

# WORLD SERVING THE SUSTAINABLY

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My job is to make sure we  
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what we do best?  
”

**Rashyid Redza**  
Head of Group Sustainability



**Achieving full integration  
of sustainability across the  
business is no mean feat  
and cannot be achieved  
without key stakeholders.**



That ice cream you're eating on a hot summer day, that shampoo you're using after a workout at the gym, that lipstick you're applying for that important job interview, chances are in your daily life, you've used a product that contains palm oil produced by a plantation belonging to Sime Darby Plantation Berhad (SDP). This comes as no surprise, as SDP is the world's largest oil palm company and producer of certified sustainable palm oil. In this case study, we speak with Rashyid Redza, Head of Group Sustainability at SDP to understand how important stakeholder communication is to SDP, and how this is key to SDP's ability to serve the world on a sustainable basis.

### **What does sustainability mean to SDP?**

For us, sustainability goes beyond minimising negative impact to the environment, community, or society. The essence of sustainability is closely intertwined with our purpose to create a better future for all. To achieve that, we constantly have our finger on the pulse of what matters the most. In fact, sustainability has been ingrained

in SDP since the 1980s. Historically, land clearing for cultivation was done primarily using "slash-and-burn" methods, which was greatly detrimental to the environment. Recognising this, we pioneered the zero-burning replanting technique in all our operations over three decades ago. This practice has now achieved global recognition and is now considered an industry standard.

### **What role does stakeholder communications play when it comes to sustainability?**

Ensuring and maintaining full integration of sustainability over the course of so many years is no mean feat and is not possible without our key stakeholders. We understand that communication is inextricably linked to sustainable growth. More importantly and fundamentally, it is about building positive relationships with key stakeholders.

A good example of how communications is key in facilitating positive change is our Working with Suppliers to Draw the Line on Deforestation policy which is in line with our commitment towards No Deforestation, No Peat, No Exploitation (NDPE). The policy outlines clearly our NDPE commitments and sets out clear expectations on what our suppliers are to do in the event of a violation of the commitments. It also clarifies that a failure to demonstrate progress in meeting these expectations will lead to suspension of the suppliers. The ultimate goal is to expand the sphere of oil palm companies operating to NDPE commitments. Therefore, if a non-compliant supplier commits to meet SDP's conditions, the Company will engage with them and support their progress. Constructive engagement to introduce new and improved practices is critical to systematically resolving non-compliance to NDPE. Simply suspending suppliers can have the unintended consequence of driving poor practice elsewhere into the system, making it less visible and

**SIME DARBY PLANTATION CASE STUDY**

**Key Stakeholders**

- Customers**  
Our customers support us by purchasing our products and services
- 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
- NGOs/Civil Society Organisations**  
NGOs enable us to contribute more meaningfully by combining social impact with business performance
- Industry Groups**  
Industry groups allow us to share knowledge and expertise within the Group and stay abreast of current developments in the industry
- Government Agencies**  
The government sets the rules and regulations that impact our business and the industry at large
- Local Communities**  
Our business activities have an impact on the people in the communities where we operate
- Academic Institutions**  
Academic institutions enable us to reach out to a broader audience, and also grant access to cross-disciplinary collaborations and strategic partnerships

**Mode of Engagement**

- Engagement and virtual events, webinars and forums
- Meetings
- Brand perception – external customer survey and feedback
- E-mails
- Employee Engagement Surveys
- Volunteer programmes
- Skills development workshops
- Organisational Health Index (OHI)
- Muster Briefings
- Union Meetings
- Gender Committee Meetings
- Meetings and Forum Participation
- Engagement Surveys
- Collaborative Projects
- Working Groups
- Task Forces
- Technical Committees
- Meetings
- On-Site Inspections
- E-Correspondence
- Community Meetings and Engagement Events
- RSPO Complaints Panels
- Grievance Panels
- Collaborative Projects
- Advisory Roles
- Funding Applications

Material Matters	Why Is This Material To Us?	What Is Our Response?
<b>Operational Performance</b>	Disruptive macro externalities and uncontrollable factors can negatively impact operational performance, production and throughput, which ultimately affects business profitability.	<ul style="list-style-type: none"> <li>• Targeted focus and execution of initiatives to drive operational excellence, generate new value-adding revenue, alleviate leakage and wastage and manage costs prudently</li> <li>• Ongoing adoption of precision agriculture especially digitalisation, innovation and automation to mitigate adverse impacts from uncontrollable factors and global uncertainties</li> </ul>
<b>People Management</b>	<p>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.</p> <p>Our aim for performance excellence includes our commitment to protect and safeguard the rights of our employees.</p>	<ul style="list-style-type: none"> <li>• Implementation of a New Performance Management Framework focussed on better clarity of goals and achievement of results</li> <li>• Recognition of Top 20 performers within business segments through differentiated rewards</li> <li>• Identification of Mission Critical Positions' (MCP) successors to build strong succession pipeline and high potential talent for healthy talent bench strength</li> <li>• 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</li> <li>• Implementation of holistic and harmonised people processes via Workday People Management System</li> </ul>
<b>Macroeconomic Conditions</b>	<p>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.</p> <p>Changes in legal and regulatory environments could exert additional pressure and increase cost of compliance and operations.</p>	<ul style="list-style-type: none"> <li>• Strengthening of business agility and flexibility to capitalise on changing market conditions</li> <li>• Pre-emptive management including scanning the business environment for changes or emerging risks, to leverage and take advantage of cyclical and trends to deliver sustainable profit growth</li> </ul>

Stakeholders Affected	Capitals Impacted
<b>Investors Suppliers/ Business Partners Customers Employees</b>	
<b>Investors Employees</b>	
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Stakeholder engagement is an important aspect of sustainability communications. (Sime Darby Plantation Annual Report 2021, page 28).

A look at some of the material matters, why they are important to SDP, and how stakeholders are affected. (Sime Darby Plantation Annual Report 2021, pages 30-31).

harder to act on. The priority is to find solutions to the issues, and we believe this must be done via engagement with the suppliers and giving them the opportunity to redress the problem. This will also address the concern of our wide range of stakeholders which include our customers, investors, NGOs and civil society organisations, on deforestation.

We may be doing a lot to advance our sustainability performance but if we do not communicate our plans and engage with our stakeholders, a lot will be left up to the interpretation of individuals. In short, communications help us to own the narrative and drive constructive conversations forward with our stakeholders, as well as gather and act on the feedback we received.

**What is the greatest challenge when it comes to stakeholder communications?**

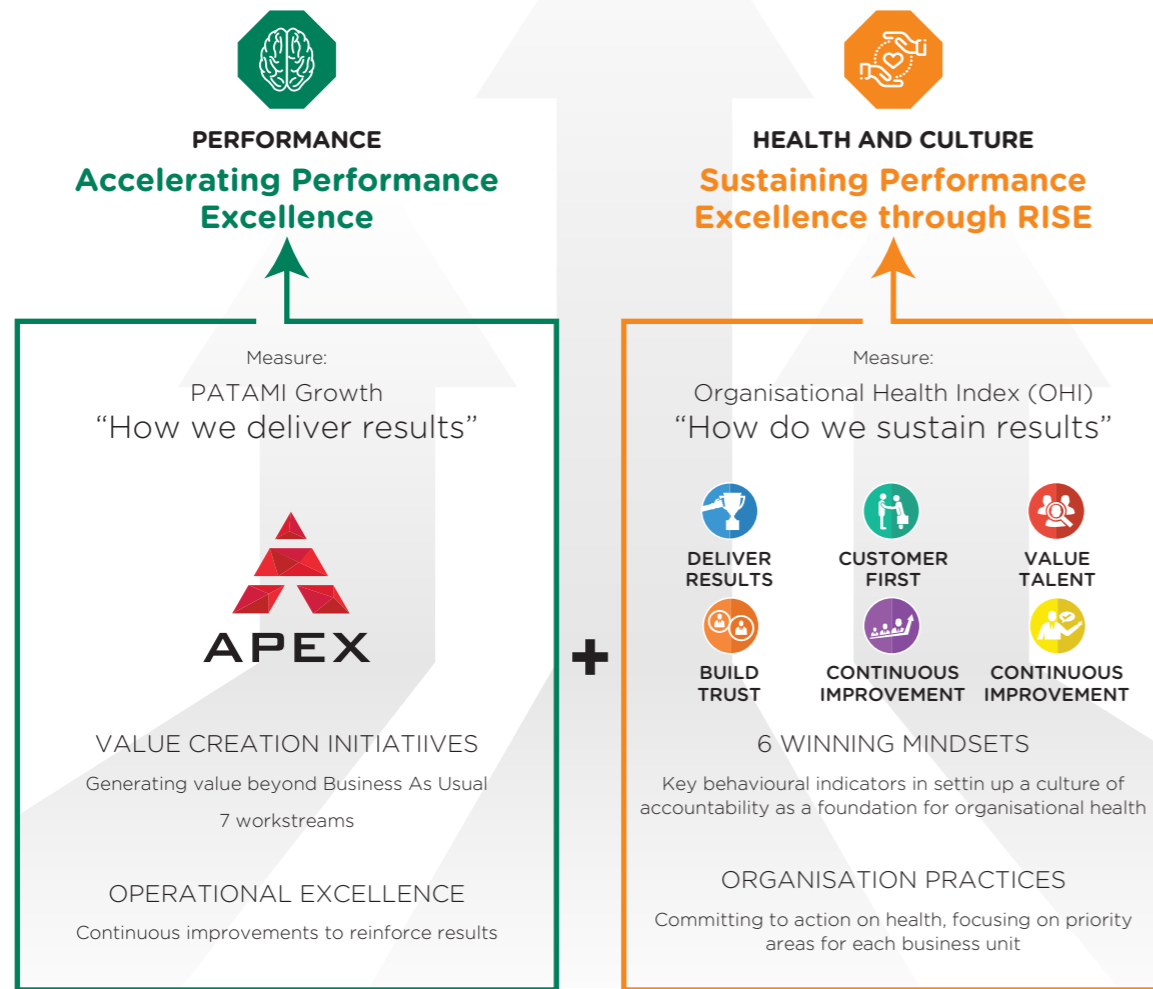
With so many stakeholders and constantly evolving needs and expectations, our challenge is in finding the right balance between addressing stakeholder considerations, while remaining accountable to our shareholders.

Our stakeholder universe is expansive, comprising customers, employees, NGOs, civil service organisations, industry groups, government agencies, local communities, academic institutions as well as shareholders, amongst others. With so many competing voices, it is important to identify the material issues that we address and respond to as a company. To bring focus to the conversations we have with our stakeholders, we dedicate

our efforts to material issues that are selected based on a guiding principle of maximising impact for our stakeholders as well as to the company. Often, they go hand in hand. For example, many people are not aware of this, but one of our major shareholders is the Employees Provident Fund (EPF) which is one of the world's oldest and largest provident funds. EPF helps the Malaysian workforce to build and

safeguard their retirement savings through its strategic investment portfolio which includes SDP. Therefore, our financial performance has a direct impact on the wealth of Malaysian citizens, and we need to help ensure that their pension funds remain secure. When you have determined which issues are most critical to achieving your objectives, the right conversations will naturally take place.

RESULTS INNOVATION SUSTAINABILITY ENERGY **RISE** TO **APEX** ACCELERATING PERFORMANCE EXCELLENCE



**RESULTS DELIVERY OFFICE**

Disciplined execution and rigour across APEX

*RISE to APEX represents a performance-driven approach to creating sustainable value. (Sime Darby Plantation Annual Report 2021, page 34).*

**How does SDP integrate sustainability into its business strategy using stakeholder communications?**

To ensure that our organisation's strategy and our stakeholders' interest are aligned, we regularly assess who our key stakeholders are and the material issues of concern to them. In 2020, we went a step further by conducting a stakeholder perception study on our industry and our role as a

palm oil producer to understand how we are perceived through the lens of our stakeholders. We were able to acquire valuable insights into the matters that are close to their heart and develop business solutions that are sustainable, effective, and relevant. At the same time, we actively engage with our employees so that everyone understands how and why we embrace sustainability in our strategy. 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. We reinforce this culture through roadshows, engagement sessions and internal publications such as APEXpedition. Without these inputs from our stakeholders, we would not have been able to integrate sustainability into our overall business practices and corporate strategy as well as we do today.

**What are some examples of solutions that have been developed with the involvement of stakeholders?**

**Enhancing Accountability**

One of the pertinent issues that stakeholders have is transparency and traceability in the palm oil supply chain. As the world's largest producer of sustainable palm oil, we know it is critical that our plantations and our supply chain abide by our NDPE commitments. After multiple consultations and engagements with stakeholders, we developed Crosscheck, an open-source online traceability tool. It is designed to be used by any of our stakeholders that is concerned about the role of the palm oil industry in NDPE non-compliances. This includes corporate buyers and investors who want assurance that their brands and financing are not associated with deforestation. Crosscheck allows our stakeholders to trace sources of SDP's palm oil supply down to the plantation and mill where the oil was cultivated and harvested.

Traceability data captured in Crosscheck complements our deforestation monitoring initiative in partnership with AidEnvironment. Since 2018, AidEnvironment have been assisting us in the screening, mapping and categorising of SDP's third-party supply chain in Southeast Asia and highlighting supplier parent groups that present non-compliance risks. They analyse spatial and thematic data, corporate policies, and ownership structures to map out plantations and the landscapes in which they operate. The screening process also involves the continuous monitoring of land use change in forested and peat areas. When change is detected, we immediately initiate engagements with our suppliers to investigate whether the development is linked to them. We also hold regular engagement sessions with AidEnvironment to update them on our investigation findings. This is a huge step towards creating a transparent and forest-positive supply chain.



**Empowering Smallholders**

Another area of concern involved smallholders and small growers in our supply chain. These are key stakeholders of the palm oil industry, accounting for 40% of the total global palm oil production. Through conversations, we realised that they lacked the resources and knowledge to produce palm oil sustainably, often resorting to practices resulting in negative environmental impact. Adopting a localised approach, we educated and guided them towards responsible processes. In Papua New Guinea, we used visual aids and simplified learning tools to teach important topics such as improving crop quality and effective financial planning. In Malaysia, we initiated a pilot project to tackle and overcome the challenge of undergoing mandatory certification, providing practical support such as assisting with registration and verifying land titles.

**Sharing Knowledge**

One more example is the release of our research on the oil palm genome in the public domain and the high yielding seeds called 'Genome Select'. The results of over a decade of research, we managed to map the genetic sequence of the oil palm, creating an unprecedented level of detail. This allows us to share with the world the key to creating climate-resilient, disease tolerant high-yielding oil palms, and presents a golden opportunity for the industry to

**When is the best time to evaluate whether stakeholder communications is working?**

produce more with less and move closer to a more sustainable future for all. Essential to the success of this breakthrough in innovation were the strategic collaborations and partnerships we had with some of our key stakeholders, including scientists from world-leading academic institutions. As of 2020, we have published the genome sequence which is 79% more complete than any version published to date.

Within a year of publication, the paper has received more than 1,200 reads and eight citations with a total of 11 recommendations as well as positive comments from fellow researchers.

Contrary to popular belief, stakeholder communications is an important resource to tap on early. A common practice is to conduct an evaluation after the project has concluded. I believe it is better to evaluate throughout the lifespan of a project, so we can reflect on the approach undertaken and make modifications and improvements where necessary. Serving the world needs to start with a conversation, and for me, the conversation never stops. My job is to make sure we constantly engage our stakeholders meaningfully. If we don't understand what our stakeholders want, how can we do what we do best?

# SHEDDING LIGHT ON THE BOARD'S ROLE IN DRIVING THE STAKEHOLDER AGENDA



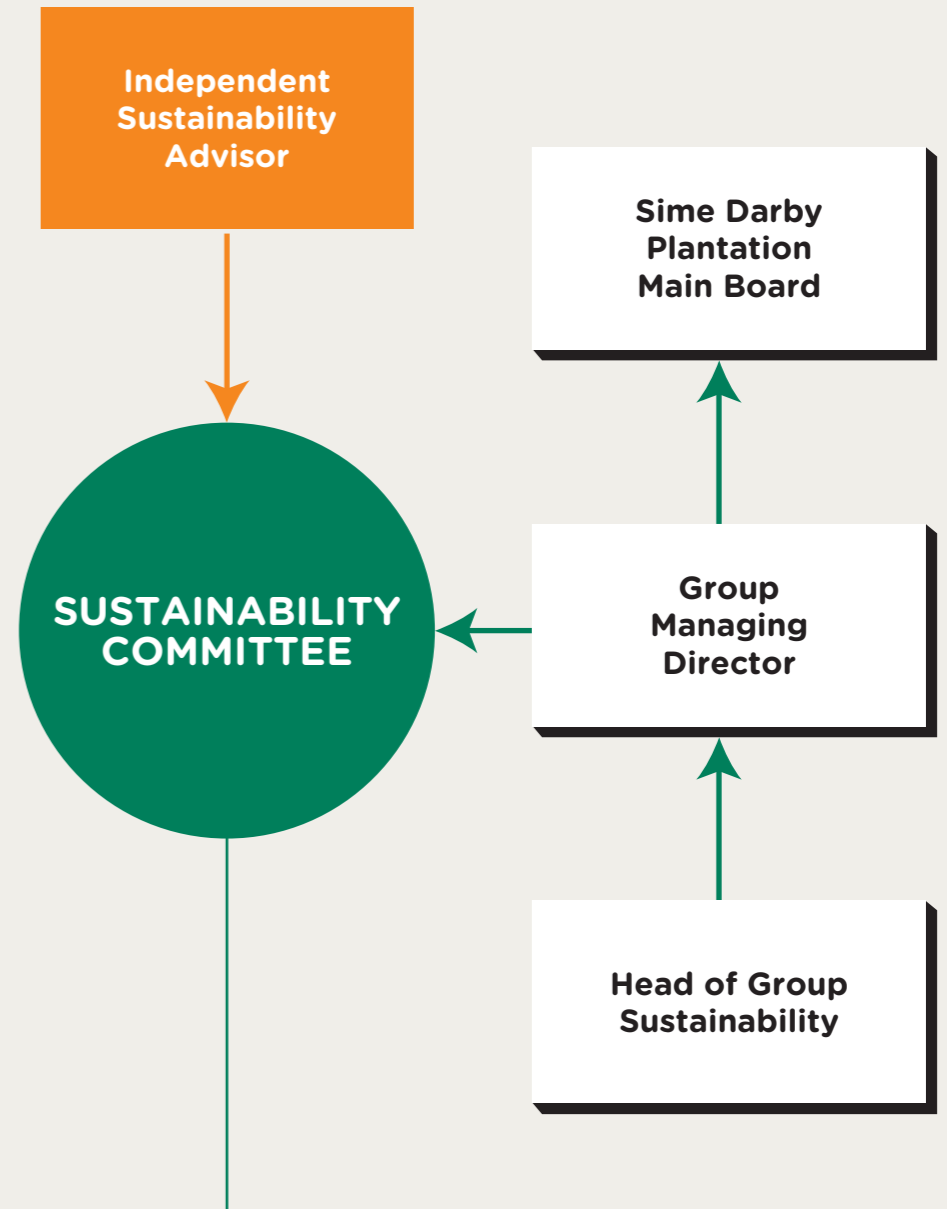
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An organisation’s culture is built slowly over time, and we have successfully built an inclusive culture that embraces diversity of opinion and empathy for stakeholders over the years.  
”

**Dato’ Henry Sackville Barlow**  
Chairman of Sustainability Committee



**Q How does the Board champion stakeholder engagement?**

**A** The Board is a firm believer of the need to balance maximising shareholder value with understanding and engaging a wider stakeholder group. If you look at our corporate governance framework, you can see that the Board answers to our stakeholders. In fact, we are already fully aligned with the latest 2021 Malaysian Code on Corporate Governance update and we are consistently seeking to promote meaningful engagement between a company and its stakeholders. In other words, we recognise that stakeholder engagement is a critical component of corporate governance. It is the Board’s responsibility to ensure that our stakeholders are identified and understood. We regularly engage with stakeholders through forum participation and site visits, and we have a comprehensive stakeholder engagement framework in place.



**Q How does the Board work together with management to ensure stakeholders needs are met?**

**A** It is the Board’s responsibility to hold management accountable on how the company is run, including how it handles stakeholder considerations. To help us with that, we have created board committees that govern how issues such as sustainability, risk and

governance are managed and considered by the management, including the company’s impact on key stakeholders. The Board Committee that I chair, the Sustainability Committee, plays an important role in ensuring SDP operates in line with our sustainability objective, which is to contribute to a better society, minimise environmental harm and deliver sustainable development. It is my duty as Chairman to ensure the needs and expectations of our stakeholders are heard and understood as part of our sustainability journey.



**Q What measures have been taken to assure stakeholders that the Board and management are fully committed to fulfilling its sustainability objective?**

**A** One of our key measures is our commitment to align with the recommendations set by the Taskforce on Climate Related Financial Disclosures (TCFD). The TCFD has developed a framework that allows us to effectively disclose risks and opportunities associated with climate change. In line with the TCFD framework, we have created a baseline of our current climate change related efforts. Through this process, we were

able to determine our existing operational footprint and the state of our global supply chain. Equipped with this baseline information, we then mapped out existing processes as well as initiatives that need to be in place for us to better align with the TCFD recommendations. An example of this is our intention to disclose our material climate risks in both our upcoming Annual Report and Sustainability Report, including our process of identifying these risks, the impact they have on the business and the adaption and mitigation approaches we plan on undertaking.

**Q How does the Board ensure there is a culture internally that supports the agenda?**

**A** Culture starts with leadership. At the Board level, we are accountable for defining the right culture for the company, while management is responsible for embedding it within the organisation and throughout our value chain. We have identified and created the “6 Winning Mindsets” as part of an internal culture realignment exercise back in 2017

and have been living through this culture from then on. Beyond this, we have various initiatives to ensure that the organisational culture is cascaded through every aspect of our business. For example, we appointed representatives at 157 of our estates and mills in Malaysia to form Gender Committees in our strategic operating units. The Committees are responsible for creating a safe space for employees to raise concerns on sexual violence issues. Through these culture-defining mindsets, we can walk the talk by bringing our core values to life and demonstrating how our stakeholders guide us in shaping SDP’s strategy and growth story. An organisation’s culture is built slowly over time, and we have successfully built an inclusive culture that embraces diversity of opinion and empathy for stakeholders over the years.

**Key takeaways**

- 1 The stakeholder universe is big and complex**  
Engaging key stakeholders with contrasting and competing interests and agendas is a balancing act that needs to be closely monitored. By having a well-defined purpose and articulating that in a clear, authentic manner will go a long way in successful and meaningful engagement with stakeholders.
- 2 The stakeholder’s voice must be heard loud and clear in the Boardroom**  
The Board must understand and consider the interests of key stakeholders when making strategic decisions. This form of stakeholder governance will help to strengthen the organisation and lead to long-term value for both shareholders and stakeholders alike.
- 3 The conversation never stops**  
Stakeholder communications will allow you to get a head start, not just on identifying and solving potential issues and areas of concern but also on identifying potential opportunities for the organisation. Regular engagement with stakeholders can help organisations prioritise issues that are most material and allow the organisation to capitalise on opportunities in a timely fashion. This is especially important now, where gaining clarity in a time of uncertainty will prove invaluable in helping organisations navigate the new normal.
- 4 Own the narrative**  
Leverage on communications to get the word out there on your sustainability efforts. Owning the narrative allows you to lead conversations, rather than allowing ambiguity to shape perceptions of your company. In other words, lead or be led.
- 5 Stakeholder communications encourages innovation**  
The conversations with stakeholders on issues and opportunities may spark forward thinking ideas, solutions, and plans. It is through communications that diverse viewpoints are heard and converge, leading to innovative solutions that can only be conceived through collective thinking.

**About this case study**

This case study is a collaboration between Black Sun and Institute of Corporate Directors Malaysia. Stakeholder engagement and communications are key to understanding sustainability issues that are material to the company and its stakeholders. We seek to provide insights into how leading Malaysian organisations govern their stakeholder processes and programmes towards better sustainability stewardship and value creation in the long run.

The case study is developed through desktop research on the organisation’s engagement programmes and channels, as well as in depth interviews with members of the management and board of the company.

**About Black Sun and ICDM**

Black Sun is a stakeholder communications company. We believe that in today’s fast moving and highly uncertain world, successful businesses are those able to deliver long-term value to the people around them – their stakeholders. When stakeholders are heard, engaged, and inspired, businesses are understood, trusted, and supported. They are more valued by their stakeholders and perform better.

Institute of Corporate Directors Malaysia (ICDM) is the one-stop centre for all board and director needs, dedicated to empowering boards and directors with the right skills, knowledge, and mindset to enhance their professionalism and effectiveness. Spearheaded by the Securities Commission Malaysia and supported by Bank Negara Malaysia, Bursa Malaysia, and the Capital Market Development Fund, ICDM serves as the national institute of directors and aims to be the leading influence of excellence in governance.

**Sustainability Communications Case Study Series**

