

# JC3 CONFERENCE 2023

Masterclass 3

Pioneering Sustainability: Formulating and Achieving Science-Based Targets for Impact

24 October 2023

200  
OLDER, WISER, BETTER  
EST. 1821



2 CENTURIES  
OF LEADERSHIP  
[www.simedarbyplantation.com](http://www.simedarbyplantation.com)

# Increasing Expectations on Companies to Contribute to Climate Action Globally



## Customers

Increasing expectations by customers globally to demonstrate progress in combatting climate change

## Investors & Shareholders

Increasing scrutiny by investors and shareholders to disclose on progress in line with latest standards

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts

## Government & Regulators

National climate commitments leading to increasing regulations and policies planned / introduced in countries and destination markets

# Our Decarbonisation Journey

SDP's started its decarbonization journey since 2012, while continuously looking into best sustainable practices



Established NDPE commitments.

2016

Re-stated target to reduce 50% of operational Scope 1 & 2 emissions by 2030.

2020

Established Scope 3 emissions for FY2020 baseline. Submitted near-term 2030 and longer-term 2050 targets to SBTi for validation

Nov 2022

Current Progress 2023

Awaiting validation of Net Zero Target by SBTi

2012

Established Scope 1 & 2 baseline emissions and 40% reduction target from 2009 baseline.

2019

- Launched crosscheck, an open-access online tool allowing public to trace Sime Darby's supply to the mill level.
- Published Working with Suppliers to Draw the Line on Deforestation policy statement

2021

- 5 solar PV systems in operation in SDP Malaysia.
- MoA with Nestle Malaysia to plant over 1 million trees. >1.9 million trees planted by SDP to date as part of reforestation programme

MoA – Memorandum of Agreement

Our Roadmap to

# Net-Zero

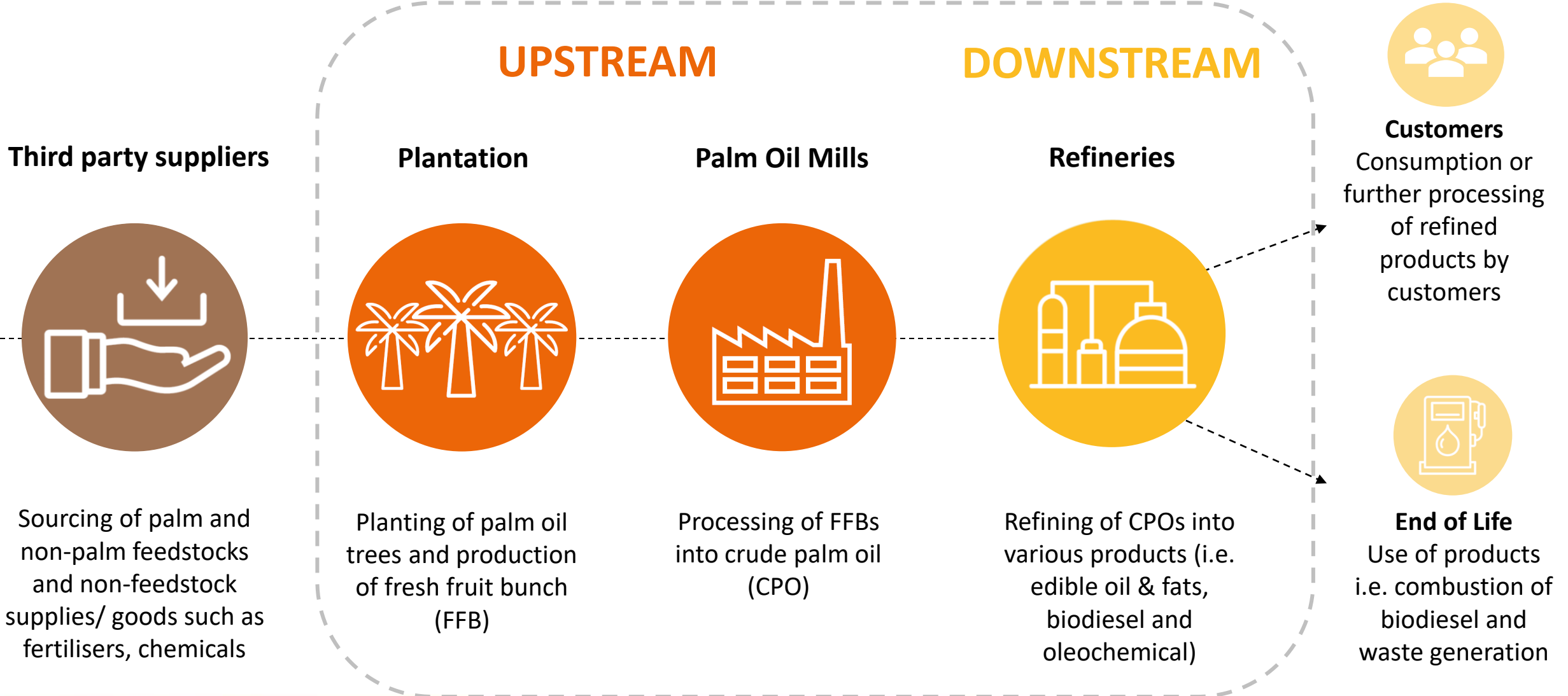
Measurable. Meaningful. Science-Based.

# Developing a Comprehensive Carbon Baseline

Understanding the supply chain to fully gauge and tackle emissions from the entire value chain



As a fully integrated company, SDP operates in the entire value chain



# Net Zero Action and Planning

SDP's approach in developing its Net-Zero roadmap



## Key activities:

### External Engagements

Engaged with third party advisors to provide technical guidance, insights, knowledge on SBTi as well as climate scenario analysis.



Gap analysis of existing inventory and baseline with respect to GHG protocol and SBTi as well as recommendations on closing gaps.



Review completeness of finalized carbon inventory in line with global standards.



Develop emissions inventory in line with GHG Protocol's draft Land Sector and Removals Guidance (GHGP).



Formulate potential SBTi-aligned reduction targets.



Undertake qualitative scenario analysis for both transition and physical risks.



Develop net zero emissions reduction roadmap

### Internal Project Team

Internal team dedicated to sourcing necessary information and data to ensure smooth delivery within the set timeline.

# Overview of Our Process

Step-by-step process to achieve key deliverables



## 1. Planning Stage

Prepare project outline and agenda.

## 2. Review Emissions Inventory

### Performing Gap Analysis

- Reviewed existing carbon emissions against GHG Protocol and SBTi guidelines.
- Conducted discussion sessions with stakeholders.
- Assessed completeness of finalized carbon emissions inventory.

### GHGP

- Identified SBTi-aligned recommendations for inclusion of LUC and sequestration within SDP's carbon emissions inventory.

### Identify SBTi target ambition

- Formulated potential SBTi-aligned reduction targets.
- Conducted benchmarking analysis with peers on target ambition.

## 3. Risk Identification & Qualitative Assessment

### Define climate scenarios

- Agreed on the types of scenarios, including the scenario narratives.

### Identify Risks

- Reviewed SDP's existing climate risk identification and assessment.
- Developed a relevant list of climate-related risks and opportunities.

### Map exposure-to-risk

- Prepared impact landscape with risks qualitatively mapped to value chain using SDP's risk management framework.

### Undertake initial qualitative scenario analysis

- Conducted risks and opportunity assessment validation workshop to validate the rating for risks and opportunities.

## 4. Climate Scenario Quantitative Analysis

### Physical risks scenario analysis

### Transition risks scenario analysis

## 5. Net Zero Emissions Roadmap

- Developed draft net zero emissions roadmap.
- Conducted discussions with consultants to validate net zero roadmap prior to submission to the SBTi.

# Challenges Identified and Ways of Improvements

Continuously looking at enhancing processes to address obstacles



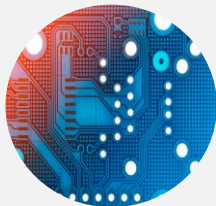
## Data Management

Challenge in sourcing and extracting massive volume of data required to measure emissions

### Improvement Initiatives



Working towards developing **automated solutions** for ESG data storage.



Exploring ways to develop a **centralised database** for ease of extracting verified data when needed.

## Value Chain Emissions

Not all suppliers measure their emissions, and some may use different methodologies

### Improvement Initiatives



Enhancing supplier engagements as a collaborative effort towards emissions reduction



Explore opportunities to work together with financiers/ investors to develop incentives to help motivate suppliers, particularly SMEs.

## Interpreting Guidelines

Challenges in getting clarity and interpreting guidelines particularly the GHGP & SBTi FLAG due to it being relatively new

### Improvement Initiatives



Engage with **experts**



**Upskilling** internal teams

# Outcome: Net Zero Roadmap



Established a clear roadmap to achieve net-zero emissions across entire value chain by 2050 which is science-based and in line with the latest guidance by the SBTi

## 2020 Baseline

### Scope 1 & 2 Emissions

- 10.0m tCO<sub>2</sub>-e\*
- Non-FLAG: 2.5m tCO<sub>2</sub>-e
- FLAG: 7.5m tCO<sub>2</sub>-e

### Scope 3 Emissions

- 7.2m tCO<sub>2</sub>-e\*
- Non-FLAG: 2.1m tCO<sub>2</sub>-e
- FLAG: 5.0m tCO<sub>2</sub>-e

#### Acceleration and Expansion of Renewables

Ongoing methane capture programme to cover 71% of SDP palm oil mills globally	100% adoption of renewable energy in Peninsular Malaysia by 2024	Ongoing solar panels installation and virtual large-scale solar
---	--	---

#### Land Use Transformation

Ongoing reforestation of identified areas within concession	Ongoing peat rehabilitation efforts	Explore long term solutions for peat plantations
	Agroforestry cultivation	Introduction of stabilised fertilisers

#### Enhancing Supplier Engagement

100% NDPE compliant supply chain by 2025	Reduce peat drainage emissions in palm oil feedstock supply chain by 55% by 2030
Supplier engagement – targeting the most material SDP's suppliers to have science-based emission reduction targets in line with SBTi resources by 2027	

## Legend

FLAG emission reduction activities	Non-FLAG emission reduction activities
------------------------------------	--

Methane capture at 100% of SDP palm oil mills	Solar panels installation and virtual large-scale solar
100% adoption of renewable energy in Peninsular Malaysia	IEA Net-Zero Energy Mix transition

Continuous carbon sequestration from forest planting, restored peatlands and agroforest crops	100% usage of stabilised fertiliser
---	-------------------------------------

Maintain 100% NDPE compliant supply chain	Reduce peat drainage emissions in feedstock supply chain by 100%
---	--

100% methane captured in palm oil feedstock supply chain	50% of non-feedstock vendors reduce emissions by half
--	---

Transitioning upstream and downstream transportation and distribution to low emission / renewable fuels
---

#### Neutralisation of Residual Emissions

Unabated emissions are balanced by an appropriate amount of CO<sub>2</sub> removals (e.g. carbon credits, investment in direct-air-capture technologies, geologic storage or newer technologies to be introduced in the future)

2030 Mid-term FLAG & Non-FLAG targets\*

2050 Long-term FLAG & Non-FLAG targets\*

#### \*Notes:

- SDP's mid-term (2030) and long-term (2050) science based targets have already been developed and submitted to the SBTi for validation.
- FLAG – Forest, Land and Agriculture (SBTi definition).
- SDP Scope 1 emissions currently do not include removals (e.g. sequestration from oil palm trees and conservation areas) which are currently being aligned to the recently launched SBTi FLAG Guidance. The removals will be included once completed.





**Thank you**

**200**  
OLDER, WISER, BETTER  
EST. 1821



**2 CENTURIES  
OF LEADERSHIP**  
[www.simedarbyplantation.com](http://www.simedarbyplantation.com)