



UN Global Compact Communication on Progress

January 2011 - 2012



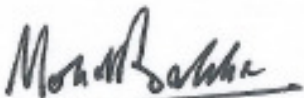
Developing
Sustainable Futures

Sime Darby Statement of Continued Support January 2012

We believe that the integration and balance of economic, environmental and social issues in the way we plan, execute and monitor our various businesses is critical to the continual growth and success of the Sime Darby Group.

Sime Darby's core values of integrity, respect and responsibility, enterprise and excellence, support the ten principles of the UN Global Compact with respect to human rights, labour, environment and anti-corruption. This synergy is further reflected in our four sustainability principles, delivering economic growth; respect for the environment; respect for society; and accountability and transparency to stakeholders.

We would like to confirm our continued support for the ten principles of the UN Global Compact and are pleased to present our first Communication On Progress.



Dato' Mohd Bakke Salleh

Sime Darby UNGC Communication on Progress January 2011 - 2012

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2:

make sure that they are not complicit in human rights abuses.

Sime Darby's respect for fundamental human rights is enshrined within our Group Policies and Authorities, which governs all Sime Darby's operations, our Code of Business Conduct, which outlines the standard of behaviour expected of Sime Darby Directors, employees, counterparts and business partners, and standards adopted by respective business divisions, such as the Roundtable on Sustainable Palm Oil (RSPO) by our Plantation division.

Examples of how Sime Darby supports and respects the protection of human rights include:

Grievance Procedures

We have commitment to ensure that any grievance arising between an employee and the Company, or a third party and the Company, is settled as equitably and as quickly as possible, at the lowest level and/or point of origin.

We have a policy in place that informs employees how and where to channel their grievances accordingly and in turn, assist their immediate superior, Head of Department, Human Resources/Industrial Relations representative, on how to handle a grievance brought to their attention by employees.

Roundtable on Sustainable Palm Oil (RSPO)

Sime Darby is one of the founding members of the Roundtable on Sustainable Palm Oil (RSPO). 50 out of our 62 strategic operating units (SOU) in our Plantation division are currently RSPO certified with the remaining 12 SOUs having undergone the external RSPO certification and are currently within the certification process. Our Plantation operations have fully committed to the RSPO's Principles and Criteria (P&C) which include environmental responsibility and conservation of natural resources and biodiversity, and responsible consideration of employees and of individuals and communities affected by growers and mills. In accordance with our commitment to the RSPO's P&C, we ensure that grievance channels are made available, and Social and Environment Impact Assessments and community engagements, with a view to attaining Free, Prior and Informed Consent, are carried out prior to new developments.

Child Protection Policy

Sime Darby does not employ children. However, children may be found living on our plantation estates together with their parents who are employees of the company.

Sime Darby's Child Protection Policy (CPP) Programme was developed to raise awareness on issues pertaining to child safety, well-being and protection within Sime Darby's business context. Through dialogues and interactive workshops, employees are empowered and encouraged to be effective child protectors, influencing business operations and extending beyond the work environment. The Programme also looks into protocols and procedures for dealing with reported and/or suspected cases and support for children who have survived reported cases of abuse.

After the launch of the corporate policy in 2010, the Programme is now being rolled out in stages across the Sime Darby Group, starting with the Plantation Division. Various engagements have been carried out such as working visits to the crèches in the estates, discussions with subject matter experts from Government Ministries to local Non Governmental Organisations, CPP awareness workshops and discussions with management and various levels of employees, as well as school holiday camps focusing on safety issues for children living within the company's plantation operations. Since its inception, more than 20 engagements have been completed involving participants and stakeholders from various backgrounds.

The Gender Policy and Pilot Programme

Sime Darby is an equal opportunities employer. However, there are large differences between the ratio of men and women employed in some of our divisions. These differences are mainly driven by industry trends such as predominantly male employees in our Plantation Division and female employees in our Healthcare Division.

Sime Darby currently employs more than 8,000 women workers in its Plantation estates and mills across Malaysia. Following the need to address fair and equal gender policies in the work place, Sime Darby implemented the Gender Policy Programme in Sime Darby Plantations in 2008. The programme aims to improve and uphold women's rights, working conditions, housing and amenities, wages, safety and security, gender-based discrimination, sexual harassment, domestic violence, reproductive health and child care.

In 2010, we commenced the pilot phase of the programme in a collaborative effort between Sime Darby Plantation Division and Tenaganita, a non-governmental organisation dedicated to protecting the rights of women and migrants. This involved a series of workshops and engagement sessions with female employees across all plantations in Malaysia. Social impacts assessments were also conducted to assess the progress of Gender Committees set up and internal consultation were carried out to assist the programmes at site. To ensure optimum uptake and success, the workshops were conducted in three languages – English, Bahasa Malaysia and Tamil. 500 employees have since participated in 14 engagement sessions and a manual has been developed to guide our plantation managers and Strategic Operation Unit Gender Committees.

Global Business Initiative on Human Rights (GBI)

Sime Darby is a member of the Global Business Initiative on Human Rights and hosted the GBI's roundtable event for ASEAN business leaders on "Implementing Corporate Respect for Human Rights. This event brought together experiences of key experts, to explore the relevance, challenges and ways forward for human rights and business in the ASEAN context. Moreover, it also enabled participants to learn about the United Nations Guiding Principles on Business and Human Rights, understand the business case for implementing respect for human rights in a business context, and engage with industry peers on concrete challenges and good practices .

Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:

the elimination of all forms of forced and compulsory labour;

Principle 5:

the effective abolition of child labour; and

Principle 6:

the elimination of discrimination in respect of employment and occupation.

Sime Darby's commitment as an equal opportunities and anti-discriminatory employer is outlined in our Human Resources policies that govern the way in which we manage our people. Our Human Resources policies include:

- Non discrimination on the grounds of colour, race, religion, ethnicity, national origin or gender.
- Zero tolerance towards physical or verbal discriminatory harassment in the workplace.
- Protecting the rights of employees to be treated with dignity and respect.
- Respecting the rights of employees to freedom of association.
- Ensuring grievance channels are available.

These principles are further enforced via standards adopted by our respective business divisions, such as the Roundtable on Sustainable Palm Oil (RSPO) by our Plantation division. The RSPO's Principle 6 on "Responsible consideration of employees and of individuals and communities affected by growers and mills" include criteria on freedom of association for employees, non-participation in child labour, non-discrimination, non-harassment in the workplace and availability of grievance procedures. Our Plantation division is committed to being fully RSPO certified in 2012.

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

undertake initiatives to promote greater environmental responsibility; and

Principle 9:

encourage the development and diffusion of environmentally friendly technologies.

At Sime Darby we have defined “Respect for the Environment” to mean proactively addressing environmental challenges, promoting environmental responsibility, and encouraging the development and use of environmentally-friendly designs and technologies. Towards this end, we are committed to compliance with all environmental regulatory requirements and to proactively address environmental challenges beyond compliance. These include our climate change impacts, biodiversity protection and our use of natural resources and materials.

Examples of how Sime Darby proactively manages our environmental impacts include:

Climate Change and Energy Efficiency

The Group is cognisant of climate change, the issues related to it and the potential impacts if we do not act now to safeguard what we have for the present and future generations.

In 2010, we took our first step towards managing our climate change impacts by preparing a baseline carbon inventory using historical data from 2009. The study covered all Divisions in our seven key countries of operation – Malaysia, Indonesia, Singapore, Thailand, Australia, China and Hong Kong – or approximately 85% of our global operations. The development of our baseline carbon inventory is in progress during the period of reporting covered by this Communication on Progress and is expected to be completed in early 2012.

Preparation of our 2009 carbon inventory is the first phase of a study that will establish our baseline carbon emissions, identify strategic reduction opportunities and help us to set carbon emission reduction targets. This will also provide a holistic platform from which to manage our operational energy efficiencies and associated cost benefits.

Policy on Planting on Peatland

Peatlands contain significant amounts of organic matter and the development of peatlands has been shown to contribute significantly to anthropogenic sources of greenhouse gas emissions. Sime Darby's Sustainable Plantation Management System dictates that peatland be avoided for new plantings. In line with this, on plantations previously developed on peatland, we have undertaken rigorous water management measures to ensure the water table remains consistently at 60-75cm below the surface to minimise the accelerated decomposition of dried peat and consequent carbon emissions and the risk of fires.

Stability of Altered Forest Environment (SAFE)

Sime Darby is collaborating with the South-East Asia Rainforest Research Programme (SEARRP), an overseas research programme of the Royal Society (The UK and Commonwealth Academy of Science), on a long-term study and research project that aims to understand how the impacts of forest modification affects the functioning of tropical rainforest, their ability to deliver ecosystem services and their capacity to support biodiversity.

The SAFE project will study and track the ecological, hydrological and micro-climatic changes and their effects on flora and fauna, across a wide range of habitats and types of forest conversions. Land use and habitat type studies will be conducted on newly-developed to mature oil palm plantations, small to large forest patches and the primary rainforests of the Maliau Basin and Danum Valley.

Central to the SAFE Project will be the creation of a number of clusters of forest patches within an oil palm plantation that is currently being established by Yayasan Sabah. The individual forest patches will be in sizes of 1 hectares, 10 hectares and 100 hectares and will form the experimental core of the project. In addition to research plots within the newly created forest patches, plots will also be established in the surrounding (new) oil palm plantation, in continuous forest (including in the primary rainforest of the Maliau Basin and Danum Valley Conservation Areas), and in more mature oil palm plantations.

This collaboration will benefit Sime Darby, and the plantation industry, by providing insights which will allow minimisation of biodiversity impacts while maximising ecosystem services. It is envisaged that SAFE will make a major contribution to sustainable palm oil management and the conversion of biodiversity while providing a major industry-wide contribution to sustainable plantation management, the implementation of the Roundtable on Sustainable Palm Oil guidelines and the conservation of biodiversity in agricultural landscapes. All of which may be used to better manage the Group's ecological and environmental footprint.

Zero Burning Replanting Technique

First introduced commercially in 1989 by Sime Darby, the zero burning technique has since been adopted as an industry best practice standard. Zero burning at replanting helps preserve and restore chemical balance and fertility of the soil by returning organic matter to it and reduces associated greenhouse gas emissions and the risk of uncontrolled forest fires.

Sime Darby was awarded the UNEP Global 500 Award during the Rio Earth Summit in 1992 for the development and commercialisation of this practice.

High Conservation Value Forests (HCVF)

In accordance with our commitment to the Roundtable on Sustainable Palm Oil's Principles and Criteria, we ensure that independent HCVF assessments are conducted at our plantation estates prior to new plantings or developments to identify HCVF that may be negatively affected by our operations. The HCVF assessments are conducted in conjunction with independent Social and Environmental Impact Assessments (SEIA) that are also carried out prior to new developments.

Management plans are consequently developed to mitigate the potential impacts on HCVF identified, such as set-aside of appropriate buffer zones. This holistic process of conducting SEIAs, assessment and identification of HCVF and the consequent management and mitigation actions are embedded within our Plantation Division's Sustainable Plantation Management System.

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

Sime Darby takes a zero-tolerance approach towards bribery and corruption, and is committed to behaving professionally, fairly and with integrity in all our business dealings and relationships wherever the Group operates. The Group's position on corruption is expressly set-out in our Code of Business Conduct, including consequences for violations of the code, which include termination of employment and referral to appropriate authorities for violations related to criminal acts.

Sime Darby also signed a Corporate Integrity Pledge in June 2011, which commits the Group's employees and key business partners to attend training on integrity enhancement and corruption prevention, which will be conducted by the Malaysian Anti-Corruption Academy.