Sustainability, Understanding the Supply chain and Demand

Sandeep Singh
November 18, 2014, Kuala Lumpur
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Overview of RSPO Certified Palm Oil

Proportion of palm oil globally certified by the RSPO: 18%

Volume of Certified Sustainable Palm Oil: 11.1 million tonnes

Where does RSPO-certified palm oil come from?

- 44% Indonesia
- 47% Malaysia
- 5% Papua New Guinea
- 4% Others

Source: RSPO
CSPO Supply (MT) by Country

Globally produced RSPO-certified sustainable palm oil

- Malaysia 41.58%
- Indonesia 49.79%
- Papua New Guinea 5.15%
- Solomon Islands 0.34%
- Thailand 0.39%
- Brazil 1.31%
- Cambodia 0.23%
- Colombia 0.61%
- Ecuador 0.06%
- Guatemala 0.47%
- Ivory Coast 0.05%

Source: RSPO
The Current Volumes

CSPO & CSPK Supply (MT)

Source: RSPO Website
We have a total of 620,014ha of planted area as part of our upstream operations...

... and we have downstream operations in multiple locations globally
Sime Darby Plantation is a founding member of the RSPO since its inception in 2004.

Sime Darby Plantations received its first RSPO Certification in October 2008 and to-date 100% of our Malaysian Strategic Operating Units (SOU) and about 96% of our Indonesian SOUs have been certified and the remaining one SOU already undergone the RSPO Assessment process.

To-date, 97% of our Plantations of over 0.62 million ha have been RSPO Certified, making us the largest CSPO Producer in the world, contributing about 20% of Certified Sustainable Palm Oil (CSPO) to the world’s annual CSPO Production.

We are the largest producer of certified sustainable palm oil. We have one remaining SOUs that are in the process of being certified by the RSPO.
Sime Darby - Vertically Integrated and Fully Segregated Supply Lines

<table>
<thead>
<tr>
<th></th>
<th>Supply Line 1</th>
<th>Supply Line 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Operating Units</strong></td>
<td>3 in Sabah, Malaysia</td>
<td>11 in Peninsular Malaysia</td>
</tr>
<tr>
<td><strong>Refineries</strong></td>
<td>1 in the Netherlands (Unimills)</td>
<td>1 in Peninsular Malaysia (Jomalina)</td>
</tr>
<tr>
<td><strong>Fully Segregated CSPO Supply Capacity</strong></td>
<td>55,000 tonnes per annum</td>
<td>300,000 tonnes per annum</td>
</tr>
</tbody>
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**RSPO Certified: SCCS Segregation Model**

We have established two fully segregated certified sustainable supply lines between selected operations.
Sime Darby - Sustainable Practices

- Zero burning replanting technique
- Soil management & conservation
- Integrated Pest Management (IPM)
- Biodiversity conservation
- Land use and management with EIA content management
- Stringent safety and health programme
- Social impact assessment to protect surrounding communities
- Palm oil mill effluent (POME) treatment
- Optimum utilization of oil mill by-products
- Methane abatement through composting
- Water and moisture

Beneficial Plants

Integrated Pest Management (IPM)
Optimum utilization of oil mill by-products
Zero burning replanting technique
Mangrove rehabilitation
Read more in our Annual Report and Plantation Division Sustainability Report

Sime Darby Berhad Annual Report 2014

Sime Darby Plantation Sustainability Report 2014

For more information, go to www.simedarby.com
Purchase Commitments of Sustainable Palm Oil

100% of Palm Oil brought will be traceable to known sources by end 2014 (Nov 12, 2013)

London/Rotterdam/Medan – Unilever today announced a significant move in its journey to accelerate market transformation towards sustainable palm oil, announcing that by the end of 2014, all of the palm oil Unilever buys globally will be traceable to known sources…” (Source: Unilever website)

Nestle committed to traceable sustainable palm oil to ensure no-deforestation (Oct 30, 2012)

“.. Progress
• Since our work on traceability begun in 2010 we have directly engaged with suppliers responsible for 90% of our palm oil volume.
• By September 2012, 40% of our volume can be traced back at least to the mill in the country of origin.
• By September 2012, about 13% of our volume is traceable RSPO certified oil.
• By end 2012, we will achieve a total of 80% RSPO certified palm oil (including an estimated 67% in the form of GreenPalm certificates)
• In 2013, we have already achieved 100% sourcing of RSPO certified sustainable palm oil, two years ahead of our public commitment…” (Source: Nestle website)

More and more organizations have publicly announced commitments around purchasing sustainable palm oil
Rise in supply and sales of certified products

There has been an increase in supply and sales of certified products since the certification program was launched (Source: RSPO website)
However, the current uptake is about 50% of the CSPO supply available in the market.
Increasing demand for Physical Certified Oils

Shift of market demand to MB / Segregated CSPO

Note:
1) Supply & Sales data for 2014 are as of September 2014
2) Supply = actual volume of CSPO produced
3) Sales = Total CSPO Sales (includes sales through SG, MB and B&C)

(Source: RSPO website)
The Definitions of Sustainability

**IDENTITY PRESERVED**

**FULL SEGREGATION**

**MASS BALANCE**

**BOOK AND CLAIM**

Control and trade of tradable RSPO certificates
The RSPO Assured System has the capability to track and monitor crude and processed palm oil flows.
Supply chain challenges

• FFB processing at Mill level
  • It is not feasible to separate these different supplies due to logistics restraints

• Bulking and Storage
  • Being liquid commodity the oil from many mills is collected, transported in Tankers, commingled and stored at the Port before it attains the feasible size for shipment
Supply chain challenges

• Shipments
  • Segregation of Sustainable oil requires separate tanks and lines throughout the supply chain. There are issues to accommodate these cargo sizes and avoid commingling
  • Tank facilities at the destination ports do not address these logistics constraints

  - Cargo has to be segregated at the ship tanks
  - Space segregation to meet the cargo size
  - Stowage plans
Supply chain challenges

• Destination Refining

  • It is a challenge to maintain segregation through to the end user. Refineries generally need big volumes to achieve economies of scale and a fairly continuous supply of similar grades of oils to ensure uninterrupted refinery operations.

  • The supply chain becomes complicated at the refinery stage because of the numerous fractions. Most of the demand for certified sustainable palm oil (CSPO) comes from Europe, but this is mainly for palm stearin. Challenge is to find a market for the other fractions.
Demand & Supply – What will make it grow

Demand
• Increased Demand from Leading Multinationals
• Commitments for Sustainable Physical oil shipments
• Consumer awareness
• Increased off take from Developing Economies

Supply
• To move towards 100 % Sustainability Targets
• Develop Small Holders and growers
• Sustainable practice will generate benefits of higher efficiency, better relationship and corporate image
• Sustainability as a norm

A common objective – To achieve 100 % Sustainability
Thank You