Sabak Bernam, Sepang, Sungai Buloh, Teluk Panglima Garang, Tennamaram, West Carey Island	Freehold	35,778	1978-2013	3-29	Oil palm estates, 4 palm oil mills, biodiesel and kernel crushing plants, rat bait factory, laboratories, research centres, warehouse and a training centre	1,248
East Carey Island, Port Klang, Sungai Buloh, Tennamaram	Leasehold expiring 2029-2083	170	1978-2010	44	Oil palm estates and a bulking plant	18
Negeri Sembilan Darul Khusus						
Bradwall, Bukit Pelandok, Bukit Pilah, Kok Foh, Labu, New Labu, Muar River, P.D. Lukut, Pertang, Rantau, Salak, Sengkang, Siliau, Sungai Gemas, Sungai Sabaling, St Helier, Sua Betong, Sungai Bharu, Tampin Linggi, Tanah Merah	Freehold	36,020	1978-2009	8-23	Oil palm and rubber estates, 4 palm oil mills and a research laboratory	834
Kok Foh, Sungai Bharu	Leasehold expiring 2034-2072	146	1982-1993	–	Oil palm estates	2

PROPERTIES OF THE GROUP

As at 31 December 2020

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	14,741	1978-2011	13-21	Oil palm estates and 2 palm oil mills	275
	Leasehold expiring 2025-2071	470	1982-1992	–	Oil palm estates	2
Johor Darul Takzim						
Batu Anam, Bintang, Bukit Badak, Bukit Benut, Bukit Paloh, CEP Nyior, CEP Renggam, Cha'ah, Gunung Mas, Hadapan, Kempas Klebang, Kulai, Lambak, Lanadron, Layang, New Pagoh, Nordanal, North Labis, Pagoh, Pengkalan Bukit, Sembrong, Seri Pulai, Sungai Senarut, Sungai Simpang Kiri, Tangkah, Tun Dr Ismail, Ulu Remis, Welch, Yong Peng	Freehold	54,214	1978-2012	3-24	Oil palm and rubber estates, 4 palm oil mills, a research centre and 2 rubber factories	1,518
Cenas, CEP Nyior, Cha'ah, Lanadron, Layang, Muar River, Pekan, Sembrong, Sungai Senarut, Sungai Simpang Kiri, Ulu Remis	Leasehold expiring 2021-2918	18,611	1978-2012	24-28	Oil palm estates and 2 palm oil mills	209
Sabah						
Binuang, 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	53,654	1978-1983	13-34	Oil palm estates, 5 palm oil mills, a bulking plant and a research centre	1,410
Sarawak						
Bayu, Belian, Chartquest, Damai, Derawan, Dulang, Kelida, Lavang, Paroh, Pekaka, Rajawali, Rasan, Ruai, Sahua, Samudera, Semarak, Takau	Leasehold expiring 2048-2082	47,280	1990-2004	17-25	Oil palm estates and 4 palm oil mills	846
Upstream Malaysia Properties		342,408				8,436

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, Kelampai, Lembiru, Pelanjau, Sei Mawang, Sungai Putih, West	Leasehold expiring 2030	36,880	2001-2013	9-18	Oil palm estates, 2 palm oil mills and a bulking plant	222
Kalimantan – Central						
Baras Danum, Batang Garing,Hatan Tiring, Kawan Batu, Kuala Kuayan, Pemantang, Sapiri, Sekunyir, Seruyan, Sukamandang, Barito	Leasehold expiring 2033-2034	39,116	2001-2018	12-23	Oil palm estates, 3 palm oil mills, a bulking plant and a kernel crushing plant	383
Kalimantan – South						
Angsana, Bakau, Bebunga, Betung, Binturung, Gunung Aru, Gunung Kemasan, Gunung Sari, Lanting, Laut Timur, Matalok, Mustika, Pantai Bonati, Pantai Timur, Pondok Labu, Rampa, Randi, Rantau, Sangkoh, Sekayu, Selabak, Sesulung, Sungai Cengal	Leasehold expiring 2032-2039	86,643	2001-2012	3-24	Oil palm estates, 8 palm oil mills, 2 bulking plants and a kernel crushing plant	1,320
Sulawesi – Central						
Ungkaya	Leasehold expiring 2024	4,712	2001-2011	8-25	Oil palm estate, a palm oil mill and a bulking plant	88
Sumatera – Jambi						
Panjang	Leasehold expiring 2038	4,000	2001-2007	12	Oil palm estate and a palm oil mill	43
Sumatera – South						
Bumi Ayu, Bukit Pinang, Karang Ringin, Mangun Jaya, Napal, Rantau Panjang, Sungai Jernih, Sungai Pinang	Leasehold expiring 2033-2034	21,241	2001-2002	17-19	Oil palm estates and 2 palm oil mills	293
Sumatera – East Aceh						
Batang Ara, Blang Simpo 1 & 2, Tamiang	Leasehold expiring 2022-2037	8,820	2001-2008	22-37	Oil palm estates and a palm oil mill	153
Sumatera – Riau						
Alur Damai, Aneka Persada, Mandah, Menggala 1 – 3, Nusa Lestari, Nusa Persada, Pinang Sebatang, Rotan Semelur, Teluk Bakau, Teluk Siak	Leasehold expiring 2031-2036	54,835	2001-2015	6-24	Oil palm estates, 5 palm oil mills and a research centre	836
Upstream Indonesia Properties		256,247				3,338

PROPERTIES OF THE GROUP

As at 31 December 2020

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 2021-2107	138,331	2018	3-47	Oil palm estates, a sugar cane, plantation, grazing, pastures, a refinery, 2 biogas plants, a sugar factory, 12 palm oil mills, 5 kernel crushing plants, and 2 abattoirs	3,390
Solomon Islands						
Guadalcanal	Leasehold expiring 2043-2065	8,315	2015	4-14	Oil palm estates, a palm oil mills and a kernel crushing plant	303
Upstream Properties		745,301				15,467
DOWNSTREAM AND OTHERS PROPERTIES						
Malaysia						
Selangor Darul Ehsan						
Teluk Panglima Garang	Freehold	2	2012	–	Vacant land	11
North Port Edible Oil Refinery Complex, Teluk Panglima Garang	Leasehold expiring 2076-2105	17	2006-2012	9-11	Refineries	131
Johor Darul Takzim						
Pasir Gudang	Leasehold expiring 2035-2043	6	1974-1985	44	Refinery	10
Sarawak						
Kawasan Perindustrian Kidurong, Bintulu	Leasehold expiring 2072	14	2004	6-12	Refinery and a kernel crushing plant	26
Downstream and Others Properties – Malaysia		39				178

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)+	Description	Net book value (RM million)
OVERSEAS						
Indonesia						
Desa Sei Taib, Kecamatan Pulau Laut, Kalimantan	Leasehold expiring 2044	32	2014	5-6	Refinery	106
Thailand						
Sukhumvit Road, Bangkok	Freehold	–	1986-2011	12-31	Office buildings	6
Poochaosamingprai Road, Samut Prakan	Freehold	5	1986	12-31	Refinery	39
Tiwanon Road, Nonthaburi	Freehold	13	2014	34-39	Crushing and refining plant and office building	90
The Netherlands						
Lindtsedijk, Zwijndrecht	Freehold	11	2002	6-88	Refinery and a research centre	152
South Africa						
Boksburg	Leasehold expiring 2021	1	2004	8	Refinery	^
United Kingdom						
Liverpool	Leasehold expiring 2034	3	2015	5-10	Refinery and office building	82
Papua New Guinea						
Markham Valley	Leasehold expiring 2033	1	2018	3-10	2 copra mills	209
Downstream and Others Properties – Overseas		66				684
Downstream and Others Properties		105				862
GENERAL						
Malaysia						
Selangor Darul Ehsan						
Plantation Tower, Oasis, Ara Damansara	Freehold	2	2012	6	Office complex	270
Negeri Sembilan Darul Khusus						
Port Dickson	Freehold	3	2018	25-61	Holiday bungalow	9
Pahang Darul Makmur						
Cameron Highlands	Leasehold expiring 2026-2082	2	2018	33-90	Holiday bungalow	2
Plantation Properties – General		7				281
Total Plantation Properties		745,413				16,610

\+ The age of building is in respect of the building, mill and plant

^ NBV less than RM1 million

ANALYSIS OF SHAREHOLDINGS

As at 2 April 2021

Total Number of Issued Shares	:	6,884,575,283 ordinary shares
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	2,778	11.27	72,022	0.00
100 to 1,000	5,937	24.09	3,560,451	0.05
1,001 to 10,000	11,942	48.45	39,266,496	0.57
10,001 to 100,000	3,167	12.85	87,140,440	1.27
100,001 to less than 5% of issued capital	820	3.33	2,062,043,929	29.95
5% and above of issued capital	3	0.01	4,692,491,945	68.16
TOTAL	**24,647**	**100.00**	**6,884,575,283**	**100.00**

Classification of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	20,441	82.94	121,538,887	1.76
Banks/Finance Companies	68	0.28	4,471,435,598	64.95
Investment Trusts/Foundations/Charities	15	0.06	489,491	0.01
Industrial and Commercial Companies	553	2.24	67,847,571	0.98
Government Agencies/Institutions	1	0.00	1,065,890	0.02
Nominees	3,567	14.47	2,222,092,571	32.28
Others	2	0.01	105,275	0.00
Total	**24,647**	**100.00**	**6,884,575,283**	**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 107, 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.

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	3,203,476,977	46.53
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,066,172,610	15.49
3	Kumpulan Wang Persaraan (Diperbadankan)	422,842,358	6.14
4	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	162,023,064	2.35
5	AmanahRaya Trustees Berhad Amanah Saham Malaysia	152,621,454	2.22
6	Permodalan Nasional Berhad	142,961,323	2.08
7	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	94,041,237	1.37
8	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	65,085,937	0.95
9	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	62,692,649	0.91
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	50,304,779	0.73
12	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	47,000,000	0.68
13	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	46,669,928	0.68
14	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	45,249,127	0.66
15	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	43,948,669	0.64
16	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	40,462,700	0.59
17	Lembaga Tabung Haji	39,000,000	0.57
18	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn Bhd (1)	36,769,963	0.53

ANALYSIS OF SHAREHOLDINGS

As at 2 April 2021

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)	33,346,216	0.48
20	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	27,143,303	0.39
21	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	26,127,863	0.38
22	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	22,316,902	0.32
23	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	20,044,358	0.29
24	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	19,526,100	0.28
25	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	18,844,187	0.27
26	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	15,102,204	0.22
27	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	14,756,100	0.21
28	Pertubuhan Keselamatan Sosial	14,470,135	0.21
29	HSBC Nominees (Asing) Sdn Bhd J.P. Morgan Securities Plc	14,281,024	0.21
30	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C clients)	13,969,545	0.20
TOTAL		**6,014,900,712**	**87.36**

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	3,203,476,977	46.53	–	–
2	Employees Provident Fund Board	1,067,898,210	15.51	88,460,121	1.29
3	Kumpulan Wang Persaraan (Diperbadankan)	422,922,678	6.14	20,628,100	0.30

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 2020.

AUDIT AND NON-AUDIT FEES

(i) The amount of audit fees paid or payable to the external auditors, Messrs PricewaterhouseCoopers PLT (PwC), for services rendered to the Group and the Company for the financial year ended 31 December 2020 amounted to RM10.704 million and RM1.6 million, respectively.

(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 2020 amounted to RM3.759 million and RM1.434 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 2020.

MATERIAL CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans by the Company involving interests of Directors and Major Shareholders during the financial year ended 31 December 2020.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Seventeenth Annual General Meeting (AGM) held on 11 June 2020, the Company obtained a general mandate from its shareholders for recurrent related party transactions (RRPT) of a revenue or trading nature, to be entered into by the Company and/or its subsidiaries (RRPT Mandate).

The RRPT Mandate is valid until the conclusion of the forthcoming Eighteenth AGM of the Company to be held on 17 June 2021. The Company will not be seeking renewal of the RRPT Mandate at the forthcoming AGM.

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the RRPT of a revenue or trading nature entered into during the financial year ended 31 December 2020 by the Company and/or its subsidiaries were as follows:

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Subsidiaries of Sime Darby Berhad (SDB)				
1.	SDP	Kumpulan Sime Darby Berhad (KSDB)	Leaseback of the Malaysia Vision Valley (MVV) Land 1 from KSDB to SDP for the SDP Group to carry out planting/replanting, maintenance of oil palm, harvesting and selling of fresh fruit bunches (FFB) for 3,177.7 hectares of Labu and New Labu Estates located at Mukim Labu, Seremban, Negeri Sembilan for a term of three (3) years from 30 June 2017. The rental expenses are payable on a monthly basis.	8.6

ADDITIONAL COMPLIANCE INFORMATION

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Subsidiaries of Sime Darby Berhad (SDB) (Continued)				
2.	SDP	Sime Darby Malaysia Berhad (SDMB)	Grant of a non-exclusive, non-assignable and non-transferable licence to use the "SIME DARBY" mark, Sime Darby Shield Device Logo, Shield Device Logo, Sime Darby in Chinese Characters, the "DEVELOPING SUSTAINABLE FUTURES" tagline and the "DELIVERING SUSTAINABLE FUTURES" tagline worldwide, solely in the course of or in connection with SDP's business via the Trademark and Brand Licence Agreement by SDMB to SDP.	2.0
3.	SDP and its following subsidiaries: • Sime Darby Plantation (Sabah) Sdn Bhd (SDP Sabah) • Sime Darby Plantation Sarawak Sdn Bhd (SDP Sarawak) • Sime Darby Plantation Research Sdn Bhd (SDP Research) • Sime Darby Plantation Seeds & Agricultural Services Sdn Bhd (SDP SAS) • Sime Darby Plantation Agri-Bio Sdn Bhd • Sime Darby Plantation Technology Centre Sdn Bhd (SDP TC) • The China Engineers (Malaysia) Sdn Bhd (TCEM) • Wangsa Mujur Sdn Bhd (WMSB)	• Sime Darby Auto ConneXion Sdn Bhd • Sime Darby Auto Hyundai Sdn Bhd	Purchase of motor vehicles and charges for vehicle maintenance services on an ad hoc basis.	4.6
4.	SDP and its following subsidiaries: • SDP Sabah • SDP Sarawak • SDP TC • Sime Darby Plantation Biotechnology Lab Sdn Bhd	Sime Darby Rent-A-Car Sdn Bhd	Car leasing charges payable on an ad hoc basis.	1.4

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transactions with Subsidiaries of Sime Darby Berhad (SDB) (Continued)				
5.	SDP and its following subsidiaries: • SDP Sabah • SDP Sarawak • SDP Research • SDP SAS • TCEM • WMSB • Guthrie Industries Malaysia Sendirian Berhad (GIM) • Chartquest Sdn Bhd • New Britain Palm Oil Limited (NBPOL) • Sanguine (Malaysia) Sdn Bhd (Sanguine)	• Hastings Deering (PNG) Limited • Hastings Deering (Solomon Islands) Limited • Sime Darby Industrial Sdn Bhd	Purchase of heavy equipment and spare parts, and receipt of maintenance services on an ad hoc basis.	16.3
Transactions with Sime Darby Property Berhad (SD Property) and its subsidiaries				
6.	SDP and its following subsidiaries: • Sime Darby Plantation Latex • SDP Sabah • Sanguine	SD Property and its following subsidiaries: – Sime Darby Property (Ampar Tenang) Sdn Bhd – Sime Darby Property (Nilai) Sdn Bhd – Sime Darby Property (Sabah) Sdn Bhd – Sime Darby Property (Lukut) Sdn Bhd – Sime Darby Property (Nilai Realty) Sdn Bhd – Sime Darby Property (Lembah Acob) Sdn Bhd – Sime Darby Property (Utara) Sdn Bhd – Sime Darby Property (Pagoh) Sdn Bhd	Rental expenses from leasing of the following agricultural lands: – Bukit Kerayong – Sua Betong – Mostyn – Padang Buluh – Lanadron – Bukit Lagong – New Labu – Labu – Elmina	6.1

ADDITIONAL COMPLIANCE INFORMATION

	Company	Transacting Party	Nature of Transactions	Value of Transaction (RM' million)
Transaction with Yayasan Sime Darby[1]				
7.	SDP	Yayasan Sime Darby	Rental income from office space located at Level 2, Block C, Plantation Tower for a period of 12 months commencing 1 July 2018 with an option to extend for a further three (3) years. The rental income is receivable on a monthly basis.	0.4
Transaction with subsidiary of UMW Holdings Berhad (UMWH)[2]				
8.	SDP and its following subsidiaries: • SDP Research • SDP SAS	UMW Toyota Motor Sdn Bhd	Purchases of motor vehicles.	0.8
GRAND TOTAL				**40.2**

Notes:

1 SDP, SDB and SD Property are the registered corporate members of Yayasan Sime Darby, a company limited by guarantee.

2 AmanahRaya Trustees Berhad – Amanah Saham Bumiputera (ASB) is a major shareholder of SDP with 46.53% direct equity interest in SDP as at 2 April 2021 and is deemed interested in the Recurrent Related Party Transactions (Interested Major Shareholder). ASB is also a Major Shareholder of SDB and SD Property with 41.96% direct equity interest in SDB and 44.98% direct equity interest in SD Property, as at 2 April 2021. ASB is also a Major Shareholder of UMWH, holding 43.18% direct equity interest as at 2 April 2021.

FINANCIAL CALENDAR

For the financial year ended 31 December 2020

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

1st Quarter ended 31 March 2020	:	22 May 2020
2nd Quarter ended 30 June 2020	:	27 August 2020
3rd Quarter ended 30 September 2020	:	23 November 2020
4th Quarter ended 31 December 2020	:	18 February 2021

DIVIDEND

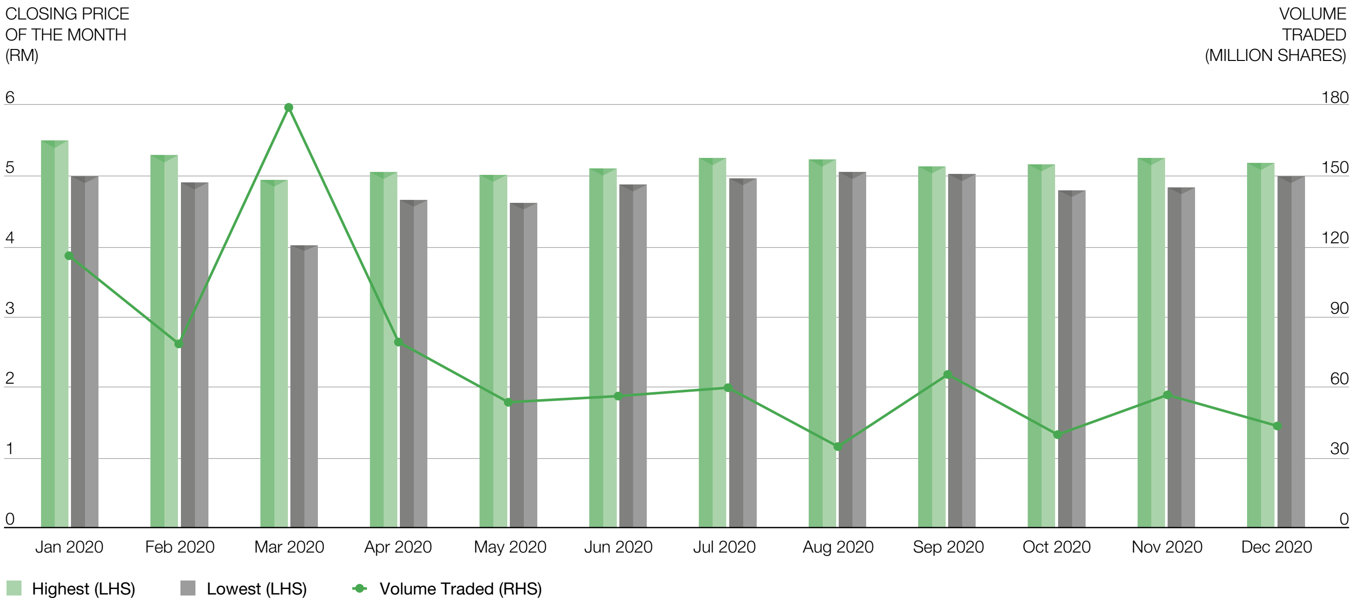
	Announcement Date	Entitlement Date	Payment Date
Interim dividend of 2.57 sen per ordinary share	27 August 2020	17 November 2020	26 November 2020
Special interim dividend of 1.45 sen per ordinary share	27 August 2020	17 November 2020	26 November 2020
Final single tier dividend of 5.42 sen per ordinary share	18 February 2021	28 April 2021	12 May 2021
Special final dividend of 2.13 sen per ordinary share with Dividend Reinvestment Plan	15 March 2021	04 May 2021	03 June 2021

EIGHTEENTH ANNUAL GENERAL MEETING

Notice Date	:	30 April 2021
Meeting Date	:	17 June 2021

SHARE PRICE MOVEMENT

For The Financial Year Ended 31 December 2020



	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020
Highest (RM)	5.50	5.29	4.94	5.05	5.01	5.10	5.25	5.23	5.13	5.16	5.25	5.18
Lowest (RM)	4.99	4.90	4.01	4.65	4.61	4.87	4.96	5.05	5.02	4.79	4.83	4.99
Volume Traded (Million Shares) (RHS)	115.85	78.29	179.05	79.06	53.42	56.05	59.62	34.53	65.25	39.62	56.55	43.32

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Plantation

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
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