Plantation

POSITIVE (tactical)

Haze: The Emerging ESG Equation

HIGHLIGHTS

- Haze adds another layer of plantation risk
- Peat exposure puts estate controls under scrutiny
- Certification must translate into visible results
- Haze puts palm oil sustainability back under scrutiny

Haze adds another layer of plantation risk. ASMC recorded 93 hotspots in Malaysia (+38.8%yoy) and 14,422 in Indonesia (>100%yoy) in Sep-26, with Kalimantan accounting for 76.8% of Indonesia's total. The concentration matters, as smoke can affect nearby estates and communities even where local rainfall remains adequate. For planters, the discussion therefore extends beyond the potential benefit of firmer CPO prices to how well sustainability implication can withstand recurring haze. In our view, this puts estate-level fire prevention and response capabilities under closer scrutiny, particularly in peat areas vulnerable to prolonged dryness.

Peat exposure puts estate controls under scrutiny. Based on our channel checks, planted peat accounts for approximately 2.29% of IOI's acreage, 2.23% for JPG and below 10% for GENP, with substantially higher exposure among Ta Ann and Sarawak Plantation. This makes water-table management, hotspot monitoring, firefighting readiness and zero-burning practices critical during prolonged dryness. SD Guthrie, for instance, monitors areas within 5km of its Indonesian estate boundaries and deploys over 50 drones. While MSPO, ISPO and RSPO certification provides some assurance on these safeguards, but their effectiveness ultimately depends on implementation on the ground.

Certification must translate into visible results. Malaysian corporates' adherence to RSPO and MSPO provides assurance, but recurring regional haze shows why certification must translate into effective controls. Indonesia introduced ISPO in 2011, ahead of Malaysia's MSPO implementation in 2015, yet persistent fires activity, raise questions over implementation and commitment.

While hotspots alone do not establish plantation culpability, SDG and KLK recorded surrounding-area counts equivalent to 6.8x and 6.7x of their within-estate counts respectively, across their 5km and 1km monitoring radius in FY25, that was mostly not in Malaysia estates. This exposure extends beyond estate boundaries, as fires on surrounding land could undermine individual/smallholders certification efforts and renew scrutiny of the wider PO industry's sustainability practices.

Haze puts palm oil sustainability back under scrutiny. Dryness leaves land more vulnerable to fires, while any illegal burning outside planted areas could worsen haze and put the wider palm oil industry back under scrutiny. With Indonesia's 2.6-2.7m

COMPANY *IN FOCUS*

SD Guthrie

Maintain BUY | Target Price: RM7.65
Price @ 02nd Oct 2026: RM6.10

- Malaysia production growth c. +5% supported by strong FFB yield of 19.63tonne/ha and OER 21.3%
- Less downstream earnings volatility
- Net Gearing at 19x – the lowest since listing

SHARE PRICE CHART



Abbreviation.

FFB: Fresh Fruit bunches
CPO: Crude Palm Oil
SBO: Soybean Oil
PKO: Palm Kernel Oil
ASP: Average Selling Price
OER: Oil Extraction rate

MET Malaysia: Meteorology Malaysia
EL- Niño: Warm and dry weather
La-Niña: Cold and wet weather

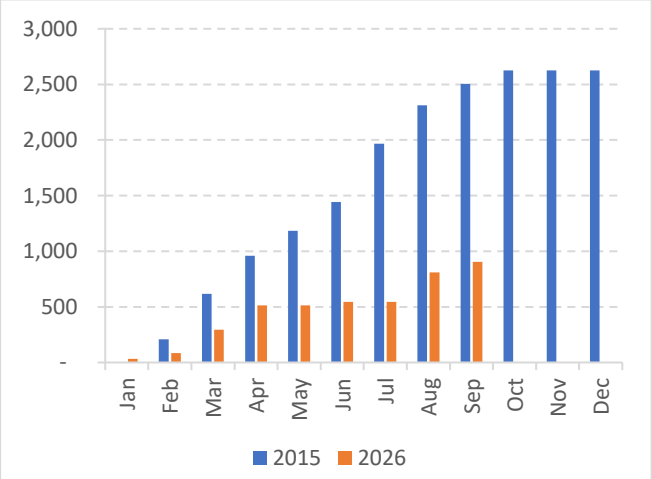
oil palm smallholders managing around 5.8m hectares (approximately 40% of country total plantation area), ensuring ISPO standards are followed on the ground matters. We view Malaysian corporates' certification efforts alone cannot shield the sector's reputation. As Indonesia's B60 ambitions increase feedstock needs, recurring haze serves as an early reminder that producing and expanding more output/planted area must go hand in hand with responsible land management and commitment. Maintain (tactical) **POSITIVE** stance, with average CPO price target of RM4,400/tonne.

Figure 1: September monthly hotspot counts across Malaysia & Indonesia

	Sep-25	Aug-26	Sep-26	mom%	yoy%	9M25	9M26	yoy%
Malaysia	**67**	**265**	**93**	**-64.9**	**38.8**	**605**	**904**	**49.4**
Peninsular	13	45	-	nm	nm	207	428	>100
Sabah & Sarawak	54	220	93	-57.7	72.2	398	476	19.6
Indonesia	**1,907**	**15,186**	**14,422**	**-5.0**	**>100**	**7,474**	**33,642**	**>100**
Sumatra	332	1,926	3,346	73.7	>100	2,773	6,943	>100
Kalimantan	1,575	13,260	11,076	-16.5	>100	4,701	26,699	>100

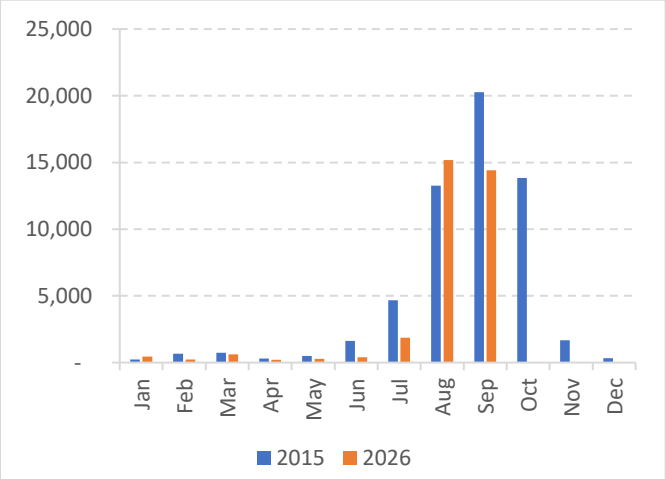
*Source: Asean Specialised Meteorological Centre (ASMC), *not meaningful (nm)*

Figure 2: Malaysia's Hotspots to-date



Source: ASMC, MBSBR

Figure 3: Indonesia's Hotspots to-date



Source: ASMC, MBSBR

Figure 4: Peer Comparison

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Div. Yield (%)	
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
SD Guthrie	BUY	6.10	7.65	14.56	14.39	41.9	42.4	3.0%	3.0%
IOI Corp	NEUTRAL	4.69	4.42	19.87	22.88	23.6	20.5	2.2%	2.1%
KLK	NEUTRAL	21.00	20.15	19.28	20.63	108.9	101.8	2.9%	2.7%
Genting Plant.	BUY	5.76	6.94	24.41	28.10	23.6	20.5	4.3%	4.3%
Johor Plant.	BUY	1.77	2.21	14.39	13.62	12.30	13.00	4.5%	4.5%
Sarawak Plant.	BUY	4.18	5.36	10.45	8.58	40.00	48.70	6.0%	4.8%
Ta Ann	BUY	5.70	6.72	9.50	10.18	60.00	56.00	7.0%	6.1%
TSH	NEUTRAL	1.21	1.28	11.75	10.08	10.30	12.00	2.1%	2.1%
Simple Avg.				**15.5**	**16.1**	**44.7**	**42.2**	**3.6%**	**3.4%**

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology