



# Annual report 2019

Part 3 - Sustainability report

# Intro

## About this report

SIPEF's Sustainability report 2019 covers the environmental, economic and social performance across all the operational and management activities within the Group. This includes the oil palm, rubber, tea and banana operations in Indonesia, Papua New Guinea and Ivory Coast as well as the activities of the head office in Belgium. The purpose of this report is to reiterate the commitments SIPEF has made, and which are entrenched in the Responsible Plantations Policy (RPP) of the Company.

This year, it is the first time that SIPEF is using integrated reporting, whereby the Sustainability report is part of the Annual Report. Previously SIPEF had a bi-annual Sustainability report and a section of 'Non-Financial Information' in the Annual Report. Given that the last Sustainability report, published early 2018, was primarily focused on the performance in 2016 and 2017, the Group will cover 2018 and 2019 in this integrated Sustainability report. In future years, the focus will remain on the annual performances.

The structure and content of this report are based on legal compliance with Belgian law regarding non-financial information, the Sustainable Development Goals (SDG) of the United Nations and is further inspired by the Global Reporting Initiative (GRI) Index.

SIPEF has not engaged third-party assurance for the content of this report, but the Group is reviewing the need for such assurance on an ongoing basis, built on the collated feedback from its stakeholders. The Group believes, however, that multiple certifications provide adequate assurance on its performance for the stakeholders.

# Contents

About this report .....	<b>cover</b>	<b>Social topics and treatment of employees .....</b>	<b>58</b>
Materiality matrix .....	<b>2</b>	1. Fair labour practices .....	<b>61</b>
<b>Message from the managing director .....</b>	<b>4</b>	1.1 Health and safety .....	<b>61</b>
<b>Achievements and targets .....</b>	<b>12</b>	1.2 Education .....	<b>64</b>
<b>SIPEF's approach to sustainability .....</b>	<b>14</b>	1.3 Gender equality .....	<b>65</b>
1. Responsible plantations policy .....	<b>16</b>	2. Impact on communities .....	<b>68</b>
2. Certifications .....	<b>17</b>	2.1 FPIC .....	<b>68</b>
3. Traceability .....	<b>26</b>	2.2 Medical care .....	<b>69</b>
4. Governance structure .....	<b>28</b>	2.3 Fundraising maternity ward renovation .....	<b>69</b>
5. Reference model: UNSDGs .....	<b>30</b>	2.4 Infrastructure .....	<b>71</b>
<b>Environmental topics .....</b>	<b>32</b>	3. Smallholders .....	<b>72</b>
1. No deforestation – No peat .....	<b>32</b>	<b>Respect for human rights .....</b>	<b>74</b>
2. Best management practices .....	<b>33</b>	1. Child labour .....	<b>75</b>
3. HCV/HCS and riparian areas, conservation areas .....	<b>33</b>	2. Decent living wage .....	<b>75</b>
3.1 SIPEF foundation (Indonesia) .....	<b>35</b>	3. Unions .....	<b>75</b>
3.2 Reforestation program (Ivory Coast) .....	<b>39</b>	<b>Ethics policy .....</b>	<b>76</b>
3.3 Reduction of firewood consumption (Ivory Coast) .....	<b>40</b>	1. Anti-bribery and anti-corruption .....	<b>76</b>
4. GHG emissions .....	<b>41</b>	2. Grievance policy .....	<b>77</b>
5. Use of chemicals .....	<b>46</b>	<b>Summary .....</b>	<b>78</b>
5.1 Fertiliser .....	<b>46</b>	For further information .....	<b>83</b>
5.2 Pesticides .....	<b>46</b>	Responsible persons .....	<b>84</b>
5.3 Compost .....	<b>47</b>		
6. Water footprint .....	<b>48</b>		
7. Wildfire prevention .....	<b>50</b>		
8. Yield increase .....	<b>52</b>		
8.1 Product quality and productivity .....	<b>52</b>		
8.2 Verdant Bioscience Pte Ltd .....	<b>55</b>		

# Materiality matrix

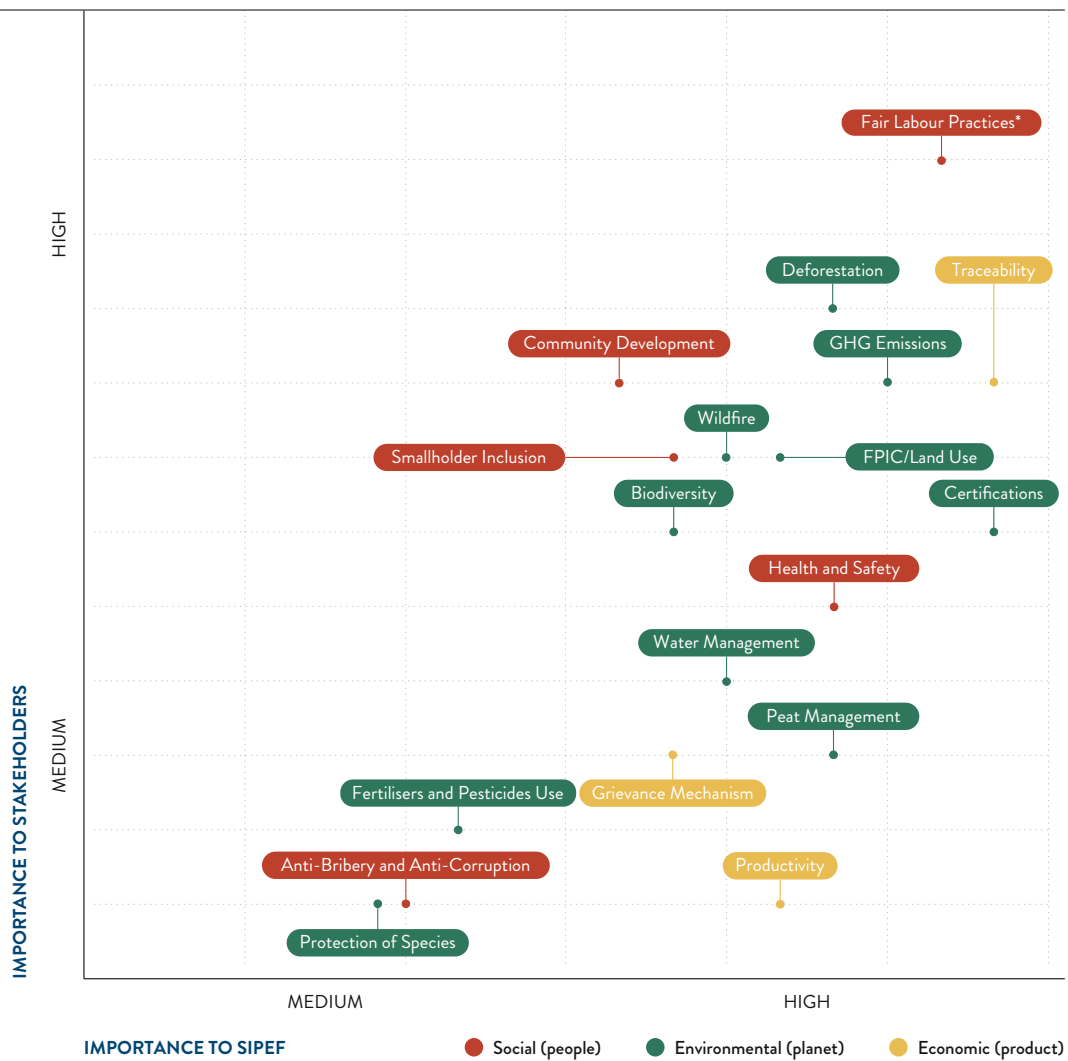
SIPEF's business model is characterised by strong stakeholder engagement in the sustainable development of its activities. Only through cooperation with customers, social and environmental non-governmental organisations (NGOs), producers, researchers and other willing stakeholders, from both the private and public sectors, can the introduction of safe, responsible and sustainable standards and practices be achieved and promoted for the industry.

In preparation of this report, the SIPEF sustainability team, guided by PricewaterhouseCoopers consultancy, has jointly benchmarked customers, social and environmental NGOs as well as peer plantation companies. Amongst others, SIPEF has reviewed multi-stakeholder initiatives such as the Roundtable on Sustainable Palm Oil (RSPO), the Palm Oil Innovation Group (POIG), as well as benchmarks, more precisely those in the Sustainable Palm Oil Transparency Toolkit (SPOTT) published by the Zoological Society of London (ZSL).

In March and April 2017, the senior management of SIPEF, through three intensive workshops, classified the different items based on their importance for the Group. In November 2019, the Group updated this matrix by following a similar procedure. Due to this critical screening the material aspects of the business could be determined for the stakeholders and the Company. SIPEF is aware that the analysis of its different stakeholders and continuous dialogue with them is of the utmost importance for the continuation of the activities of the Group.

Throughout the report an appropriate context for the performance of the Group is provided, particularly in relation to the unique social and environmental landscapes in Papua New Guinea, Indonesia and Ivory Coast.

MATERIALITY MATRIX SIPEF



\* including Child Labour Prevention, Equal Treatment and Workers' Welfare

# Message from the managing director

SIPEF is pleased to present its 2019 Sustainability report that describes the Group's sustainability policies and achievements, in order to share its commitment on sustainability and to comment on how the Group is pursuing the implementation in practice.

Since the foundation of the Company, more than a century ago, SIPEF, as a plantation company invested in tropical agriculture, has been inextricably bound by consideration for the planet and people. Sustainability has always been an essential part of the Group's business model. The applied standards need to have a positive long-term impact on the natural and social environment, and the Group is committed to continuous improvement. SIPEF openly acknowledges that much more can be done and intends to work harder at integrating and mainstreaming its sustainability efforts into its operations.

In this respect, the Company is pleased to report that the Zoological Society of London (ZSL) has recognised its efforts with a substantial increase of its ranking in the Sustainable Palm Oil Transparency Toolkit (SPOTT) rating, bringing SIPEF into the top 10 of sustainable companies in the palm sector. Recognition is pleasing, but it also raises the bar and compels management to keep stimulating progressive new ideas.

The long-term expectations for palm oil remain generally favourable, based on a growing global population, especially in countries south of the equator, where the rising consumption of palm oil is linked to an increasing demand for oils and fats as a basic ingredient in the daily food supply. Palm oil is capturing an increasing share of the demand for vegetable oils and for biofuels worldwide, though admittedly not in Europe. That is mainly due to its efficiency and its low production costs compared with other liquid oils. Indeed, the production of palm oil requires generally less than five to eight times the land needed by other crops to produce the same amount of oil, and oil palms are very versatile. As a consequence, palm oil is to be considered an essential part of a balanced diet for an increasingly larger and wealthier global population. For all these reasons, growing oil palms and producing palm oil needs to be promoted and further developed in a sustainable manner.



## SIPEF intends to work harder at integrating and mainstreaming its sustainability efforts into its operations.

-- FRANÇOIS VAN HOYDONCK

The increasing demand for palm oil over the last 20 years has caused the palm production areas to be expanded in an uncontrolled way and has put pressure on the land reserves in the countries where oil palm is most productive. This has led to deforestation and the increased use of peatlands, mainly in Malaysia and Indonesia, where the majority of the expansion has taken place.

The establishment of the Roundtable on Sustainable Palm Oil (RSPO) in 2005 and other certifications that followed, has, however, made palm oil one of the most regulated agricultural activities in recent years. In November 2018, the RSPO standard was strengthened even more. The latest version of the RSPO Principles and Criteria includes a zero-deforestation standard, prohibiting expansion into peatlands. It provides special provisions for the protection and potential restoration of existing peatlands that were developed into oil palm plantations in the years preceding the RSPO standard. The RSPO has also increased its standard requirements with respect to labour and employment rights with the introduction of the 'Decent Living Wage' requirement. SIPEF supports these positive developments and with the introduction of its Responsible Plantations Policy in 2014, updated annually, it encourages the application of the most innovative standards, which typically go beyond the aggregated certifications imposed today.

Taking the recent sustainability developments and the standards applied by the sector into consideration, the European Parliament is unjustly targeting palm oil production for its share in worldwide deforestation. Various studies show that extensive livestock, farming in particular, but also cacao and coffee cultivation, forestry and the expansion of soya and rapeseed areas contribute significantly to the deforestation of wooded areas, and there is no reason for palm oil to be singled out as the only non-subsidised feedstock for biofuels. The palm sector has become over the last few years one of the most regulated and sustainability committed sectors in the worldwide agricultural business environment.

## In 2019, SIPEF was also confronted with extreme drought and the resulting complexity of the wildfire problem impacting the lives of numerous people living in Southeast Asia.

-- FRANÇOIS VAN HOYDONCK

SIPEF is still taking on the challenge of expanding in South Sumatra, with the conversion of village rubber land into oil palm plantations, guided by High Conservation Value (HCV) and High Carbon Stock (HCS) assessments and monitored by the recently updated New Planting Procedures of

the RSPO, while respecting the Free, Prior and Informed Consent (FPIC) approach towards local villagers and communities. Creating long-term development and employment, and contributing to the poverty alleviation of local communities in areas in Sumatra which have not received those opportunities in the past, remains one of the key targets of the SIPEF group.

SIPEF recognises that it is, in all areas it operates, part of a global community, and that it has an obligation to bring positive change to the lives of the employees, their families and local communities. The Company is dedicated to continuing to play a positive role by taking ownership of problems that arise, and by handling them in an amicable and transparent manner, through proper grievance procedures in line with the spirit of the RSPO. Continuous improvements have also been made to maintain the highest possible welfare standards for the workforce and their families. This includes the construction and upgrading of the housing facilities for the staff and workers of the Group, all done in the perspective of long-term commitments and of 'creating shared value', which is a fundamental step forwards forming a sustainable and successful business. Rome was not built in a day, neither is it possible for SIPEF to achieve instantly the highest standards in recently developed immature areas. But it is the Group's challenge to, as soon as possible, bring all recent developments to the standards deployed in the other mature estates controlled by SIPEF for more than a century.



In 2019 in particular, SIPEF was also confronted with extreme drought and the resulting complexity of the wildfire problem impacting the lives of numerous people living in Southeast Asia. The Company believes that in this part of the world, just as in the Amazon area and most recently in Australia, the highest priority should be given to preventing this from happening again.

For many years, SIPEF has already applied a strict zero burning policy, meaning it never uses fire to clear land. Since 2015, the Group has also invested intensively in fire prevention tools and materials, in line with the Indonesian government guidance, to assure the areas controlled by SIPEF become fire-proof or sufficiently protected from extensive damage if fire occurs.

Despite all these efforts, the Group does acknowledge that historical and more recent cases of fire have been registered, all of which were extinguished, investigated and reported to RSPO and the local authorities, wherever relevant and as required. RSPO obliges members to report fires, and the analysis of the concessions of the Group indicates that since 2015 there have been numerous satellite fire alerts, but of those alerts, most were from fires on land which SIPEF does not control, as the original landowners prefer to continue managing it, which the Group respects in line with its FPIC policy. It is further mentioned that in 2019 with the extreme drought conditions experienced over a few months, several hotspots impacted the SIPEF group, of which the large majority was on Dendymarker, mainly related to the concession areas that are currently not controlled by the Company.

**As a very labour-intensive business, the employees of the Company have been and will always be the core assets remaining a key pillar for the success and continued growth of the Group.**

-- FRANÇOIS VAN HOYDONCK

Extreme drought situations show the importance of the impact of climate change. Therefore, sustainable land development requires SIPEF to intensify its future efforts to manage any fire recorded in the controlled concession areas. It also requires the Company to work with the stakeholders involved, including the authorities, to discourage attempts to impact areas and to enhance cooperation with the local villagers to prevent fires of any kind.

As a very labour-intensive business, the employees of the Company have been and will always be the core assets remaining a key pillar for the success and continued growth of the Group. This means that their welfare and rights, as well as a safe and healthy workplace, are of key importance in every aspect of the operations.



While applying local government law, the Group's own policies and the RSPO Principles and Criteria, SIPEF continues to be focused on safety leadership and strategies targeting risk reduction, as it values the lives and wellbeing of its employees and contractors. The Company is doing its utmost to improve awareness of safe practices and to enhance preventive skills among all its employees, in order to minimise the risk

## The Motobé banana plantation in Ivory Coast, enhanced its earlier acquired Rainforest Alliance certification with a Fairtrade label.

-- FRANÇOIS VAN HOYDONCK

of workplace accidents. Whilst there were no fatalities in 2016 and 2017, SIPEF regrets that in 2018 it was confronted with two fatal accidents and unfortunately another one in 2019, while harvesting in the field and working in the mills in Indonesia and in Papua New Guinea. These were most unfortunate events, after all the efforts made to take mitigative measures to minimise the risks that might result in injury or death. The Company remains vigilant and will continue to improve its regular in-house training programmes combined with impromptu safety audits in the estates and mills.

As a tropical agribusiness, SIPEF remains focused on the marketing of crude palm oil, crude palm kernel oil and palm kernels, all within the framework of certified sales; covered by the RSPO and the International Sustainability and Carbon Certification (ISCC); for consumption in the food industry and green energy production respectively. Incidentally, the same marketing policy also applies for the other products of the Group: tea, rubber and bananas. In the future, SIPEF will continue to endeavour to deliver all its products in certified physical supply chains with full traceability. It is therefore a pleasure to announce that in 2019, the Motobé banana plantation in Ivory Coast, enhanced its earlier acquired Rainforest Alliance certification with a Fairtrade label, which underpins the continuous focus of the Group on improved social and environmental standards in all of its operations.

Unfortunately, the sector cannot always rely on a similar effort from the palm oil consumer side, although the exclusive use of certified and traceable palm oil could waive these concerns about environmental damage and/or the social aspects of employment. SIPEF hopes to continue to drive a change in mindset on the consumer side, with a number of campaigns conducted through industrial organisations. Therefore, SIPEF remains very actively involved in the organisations that endeavour to protect the reputation of palm oil in Europe and the rest of the world, and encourage the use of certified sustainable palm oil in the food industry, the energy sector and among consumers in general.

The Group is determined to continue to be a role model in terms of sustainability. As a publicly listed European company, it guarantees its investors that people and the planet are respected, by means of the renowned certification of all its activities and all its products.

The Group promotes a balanced image of the nutritional properties of palm oil. SIPEF clarifies the ecological and social criteria used by sustainable producers and stresses the high value creation of its industry in the production countries, the consequence of the very labour-intensive nature of its activities, usually in remote places far from the developed city areas.

**The Group is determined to continue to be a role model in terms of sustainability. As a publicly listed European company, it guarantees its investors that people and the planet are respected.**

-- FRANÇOIS VAN HOYDONCK

In practice, SIPEF continues, amongst other strategies, to invest in decreasing its greenhouse gas (GHG) emissions. The Company has, for many years, with its diversity project, made a long-term contribution to nature conservation in Indonesia and also remains active in research and development. The more than 12 000 hectares of protected forest area near the Kerinci Seblat Reserve are constantly surveyed by the local SIPEF Biodiversity Indonesia (SBI) staff in Bengkulu. It is one of these appreciated achievements in terms of the reforestation of jungle reserves that have recently been encroached upon, whereby long-term all the future benefits will remain with the people in the neighbouring villages. The turtle breeding project, which encourages protected turtle species to lay eggs on beaches protected by SIPEF near Bengkulu, also remains a valuable conservation project, although of a smaller size.



Biogas engine in Mukomuko Palm Oil Mill in Agro Muko in Bengkulu, Indonesia

Over the years, substantial efforts have been made to reduce the carbon footprint and, more in particular, the GHG emissions of the mills, where five out of nine mills already have methane capture installations, and a pilot investment in a biogas engine with deliveries to the local grid was completed in 2018. However, the inconsistent renewable energy approach of the Indonesian government, whereby contract reviews resulted in currently paid electricity prices no longer covering the full cost of production, makes it very difficult for the Group to continue to support the authorities in deploying sustainable renewable energy strategies. It is, however, the intention of SIPEF to continue to reduce its carbon footprint and its GHG emissions by developing innovative, viable projects in areas controlled by its subsidiaries.

SIPEF's investment in Verdant Bioscience Pte Ltd (VBS) remains one of the key aspects of innovation for the Group. Together with other partners in the sector, it is the intention to develop and commercialise quality high-yielding oil palm seeds, which will contribute to enhance the performance of oil palm in general and to assist the future rising vegetable oil demand to feed an increasing population, confronted with the ever reducing availability of agricultural land.

The Group therefore believes that producing palm oil sustainably is the only way forward, so it is important that all stakeholders support the RSPO, or other credible initiatives, in order to make sustainable palm oil the preferred choice for consumers worldwide.



Culture check in TC Lab, Verdant Bioscience

Finally, on a personal note, I would like to thank you for your interest in the sustainability efforts of the Group and the SIPEF journey. I would also like to thank the board of directors for its continuous support, guidance and interest in this journey towards sustainable agribusiness in the largest sense, as well as all the stakeholders of the Group, including NGOs, for their active and valuable participation and input that have been of much value for SIPEF.

François Van Hoydonck  
managing director

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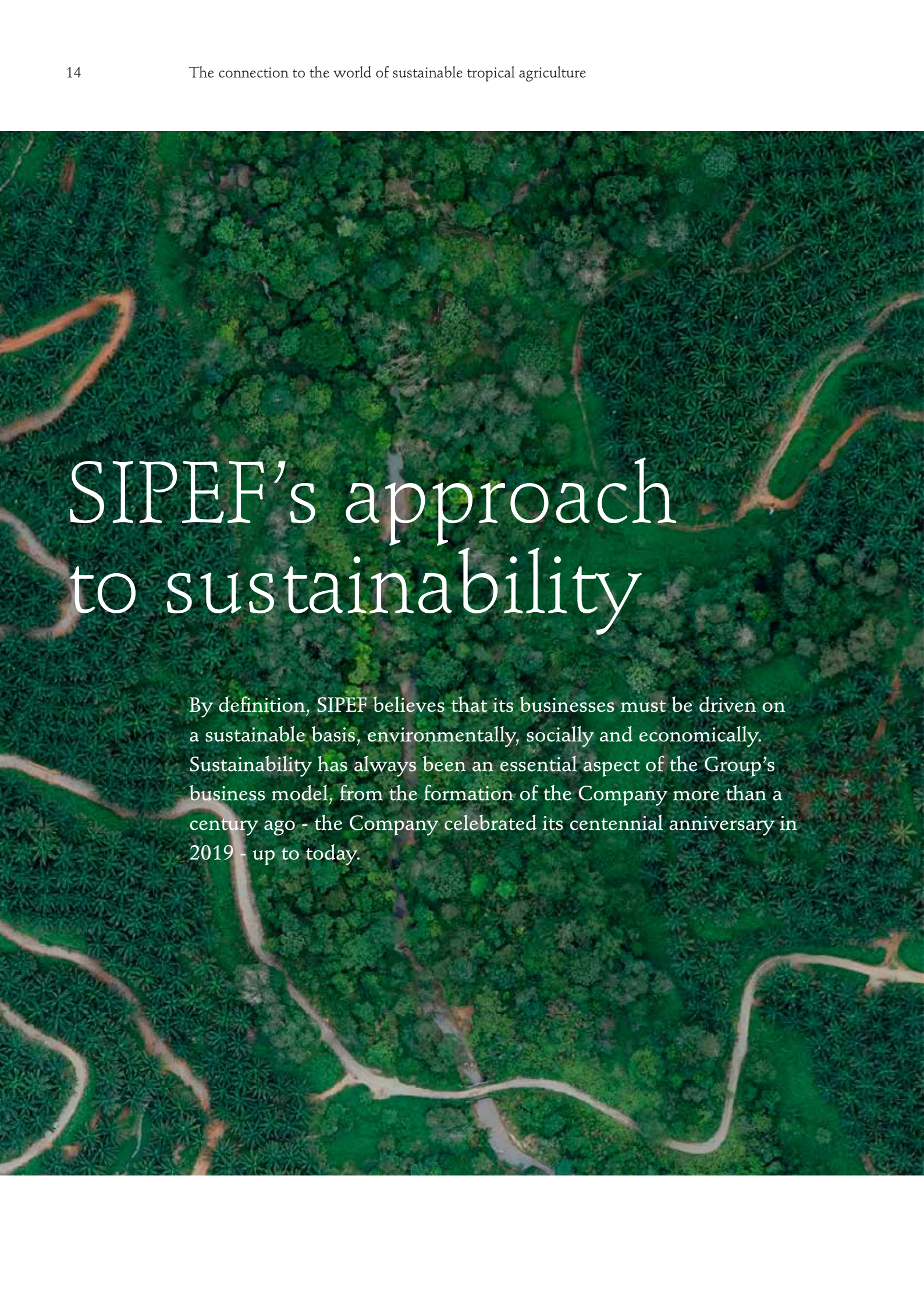
-- FRANÇOIS VAN HOYDONCK

# Achievements and targets

	TARGET	KPI	GOAL	STATUS
HISTORY	No use of paraquat	Liters/kg of paraquat used	Zero use of paraquat by 2015	Achieved January 2015 in Papua New Guinea, July 2016 in Indonesia
	Implementation of advanced composting system	% of EFB and POME applied onto the field	100% by 2020	Achieved November 2016
	No work related fatalities	Fatalities	Zero	Achieved for 2016 and 2017
2018 - 2019	Roll out ISO 9001 certification in Indonesia	ISO certificate	Scope to cover all OUs	Achieved in 2018
	RSPO certification for UMW smallholders in 2019	RSPO certificate for smallholders in UMW	RSPO group certificate for smallholders	Achieved in 2018
	Enlarge fire fighting departments in Indonesia, according to new legislation	Government required installations per estate	Increase of fire installations in key areas	Achieved
	Achieve Fairtrade certified banana plantation in 2019	Fairtrade certification for bananas	Certificate	Achieved for Motobé in Ivory Coast late 2019
	No work related fatalities	Fatalities	Zero	Unfortunately not achieved, one fatality in Indonesia and one in Papua New Guinea in 2018, and one in Papua New Guinea in 2019
2020	Have at least one more power generation plant from biogas in Indonesia	Biogas facility with gas engine producing electricity	Increase in number	Delayed, PLN is not paying for electricity delivery to the grid anymore, making a new investment not cost-effective
	Establish Plasma smallholder groups for HGU renewal in Agromuko	Plasma smallholder group	20% smallholders with MoU*	On track
	Establish Plasma smallholder cooperation for HGU application Musi Rawas	Plasma smallholder group with MoU*	20% smallholders with MoU*	On track
	Build a biocoal facility in UMW to utilise the EFB that cannot be distributed in peat soil plantations	Convert 100% of excess fibre from UMW into biopellets	100% conversion of excess fibre into biopellets	On track
	Calculate the total GHG footprint for the Group, in order to establish the base for future reductions	Tonnes CO <sub>2</sub> equivalent	CO <sub>2</sub> equivalent estimated for all crops since 2015	On track
2021	All banana plantations being Fairtrade certified	Fairtrade certification	Bananas 100% Fairtrade certified	On track

\* Memorandum of Understanding

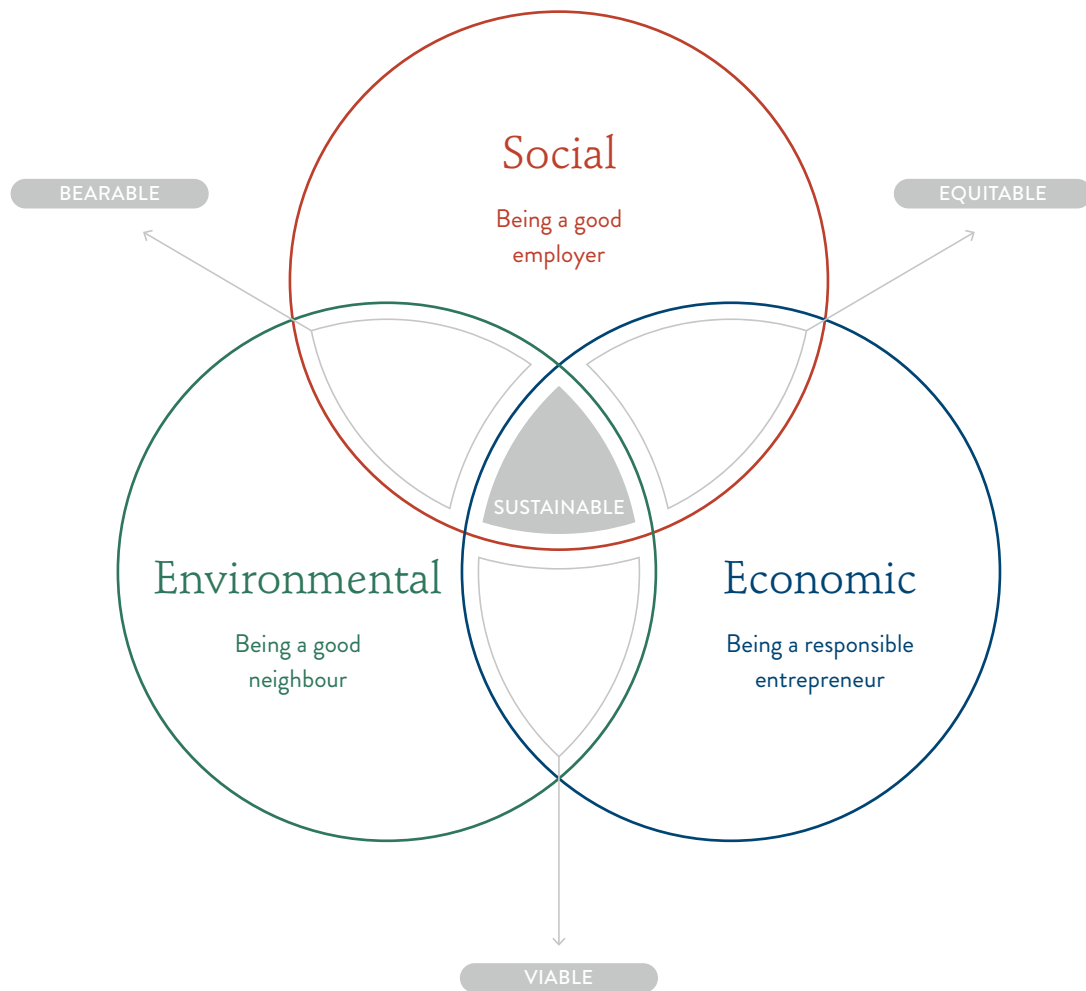
	TARGET	KPI	GOAL	STATUS
2020 - 2022	Improve watershed management within Company lease boundaries	Water use (tonnes water/tonne product)	<ul style="list-style-type: none"> <li>• FFB &lt; 1.06 m<sup>3</sup>/mt FFB in Indonesia</li> <li>• FFB &lt; 1.50 m<sup>3</sup>/mt FFB in Papua New Guinea</li> <li>• Rubber &lt; 35 m<sup>3</sup>/mt rubber</li> <li>• Tea &lt; 9 m<sup>3</sup>/mt tea</li> </ul>	Ongoing
		Incidence of BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand) and TSS (Total Suspended Solids) above legal limit at point of effluent release	Zero incidence of non-conformance	
2020 - 2024	Improve the management of HCV and HCS within Company lease boundaries through use of tools such as SMART, Global Forest Watch	Hectares tree cover loss in HCS/HCV areas in Company and supplier managed areas	Zero hectares tree cover loss, monitoring to start in 2020	Not yet started
		Establish ranger teams to actively manage HCV and HCS within Company lease boundaries	Formation of ranger teams per region before year end 2022	
	Achieve zero incidence of fires on Company managed areas	<ul style="list-style-type: none"> <li>• Number of fires within Company managed areas and within areas of Company suppliers</li> <li>• Number of hotspots within Company managed areas and within areas of Company suppliers</li> <li>• Number of real fires within Company managed areas and within areas of Company suppliers</li> <li>• Number of days in red alert</li> </ul>	Zero fires per year in Company managed areas, reduction of fires in areas managed by Company suppliers	Ongoing
	Measure Group lost time accident frequency rate (LTA) and total recordable injury frequency rate (TRIFR)	LTIFR (Loss Time Injury Frequency Rate) & TRIFR (Total Recordable Injury Frequency Rate)	Declare results as a base to set future reduction in annual LTAFR (Lost Time Accident Frequency Rate) and TRIFR (Total Recordable Injury Frequency Rate)	Ongoing
2020 - ONGOING	Promoting good IPM practices	<ul style="list-style-type: none"> <li>• Monitor toxicity per pesticide usage (kg or litre active ingredient X LD50)/m<sup>2</sup> of applied area</li> <li>• Number per species utilised per hectare</li> </ul>	Targets to be determined	Ongoing
	Regular working days and hours are within safe levels as per Government Labour Regulations	Overtime hours worked	Overtime targets to be determined, guided by the standard of a work week, not exceeding 60 total hours, except under extraordinary circumstances	Not yet started
		Days worked	One day rest per every 6 days worked, otherwise appropriate compensation is paid	
	Non discriminatory practices implemented in the workplace, promoting female and permanent employees	Opportunities for female workers	Reporting of number of female workers in data	Ongoing
Use industry benchmarks for permanent workers in industry		Reporting of number of permanent workers		
2020 - 2023	Roll out ISO 9001 certification across the Group	ISO certification	All Indonesian OUs achieve ISO 9001	On track
2025 - 2030	Methane capture systems in all existing mills to reduce GHG emissions	Methane capture systems in all palm oil mills	9 methane capture systems	On track

An aerial photograph of a dense, lush green forest. The forest is composed of various types of trees, creating a rich, textured canopy. Several winding, light-colored paths or roads are visible, snaking through the forest. The overall scene is vibrant and natural, emphasizing the theme of sustainability and tropical agriculture.

# SIPEF's approach to sustainability

By definition, SIPEF believes that its businesses must be driven on a sustainable basis, environmentally, socially and economically. Sustainability has always been an essential aspect of the Group's business model, from the formation of the Company more than a century ago - the Company celebrated its centennial anniversary in 2019 - up to today.





**ENVIRONMENTAL**

- No deforestation
- No peat planting
- Wildfire prevention
- Securing natural resources
- Biodiversity
- GHG limitation
- Alternative energy sources
- Zero-burning
- Methane capture
- Maintaining fertile soils
- Water management
- Ecological footprint
- Traceability
- Ecosystem restoration
- Reduction of chemical use
- Waste generation
- Circular economy

**SOCIAL**

- Respecting workers' rights / Human rights
- Equal opportunities
- Training employees
- Providing education
- Providing healthcare
- Providing housing
- Improving standard of living conditions
- Grievance mechanism
- Health and Safety

**ECONOMIC**

- Employment and financial security
- Cost savings
- Smallholders' economic growth
- Wealth creation of rural population
- Profitable enterprises
- Food security for the world
- Best management practices, research and developments to improve yields
- Tax contribution

The Group cultivates perennial crops and most oil palms and rubber trees are planted with a minimum of a 20 to 25-year productivity scope. As the plantations are operating for the long term, SIPEF needs to carefully consider the environmental, economic and social pillars within its business model (see page 28 of the Company Report). If it does not recognise the importance of any one of these pillars, the business will not be sustainable. SIPEF believes that through cooperation with its customers, social and environmental NGOs, producers, surrounding villagers, researchers and other willing stakeholders, it can develop and promote the adoption of responsible and sustainable standards for the industry. In the palm oil sector, the RSPO is the most relevant example of stakeholders gathering to establish a demanding global standard. Therefore, the Group is 100% committed to the RSPO Principles and Criteria and strives to surpass them. In 2009 SIPEF was amongst the first companies in the world to receive RSPO certification for Hargy

Oil Palms Ltd, both for its own estate as well as for all of its approximately 3 700 smallholders.

The tea and banana markets of the Group are certified, based on the Rainforest Alliance scheme. Since there is no specific certification system available for rubber, SIPEF engaged Rainforest Alliance in 2017 to audit its rubber operations against these criteria, which are fully in line with the Sustainable Agriculture Network (SAN) standards.

Besides being a good neighbour, the Group is convinced of the necessity to keep good relations with the local authorities of the countries in which it operates, and to behave as a good citizen. This implies 100% compliance with all regulations of these countries, including legal and tax rules. As a consequence, by paying taxes in the countries of production, SIPEF contributes to the prosperity of the local communities.

## 1. Responsible plantations policy

SIPEF's leading document is the Responsible Plantations Policy (RPP), that carries its basic principles and commitments, and applies to all operations owned or managed by SIPEF. The RPP defines the guidelines for the companies of the Group towards continuous improvement of the ecological and social impact of new developments, and of the management of existing plantations. Best management practices (BMPs) are adopted and implemented to ensure optimal use of the land and the well-being of all stakeholders.

The four pillars of the RPP of SIPEF are:

- Responsible social practices
- Responsible plantation and processing management

- Responsible development of new activities
- Full traceability

The RPP applies to the exploitation of all plantations managed by SIPEF, regardless of ownership share, as well as all activities of smallholders and surrounding farmers, which deliver products to the mills and factories of SIPEF. The RPP is revised annually due to evolving legal, social and environmental requirements, and where possible SIPEF will strive to go beyond the industry standards. The latest update of the RPP was endorsed by the board of directors on 22 November 2019.

## 2. Certifications

Agriculture is permanent and is therefore inextricably bound with the welfare of people and the ecosystems on which they rely. With that in mind, the Group adopts working methods that have a positive long-term impact on the natural and social environment, and constantly strives to improve them. To fulfil its sustainable development obligations and ensure sound practices are followed, the Company applies the highest

benchmarked international standards, and, where possible, goes beyond. Over the years, more and more operational units have been certified, whereby the same mill can receive different certifications. 100% certification for the existing palm oil mills, rubber and tea factories, banana packing stations and their supply bases (Group and small-scale growers) is the Group’s main overall target.

### NUMBER OF CERTIFICATIONS FOR THE LAST DECADE

CERTIFICATIONS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RSPO: Roundtable on Sustainable Palm Oil	1	3	5	5	5	6	7	7	7	9	9
ISCC: International Sustainability and Carbon Certification *		2	2	2	4	4	5	5	5	5	4
ISPO: Indonesian Sustainable Palm Oil							2	4	5	5	5
ISO 14001:2015	1	1	1	1	1	1	1	1	1	1	1
ISO 9001:2015										1	1
GLOBALG.A.P.	1	1	1	1	1	1	1	1	1	1	1
Fairtrade											1
Sedex	1	1	1	1	1	1	1	1	1	1	1
Rainforest Alliance								2	3	5	5
FSSC 22000-4.1											1
Halal Assurance System											1
<b>TOTAL</b>	<b>4</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>17</b>	<b>21</b>	<b>23</b>	<b>28</b>	<b>30</b>

\* The table shows a decline regarding last year’s figure as Dumai terminal is no longer ISCC certified. It should be pointed out that SIPEF no longer ships through this port.

Compared to the last Sustainability report, which reported the operational units that were certified, as from now on SIPEF shows the number of the actual certificates (which can contain one or more operational units).

## SIPEF recognises that traceability to supply base and trading in only certified sustainable physical palm oil is the ultimate measure of certified sustainability.

While the journey of sustainable agriculture started over a hundred years ago, it was only in the 21st century that SIPEF started engaging with credible third party certification standards, as a means of communicating its commitment to sustainability and listening to a wider group of stakeholders, while continuing its journey of constant improvement. In 2004, SIPEF certified its oil palm production areas in Papua New Guinea, using the ISO 14001 standard. In 2006, the certification under the GLOBALG.A.P. standard provided coverage for the banana estates. The first two RSPO certifications were allocated in Papua New Guinea in 2009. That was an especially big step for Hargy Oil Palms Ltd, because as much as half of the fruit bunches processed in the mills came from approximately 3 700 certified smallholders. They received their certification at the same time in 2009 and remain committed to its preservation. In 2010, the first two Indonesian palm oil mills obtained RSPO certification followed by all mills until 2017, in which year SIPEF acquired the already RSPO certified palm oil extraction mill and supply base in PT Dendymarker Indah Lestari (DIL). In parallel to this, SIPEF received its first ISCC certification in Indonesia in 2010, Indonesian Sustainable



Palm Oil (ISPO) in 2015, Rainforest Alliance for all its tea and rubber in 2016 and finally the Food Safety System Certification (FSSC) for its tea and Fairtrade for its bananas in 2019. In 2019 the tea factory in Cibuni also received Halal Assurance certification as per customer requirement. These standards are described in more detail below.

SIPEF recognises that traceability to supply base and trading in only certified sustainable physical palm oil is the ultimate measure of certified sustainability. SIPEF is therefore committed to providing the market with 100% Identity Preserved palm product. The only exception to this is the mill at DIL, which is Mass Balance (MB) certified because part of the supply base is not certified yet. More precisely the existing smallholders and the supply from the newly developed plantations in Musi Rawas, which have not reached maturity, have not been certified yet, though this is underway. SIPEF is dedicated to getting the smallholders' supply certified by 2021 and its nucleus estates currently in new development, with the first estates entering into RSPO certification by 2021 and the full scope achieved by 2026. The certification of the Musi Rawas plantations will progress when they reach maturity and fulfil the issuance of the final lease agreement approved by the government. As a consequence, 2.5% of the crude palm oil (CPO) was not certified in 2018. In 2019 this figure rose to 4.8% due to the increasing production of the young plantations in Musi Rawas, which cannot be certified yet.



SIPEF has a target of achieving RSPO certification for all of its palm oil mills and its entire supply base, including smallholders.

## Roundtable on Sustainable Palm Oil (RSPO)

The RSPO was established in 2004 to promote the production and the use of sustainable palm oil. The initial founders were Worldwide Fund for Nature (WWF), Unilever, AAK, Migros and the Malaysian Palm Oil Board (MPOB). Its strategy was to reduce the negative impacts of palm oil expansion, principally deforestation, while promoting its positive socio-economic impact. Since the introduction of the RSPO standard, it has been revised twice in accordance with International Social and Environmental Accreditation and Labelling (ISEAL) requirements. In the latest revision the RSPO standard has become a zero-deforestation standard through requiring its members to implement the High Carbon Stock Approach (HCSA). This approach was developed by a coalition of producers and NGOs including Green Peace, Rainforest Action Network, WWF and others (See [www.highcarbonstock.org](http://www.highcarbonstock.org) for more information.). The recently revised RSPO standard also prohibits expansion onto peatlands, and provides special provisions for the protection and eventual restoration of existing peatlands that were developed into palm oil before the birth of the RSPO. In addition to this, the RSPO has strengthened its standard requirements with respect to labour and employment rights, with the introduction of the 'Decent Living Wage'

requirement (as calculated using the Anker methodology endorsed by the Global Living Wage Coalition). A separate standard has also been recently developed for independent smallholders. This new standard has reduced the number of indicators needed for compliance and utilises a stepwise approach to achieving certification. Independent smallholders are given several years over which their progress is rewarded through RSPO market access, enabled by selling RSPO Credits through their online PalmTrace accounts.

At this time, the palm oil sector has the most demanding global standards amongst all agricultural crops. Given that palm production is the main activity of SIPEF, this standard is of the utmost importance for the Group. SIPEF has a target of achieving RSPO certification for 100% of its palm oil mills and its supply base, including smallholders. The Company has been a member of the RSPO since 2005. It continues to actively contribute to RSPO's operations by holding a seat on the Board of Governors on behalf of the Rest of the World growers, which includes Papua New Guinea and the Solomon Islands. Furthermore, SIPEF is a co-chair member of the Jurisdictional Working Group, and an active member of the Biodiversity and High Conservation Values (BHCV) Working

Group, the 'Peat Working Group' and the 'No Deforestation Joint Steering Group'. SIPEF has participated in the two reviews of the RSPO Principles and Criteria and is a member of the RSPO National Interpretation Forum in Papua New Guinea.

SIPEF's policy with regard to the environment, social matters, respect for human rights and anti-corruption is in line with the RSPO Principles and Criteria.

## Other recognised certifications, standards and sector organisations

Alongside the RSPO, the Company applies several other recognised standards for certification purposes:



### **INDONESIAN SUSTAINABLE PALM OIL (ISPO)**

Indonesia has introduced a national certification standard for sustainable palm oil production, the ISPO standard, which is mandatory for all palm oil mills and producing plantations. The application of the ISPO standard represents a considerable effort by the Indonesian Government to demonstrate the good practices of the oil palm sector. Benchmarking studies comparing the ISPO standard to the RSPO indicate that compliance with the ISPO standard represents approximately 80% compliance with the RSPO requirements. The six mills of the SIPEF group in Indonesia are certified ISPO.



### **INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION (ISCC)**

The ISCC standard certifies compliance with the European Renewable Energy Directive (RED). The adoption of methane capture in the palm oil mills of the Group enables the reduction of the emissions of GHG during the production of CPO, reaching and actually surpassing the criteria set by the European directive. The ISCC standard is very strict regarding traceability and transparency, two principles about which SIPEF particularly cares. Currently, four of the six oil mills of the Group in Indonesia are certified ISCC.

In early 2017, the head office of the Group in Antwerp was also certified, as every member in the supply chain needs to be audited according to the new supply chain standard.

**HET CLEAN DEVELOPMENT MECHANISM (CDM)**

The CDM is one of the three 'flexible mechanisms' the Kyoto Protocol of the United Nations introduced in order to achieve the binding GHG emissions reduction targets it established. It has two main goals: one, to assist developing countries in achieving sustainable development; and two, to help the countries with emission reduction targets under Kyoto (developed countries) in achieving compliance by allowing them to purchase offsets created by CDM projects.

A broad range of projects are eligible for CDM accreditation, with the notable exceptions of nuclear power and projects that avoid deforestation. They vary from hydropower and wind energy projects, to fuel switching and industrial efficiency improvements. Crucially, to qualify for accreditation the project developers must prove 'additionality', defined as emissions reductions that are additional to what would have otherwise occurred. This is calculated by using an approved methodology to subtract the estimated emissions of a given project from a hypothetical 'business-as-usual' emissions baseline. SIPEF currently has four of its nine mills running CDM projects based on the reduction of GHG emissions through methane capture facilities, flaring or biogas generation.

**BELGIAN ALLIANCE FOR SUSTAINABLE PALM OIL (BASP)**

SIPEF is a founding member of the BASP, whose main role is to promote the use of certified sustainable palm oil, primarily in the Belgian market and to a lesser extent in the European market at large. SIPEF has an active role as a member of the executive committee.





#### **RAINFOREST ALLIANCE**

Rainforest Alliance is a well-recognised seal of certification, based on the demanding Sustainable Agriculture Standard (SAS) of the Sustainable Agriculture Network (SAN). Being Rainforest Alliance certified is a confirmation of environmental, social and economic excellence. SIPEF has made the decision to adopt Rainforest Alliance certification for its banana and tea production, to support the coordination of practices in the Group. The Cibuni tea estate (Indonesia) received its Rainforest Alliance certification in the first half of 2016 and the banana operations (Ivory Coast) received Rainforest Alliance certification in the middle of 2016. SIPEF engaged Rainforest Alliance to conduct audits at its rubber estates in 2016. After the initial gap analysis, the first rubber estate and mill in Palembang was certified in August 2017 and the other two rubber estates of the Group were certified in the course of 2018. All certificates remained active throughout 2019. The Rainforest Alliance communicated its intention that it will drop rubber from its portfolio of crops. They have recommended that rubber producers opt for the Forest Stewardship Council (FSC) as the best standard for this. In response a transition to FSC is being implemented for all of the Company rubber operations in 2020. Unfortunately, there is no tangible market demand yet for sustainably certified rubber.



#### **FOREST STEWARDSHIP COUNCIL (FSC)**

The FSC promotes environmentally appropriate, socially beneficial, and economically viable management of the world's forests. The true value of forests is recognised and fully incorporated into society worldwide. FSC is the leading catalyst and defining force for improved forest management and market transformation, shifting the global forest trend toward sustainable use, conservation, restoration and respect for all.

Since Rainforest Alliance indicated its intention to focus from 2021 on crops other than rubber, and on specific requests from SIPEF's customers, SIPEF is progressing towards the FSC certification of its Rainforest Alliance certified rubber estates and factories in 2020. The first audits are scheduled and, time allowing, all audits will be finished before year end.



**SUSTAINABLE NATURAL RUBBER INITIATIVE (SNR-I)**

The natural rubber sector also has its sustainable development standard, the SNR-i, developed by the International Rubber Study Group (IRSG). The SNR-i is a multi-stakeholder approach and is a forum for the discussion of best practices and issues relevant to the entire industry. Committed participants, including SIPEF, have submitted self-declaration forms to the IRSG, rating their practices against the initial criteria of the SNR-i. SIPEF was one of the very first rubber plantations to participate in the SNR-i.

**GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER (GPSNR)**

The GPSNR is an international, multi-stakeholder, voluntary membership organisation, with a mission to lead improvements in the socio-economic and environmental performance of the natural rubber value chain. Development of the GPSNR was initiated by the CEOs of the World Business Council for Sustainable Development (WBCSD) Tire Industry Project (TIP) in November 2017. Members of the platform include producers, processors and traders, tyre makers and other rubber makers/buyers, car makers, other downstream users, financial institutions and civil society. SIPEF has been a member since the inception of the organisation and believes that it can act as a role model, given its Rainforest Alliance certification.

**GLOBALG.A.P.**

GLOBALG.A.P. is an internationally recognised set of farm standards dedicated to Good Agricultural Practices (GAP). It is a non-profit organisation whose mission is to work on the continuous improvement of GAP at farm level, to ensure confidence in the safe and sustainable production of food for the benefit of consumers. GLOBALG.A.P. certification covers: food safety and traceability, environment (including biodiversity), workers' health, safety and welfare, animal welfare, and includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS) and Hazard Analysis and Critical Control Points (HACCP). The banana estate of SIPEF, Plantations J. Eglin in Ivory Coast has been certified since 2006. In August 2017, during the recertification of the banana activities, the horticultural activities were also included, in response to strong customer demand.





#### **FAIRTRADE**

Fairtrade certification serves as an alternative to conventional trade and is based on the partnership between producers and consumers, with the goal of improving lives and reducing poverty through ethical trade practices. The Fairtrade certification system aims to assure consumers that their purchase meets specific social, economic and environmental standards. In 2019, one of the three banana sites (Motobé) of SIPEF, Plantations J. Eglin in Ivory Coast, was certified. The other two estates are targeting Fairtrade certification in 2021, as market demand is developing at a slow pace. It is the intention of the Company to develop this standard with the customers in the European market.



#### **FOOD SAFETY SYSTEM CERTIFICATION (FSSC)**

In this world with a growing population, the need for affordable, safe and good quality products is rising. Furthermore, there is more awareness of customers for these products to be produced in a socially and environmentally responsible way. To fulfil this need, FSSC 22000 provides a trusted brand assurance platform to the consumer goods industry. The FSSC 22000 certificate proves that the organisations food safety management system is in compliance with the Scheme requirements.

In 2019, Cibuni received Food Safety System Certification (FSSC 22000) version 4.1.



#### **HALAL ASSURANCE SYSTEM**

Halal is an Arabic word that means permissible. A Halal certified product is a product that is permissible or acceptable in accordance with Islamic law. The Assurance System is a system that guarantees the integrity of Halal food at the processing stage, thereby confirming the production of Halal and quality food.

SIPEF obtained this certificate to comply with the specific request of the tea customers, and the Cibuni tea estate was Halal certified in September 2019.

**INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO)**

The ISO standards are the most recognised global standards for good practices, applicable to all processes and commodities.

In 2004, the environmental management system that the Group uses in Papua New Guinea was ISO 14001 certified.

In 2018, with the exception of Musi Rawas and DIL, the SIPEF companies in Indonesia achieved ISO 9001:2015. In 2019, the scope of the ISO 9001:2015 certificate was extended to include all companies.

**SEDEX**

Sedex is one of the world's leading ethical trade service providers, acting to improve working conditions in global supply chains.

Sedex provides practical tools, services and a community network to help companies improve their responsible and sustainable business practices, and source goods responsibly.

Using Sedex enables companies to work together to better manage their social and environmental performance, and protect people working in the supply chain.

Plantations J. Eglin joined Sedex as a supplier in 2008, to prove to its buyers that the materials and goods were sourced responsibly from a wide range of third party providers.



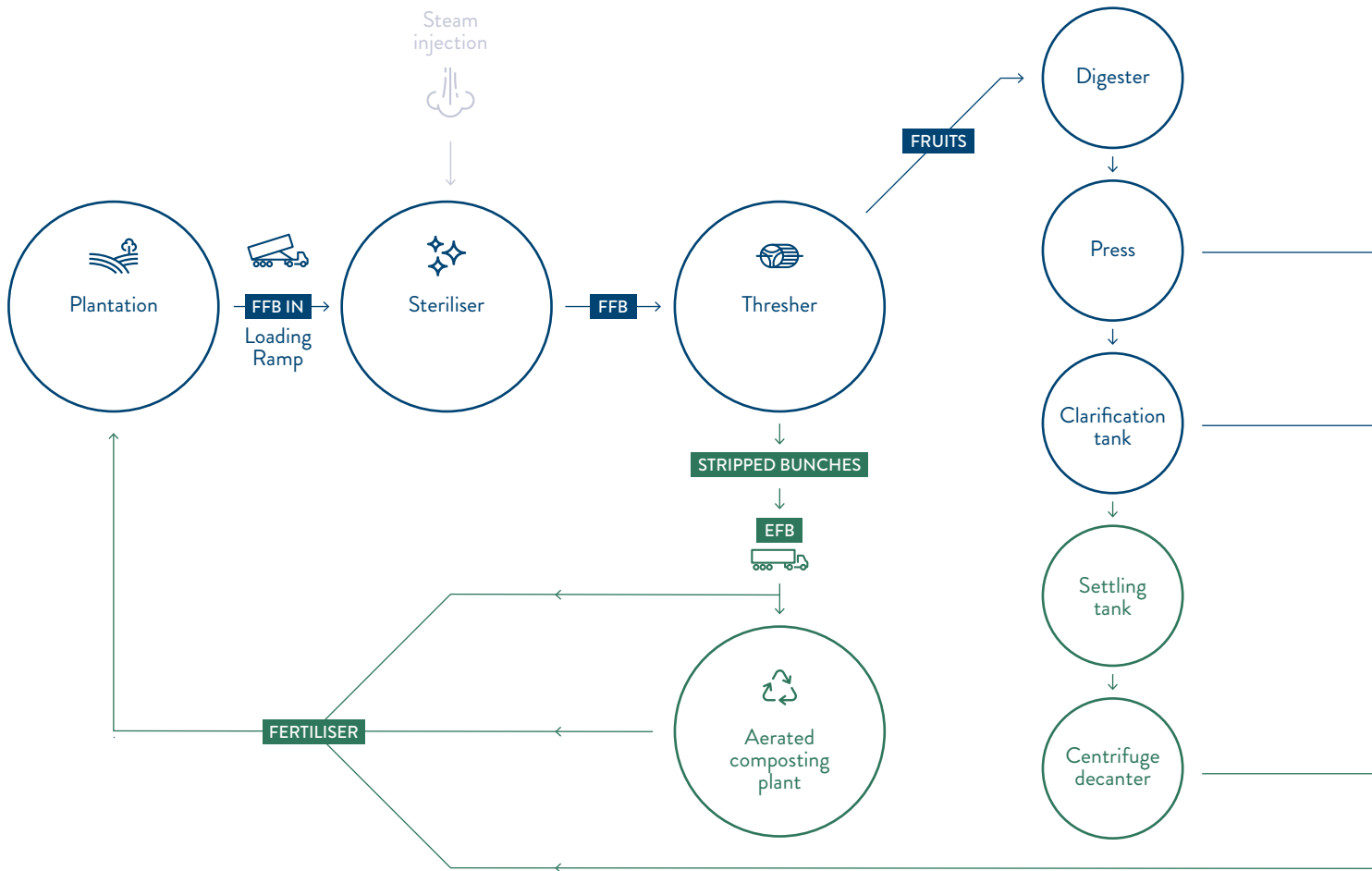
On the basis of all these certificates, today the Group holds 30 certifications, which were granted to all the operational units (nine palm oil mills and related supply base including smallholders, two palm kernel mills, three rubber factories, one

tea plantation and the banana activity). Several certification applications are currently still under consideration, like the FSC certification for the rubber activities and the further rolling out of the Fairtrade certification of the banana plantations.

### 3. Traceability

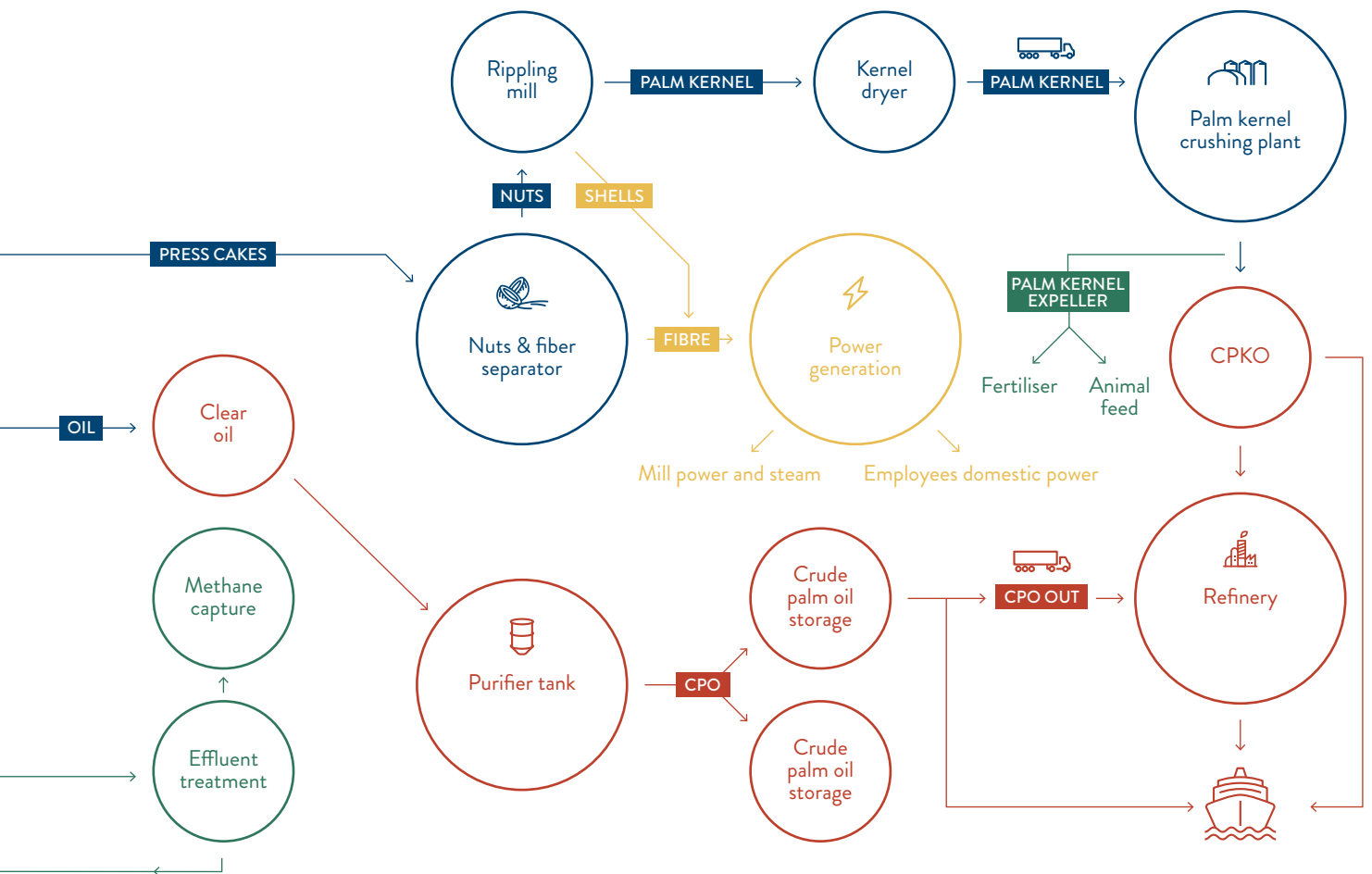
Traceability is a key component of sustainability. SIPEF is a firm believer in and encourages full transparency of commodity supply chains. The customers have the right to know the origin of the products of the Group. SIPEF will disclose the origin of any shipment to its customers and to concerned stakeholders. All commodities sold by SIPEF are fully traceable to their place of production, either an estate managed by SIPEF or an associated smallholder plot. The customers of SIPEF value highly traceability and the visibility it gives to the origin of the products they source. SIPEF is in a privileged position to fulfil

its commitment to full traceability of the palm products, rubber, bananas and tea that it supplies. The Group implements traceability from the field, for own estates and third party suppliers, to the port. All raw materials entering the mills, factories and packing stations are fully identified and will not be processed if their origin is unclear. Smallholders are part of SIPEF's supply base to produce palm products. The Company actively supports smallholders to achieve certification, by providing free training and guidance. Improving skills and livelihood builds stable, transparent supply chains for the mills, but more importantly,



it builds stable, harmonious communities and partnerships. In 2018 the Group welcomed in Indonesia the RSPO certification of a group of 31 independent smallholders (*Koperasi Serba Usaha Suka Makmur*) supplying the UMW mill of the SIPEF group to continue fully segregated RSPO palm oil production.

At the end of 2019, the Group consists of 299 smallholder members.



## 4. Governance structure

SIPEF has the necessary governance structure to carry out the decisions related to the management of the plantations as well as the application and adoption of the RPP.

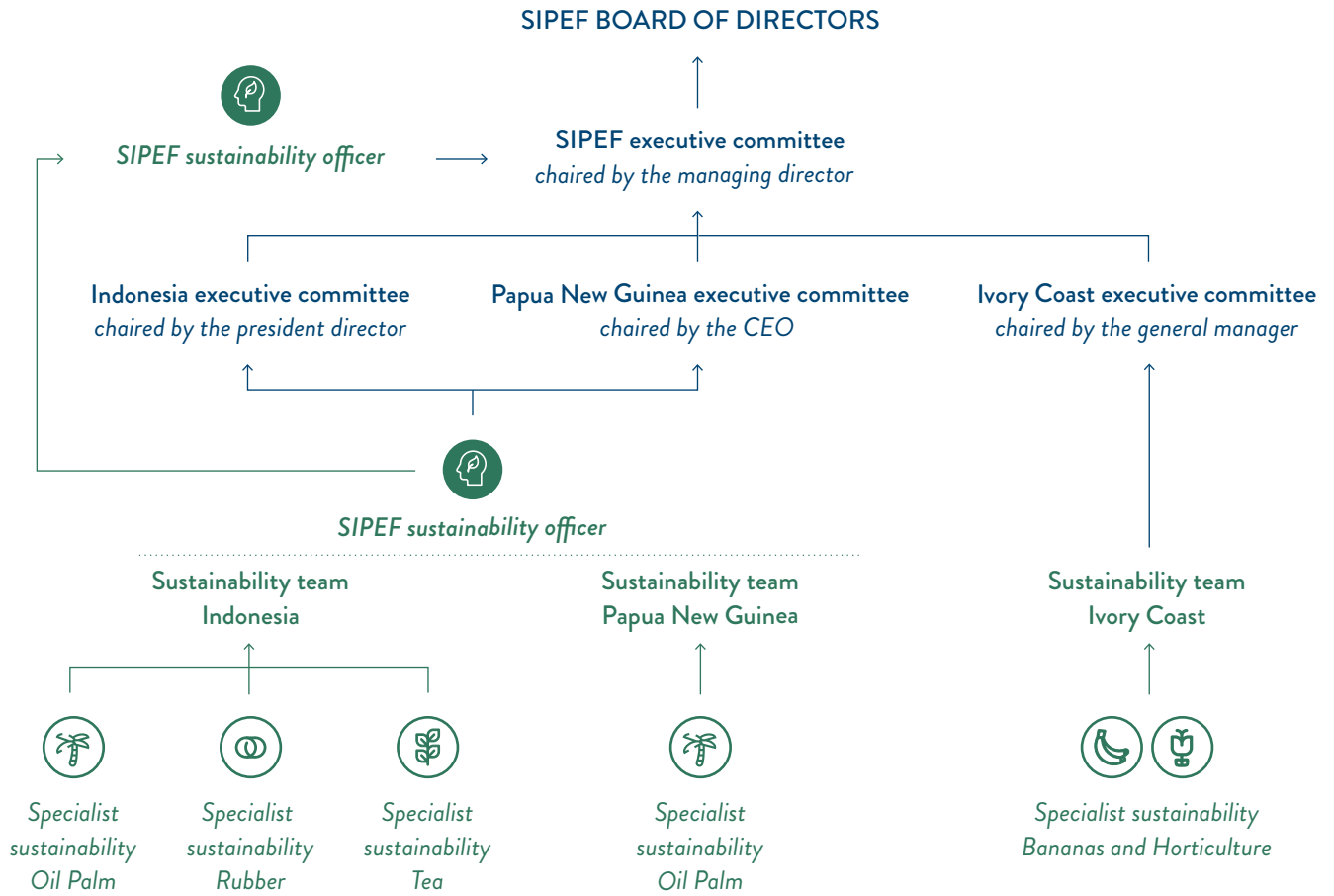
The corporate governance of the holding company of the SIPEF group is described in detail in the Corporate Governance Statement on page 136 of the Annual Report 2019.

At Group level, three teams are in charge of the sustainability policy: the sustainability teams of Indonesia, of Papua New Guinea and of Ivory Coast. Each team is composed of experts who are responsible for the sustainability of the products cultivated in their respective locations. A sustainability officer oversees the teams in Indonesia and Papua New Guinea, and reports directly to the in-country president director (Indonesia) and CEO (Papua New Guinea) as well as to the executive committee and the managing director of SIPEF.

The Indonesian team is composed of 16 people, including the sustainability officer of the Group, and is spread across four regions: in the Medan head office, six people are active in the area of sustainability, in North Sumatra three, in Bengkulu four and Musi Rawas counts three sustainability experts.

In 2019, the Indonesian sustainability team was extended with a Research and Development Advisor in the Environment and Conservation Department, in order to cope with the enhanced principles and criteria RSPO introduced in 2018. In 2019, the sustainability officer was replaced. Papua New Guinea and Ivory Coast have smaller teams consisting of respectively six and two experts.

The sustainability teams report to the president director, CEO and the general manager of the area, and the teams of Indonesia and Papua New Guinea to the sustainability officer of SIPEF. They all report directly to the managing director of SIPEF. Monthly updates are provided to the executive committee by the sustainability officer of SIPEF. A Sustainability report is provided to the board of directors at least twice a year.



## 5. Reference model

A strategy of sustainable development and responsible practices needs to be accompanied by transparent communication.

SIPEF published in 2016, its first Sustainability report in the form of a bi-annual document. In 2018 the second edition of this report appeared, structured around the Global Reporting Initiative (GRI) standards and relating to the financial years 2016 and 2017. Both reports can be consulted on the SIPEF website.

Since 3 September 2017, the law has imposed on quoted companies the obligation every year to establish a 'Statement of non-financial information', which forms an integral part of the annual report. The annual reports relating to the financial years 2017 and 2018 already contain such a statement.

### SIPEF decided to use the Sustainable Development Goals (SDGs) of the United Nations as the reference model.

The present chapter on sustainability stands for the 'Statement of non-financial information' and replaces the bi-annual Sustainability report, which normally should have been published at the beginning of 2020.

Finally, SIPEF decided to use the Sustainable Development Goals (SDGs) of the United Nations as the reference model to which the law of 3 September 2017 refers. Although the report is not drawn up based on the GRI reporting model, various links are made to this standard and its indicators throughout the entire report.

#### Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) were initiated at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012. The objective was to produce a set of universal goals to meet the urgent environmental, political and economic challenges facing the world. The SDGs replace the Millennium Development Goals (MDGs), which started a global effort in 2000 to tackle the indignity of poverty. The MDGs established measurable, universally agreed objectives for tackling extreme poverty and hunger, preventing deadly diseases, and expanding primary education to all children, among other development priorities.

In order to re-emphasise and partially re-focus their goals the United Nations (UN) took the initiative of setting out sustainable development goals in order to end poverty, fight inequality and injustice, and protect the planet. These goals should be reached by 2030. The Member States of the UN agreed upon 17 SDGs, making them the world's agenda for sustainable development.

These targets, which are to be considered as one and indivisible, reflect the three dimensions of sustainable development: the economical, the social and the environmental dimensions.

In whatever way the 17 targets are linked with each other, one thing is certain: these goals are a unique merger of two global agendas: sustainable development and development cooperation.



UN GOALS SELECTED BY THE GROUP



The RPP of SIPEF is in line with the rationale of the 17 SDGs and, more precisely, sustainable business and being successful go hand in hand. Moreover, there is an overlap between the goals of RSPO and SDGs, where RSPO concentrates on palm oil activities and the SDGs set out targets for all companies without distinction. As the activities of SIPEF are not limited to palm oil production it is appropriate to apply a broader model than RSPO for the sustainability reporting, such as the SDGs.

The board of directors’ meeting of 10 September 2019 pointed out twelve of the 17 development goals as the ones that are connected to the Group’s business.

The twelve goals were carefully selected in advance by the sustainability managers of the Group and the members of the executive committee, taking into account the activities of the Group.

However, in view of reporting in an efficient and concise manner, it was decided to identify a restricted number out of the 12 retained targets for the use of the Sustainability report in relation to the different aspects reflected by the Materiality Matrix of the Group.

As a result, the Sustainability report of 2019 is based on the following targets:

THE UN GOALS ON WHICH THIS ANNUAL REPORT IS BASED



# Environmental topics

Environmental topics refer to the effects of SIPEF’s activities in relation to GHG emissions, air emissions, land use, water pollution and use, and waste generation. For SIPEF, as for most companies, these effects can be negative.

For many years the policy of the Group has been focused on the reduction of these negative effects and, even more, on the improvement of the protection of important ecological areas and the restoration of affected forest and planting areas.

SIPEF IDENTIFIED THE FOLLOWING FOUR SDGS FOR THE FOCUS OF ITS ACTIVITIES:



The Company considers these SDGs to be a challenge for its business, and takes various actions, as mentioned hereunder, to align its achievements with the goals described in each.

## 1. No deforestation – no peat

Deforestation and the cultivation of peatlands cause loss in biodiversity and contribute to a reduction in soil fertility and other important environmental services such as the provision of clean water, and the sequestration and storage of carbon. The conversion of forest into agriculture increases atmospheric GHG through the release

of carbon stored in the forest, with all the known consequences for nature and people. SIPEF recognises deforestation as a major negative impact of the establishment of new plantations and is committed to avoiding this. As a result, SIPEF has since November 2014 included in its RPP the commitment to no deforestation.

In addition to no deforestation, the RPP provides that SIPEF will not develop peat areas, regardless of the depth, in new estates. SIPEF does, however, own several historically developed peat estates. All these peat estates are inventoried, documented and reported to the RSPO Secretariat to enable the monitoring and promotion of best management practices (BMPs) as per the RSPO requirements.

## 2. Best management practices

SIPEF has always adapted to changing social, economic and ecological circumstances, and its policy has been and still is oriented to best practices.

Therefore, the RPP of SIPEF provides that the Group has to adopt ‘the best management practices’ as soon as they become available and apply them to various crops and locations. By doing so, the Group aims to maximise its positive impacts on the landscape, while mitigating and eliminating any negative impacts. The RPP points out that BMPs must be adopted and implemented to ensure optimal use of the land converted into plantations.

### 3. HCV/HCS – riparian areas, conservation areas

SIPEF implements the High Conservation Value (HCV) and the High Carbon Stock Approach (HCSA<sup>1</sup>) methodologies to ensure that its plantation expansion does not result in the loss of areas of HCV, forests and ecosystem services. The HCV of all existing plantations has been assessed and recognised by the RSPO at the time of the original assessment. In November 2018, RSPO endorsed the new standard which requires HCS assessments in addition to HCV assessments, to ensure that oil palm expansion does not result in deforestation. New developments, which were assessed before the current RSPO standard was endorsed and on which land clearing is ongoing, are being assessed for HCS to ensure that no forests that are High Carbon Stock, are cleared. All subsequent new development areas are subject to an integrated HCV/HCS assessment, using assessors licensed by the HCV Resources Network<sup>2</sup>, as required under the current RSPO standard endorsed in November 2018.

SIPEF recognises deforestation as a major negative impact of the establishment of new plantations and is committed to avoiding this. As a result, SIPEF has since November 2014 included in its RPP the commitment to no deforestation.

Once the HCV/HCS areas are identified, they are clearly delineated, actively protected and monitored in order to maintain their inherent values. The presence and management requirements of these areas in the operations is made known to neighbouring communities. In fact, some of the HCV were identified by consulting local



1 [WWW.HIGHCARBONSTOCK.ORG](http://WWW.HIGHCARBONSTOCK.ORG)

2 [WWW.HCVNETWORK.ORG](http://WWW.HCVNETWORK.ORG)

communities, such as forests with spiritual importance or which are critical sources of non-timber forest products. The management of these social HCV areas requires they remain accessible

**SIPEF implements the High Conservation Value (HCV) and the High Carbon Stock Approach (HCSA ) methodologies to ensure that its plantation expansion does not result in the loss of areas of HCV, forests and ecosystem services.**

to communities. Other conservation areas are established as identified by third-party assessments or by the Company, taking into consideration landscape-level impacts.

SIPEF started using the HCSA toolkit before it was introduced into the RSPO standard in 2018. This approach enables the implementation of no deforestation by identifying 'liveable natural woodland' and community lands (land belonging to local communities). In practice, the two approaches (HCV and HCSA) complement one another and have now been combined into a single process to determine where palm oil areas

can be developed and where they cannot. SIPEF applies this combined approach. The result of such assessments is a clear delineation of 'go' and 'no-go' areas.

HCSA was originally developed to differentiate its methodology between countries or landscapes with fragmented forest cover versus those with high forest cover. After four years of engagement it was decided not to differentiate the methodology, which puts high forest cover landscapes (HFCL), such as Papua New Guinea in a difficult position regarding the prospects for expanding the palm oil industry as a contributor to its economic development. The RSPO, which has referenced the HCSA methodology in its standard has recognised this and is working on adapting the methodology in special cases. SIPEF is engaged with RSPO in this adaptation of the HCSA methodology to ensure that there is a space for new RSPO members in countries with High Forest Cover including for the small-scale producers in these areas, who are completely dependent on the income from their oil palm plantations.

**3.1 SIPEF foundation (Indonesia)**

The Group is convinced that plantation companies can and should look beyond their concessions, to the wider landscape, natural and social, for positive projects to support or develop. The perennial nature of the Group’s presence can be leveraged to deliver lasting positive impacts.

Towards this aim, SIPEF participates through a foundation in several projects that improve the protection of important ecological areas in Indonesia. Yayasan SIPEF Indonesia is a foundation SIPEF helped to set up in 2009 to improve the protection of important ecological areas in Indonesia. It currently manages two projects in Mukomuko in Bengkulu province, south-western Sumatra.

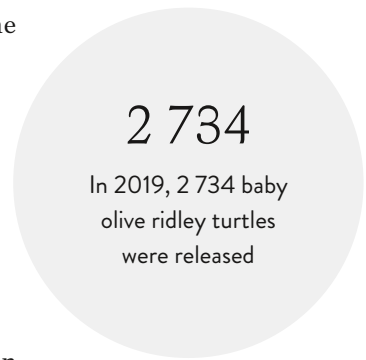
**TURTLE CONSERVATION PROJECT**

The first is the Turtle Conservation Project at Air Hitam Conservation Park. This project is directly managed by the Foundation in collaboration with the National Resource and Conservation Official of Bengkulu Environment and Forestry Department. It was launched in 2010 and is one of the very few protection projects in Sumatra to be implemented by the local population. Two villages work together as field operators to watch over a stretch of beach around five kilometres long, checking whether turtles have laid eggs there. The eggs are collected to safeguard them from scavenging lizards and are hatched in controlled conditions before they are released. Changing ocean currents have washed pebbles up on the beach in recent years and this has reduced the area available to the turtles. Nonetheless, there was an upswing in brood numbers in 2018 and in 2019. Just 1 013 eggs were collected in 2017, but the number rose again to 2 935 in 2018 and to 4 922 in 2019, primarily eggs of the olive ridley turtles (*Lepidochelys olivacea*) (4 846 olive ridley turtle eggs and 76 leatherback turtle eggs). In



2019, 2 734 baby olive ridley turtles were released. Unfortunately, none of the leatherback turtle eggs hatched successfully. Research to improve the release rate is being undertaken.

SIPEF continues to support the local authorities and villagers who work on the project to ensure everything is ready when the conditions on the beach improve and the turtles come ashore in great numbers again. The leatherback sea turtle (*Dermochelys coriacea*) laid eggs there in 2018, for the first time in seven years. Through means not entirely understood by science, turtles always return to the beach where they were born. It is the ambition of SIPEF that in the years to come there will be many more turtles visiting these beaches to lay eggs for future generations to enjoy.



**SIPEF BIODIVERSITY INDONESIA (SBI)**

The second project is SIPEF Biodiversity Indonesia (SBI), a Forest Management Unit (FMU) restoring the ecosystem. As the Indonesian Environment and Forestry Department grants ecosystem restoration concessions only to legal persons, the Foundation could not act directly but had to set up a limited liability company, SBI, through which it can operate.

SBI is the Foundation's biggest project. The SIPEF group has reserved an annual budget of USD 200 000 for the project.

SBI manages a 12 656-hectare forest that functions as a buffer for the Kerinci Seblat National Park and provides ecosystem services to the populations downstream of the watershed. It is home to the threatened Sumatran tiger (*Panthera tigris sumatrae*). It is one of just 16 projects in Indonesia that has been given an ecosystem restoration permit by the Indonesian Forestry Ministry for a term of 60 years. Forty people work at SBI's local office in Mukomuko, from experienced rangers to young graduates, who mostly come from the surrounding villages.



The first patrols and camera traps were operational in 2015. The purpose of the patrols is to fight the illegal felling of trees, the illegal planting of oil palms and poaching. In 2015 the SBI team racked up 1 083 person days in patrols, compared with 1 147 in 2018 and 1 222 in 2019. These figures show that illegal felling clearly remains an ongoing threat and the close partnership with the Forestry Service and the security services to control it must be continued.

In 2016 groups from the community began reforestation work in the project area for the first time. In the meantime, several groups of forest growers have been formed and the project has almost reached full capacity. Forest growers are an essential part of the project and are just as important to its long-term success as the patrols. Their close relationship with SBI ensures that the surrounding communities understand and to a great extent support the goals of the project. Supervised by SBI, forest grower groups manage part of the most affected areas which are registered with the Forestry Service. Only tree crops are planted on the lots, with a mix of more than twenty types of fruit tree, rubber and timber species. Eight nursery gardens were being actively managed at the end of 2018, five by the foundation and three by the villagers. The planting of affected forest areas is continuing steadily, with 20 hectares and 51 hectares of pure restoration conducted in 2018 and 2019 respectively. In addition, a total of 206 hectares (2018) and 340 hectares (2019) of disturbed natural forest areas are being actively managed to assist in the natural restoration of ecologically valuable trees. The SBI project is managing the second largest reforested area of all 16 ecosystem restoration projects. Oil palms growing illegally in the project area continue to be felled. In 2017, 1 438 palms were felled in the project area, 62 in 2018 and 73 in 2019. Felling is done with the consent of the growers, who understand the situation with regard to land rights and





nature conservation. Most of these growers have joined the project groups. SBI is actively investing in training and capacity building to support alternative livelihoods that are conducive to the conservation objectives of the area.

SBI has four base camps, the last of which was constructed in 2019. Each of these base camps has a fire watchtower. The camps have three main functions: a permanent presence at known project access points, an assembly point for patrols and biodiversity monitoring, and nursery locations for future planting activities. The project's most rewarding activities are the camera traps and the biodiversity monitoring. That is shown by the rich megafauna that has been sighted in the area: the critically endangered Sumatran Tiger (*Panthera tigris sondaica*), the Sumatran clouded leopard (*Neofelis diardi diardi*), the sun bear (*Helarctos malayanus*), tapirs, the Sumatran muntjac (*Muntiacus montanus*) and the great argus. Two rare species have also been spotted: a fairly big Asian golden cat and dhole dogs (*Cuon alpinus*). These positive trends encourage the SIPEF foundation to continue its activities.





### 3.2 Reforestation program (Ivory Coast)

SIPEF has another reforestation program in Ivory Coast. The forested area in Ivory Coast was reduced from 16 million hectares in 1960 to less than 3 million hectares in 2010.

Plantations J. Eglin, SIPEF’s banana company, is fully aware of the importance of forests for the preservation of biodiversity as well as for the climate. With this in mind, following a 2010 study into the integrated management of flora and fauna on its production sites, it implemented a reforestation plan for low-lying areas not suited to banana cultivation, primarily on the sites of Azaguié and Agboville.

More than 150 000 Gmelina and teak trees were planted over 132 hectares on the two sites between 2010 and 2019, corresponding to 8% of the Company’s estate.



These areas were mainly populated with Gmelina (96%), which is better suited to the low-lying land than Teak (4%), which thrives better on hillsides.

#### DETAILS OF THE FORESTATION PER SITE AND YEAR:

YEAR	AREA PLANTED (HA)		SPECIES PLANTED	OBSERVATIONS
	AZAGUIÉ	AGBOVILLE		
2010	5.5	21	Gmelina arborea / Tectona grandis	The total area planted in Agboville at the end of 2010 was 31 hectare. However, 10 hectare of Teak failed to thrive due to excessive water in the low-lying areas. This species was then abandoned in favour of Gmelina.
2011	1	10	Gmelina arborea	10 hectare of de Gmelina planted instead of the 10 hectare Teak lost at Agboville in 2010.
2012	10	11.5	Gmelina arborea	
2013	17.7	28	Gmelina arborea	
2014	0	12	Gmelina arborea	
2016	4	4	Gmelina arborea	
2019	7.3	-	Gmelina arborea	
TOTAL	45.5	86.5		



537

Improved fireplaces  
replace the three-stone  
fireplaces



Besides their environmental role, Gmelina and Teak are also commercially valuable species. Gmelina is a very fast-growing species that can be exploited after 15 years, provided the proper forestry techniques are used. They can grow to 30-40 m in height, with a diameter of 80-140 cm and are used for crates, fibre boards and particle boards, sculptures, everyday furniture, matchsticks, instruments, high-quality pulp, pencils and so on. With that in mind, in consultation with the SIPEF group, general management launched a study into the options for the future exploitation of the plots as forested areas. As part of the study, the trees in each plot were counted and the ones that needed to be cleared were identified for non-commercial thinning, so that the remaining trees could grow at a faster rate, increasing their commercial value. Exploitation opportunities are being evaluated for the use of the thinning products as charcoal or as a fuel for bakeries. This thinning should generate 2 000 tonnes of wood.

### 3.3 Reduction of firewood consumption (Ivory Coast)

Furthermore, wood is the leading cooking energy source in the rural areas where the sites are located. Plantations J. Eglin felt it appropriate to implement campaigns to reduce the wood consumption of households on the sites, alongside employee awareness raising and the creation of wooded areas. In 2018, an improved fireplace prototype was developed in a series of tests, and brought into general use in existing residential areas as well as new housing areas. A total of 537 improved fireplaces had been built by the end of 2019 to replace the three-stone fireplaces used by the households.

These improved fireplaces have the following advantages:

- 60-70% reduction in wood consumption by households
- Saving time when cooking meals, as two meals can be cooked at the same time in the new fireplace
- An easier life for households as less wood needs to be collected for the fire
- Protection of human health due to lower exposure to combustion fumes, which are channeled through a chimney, unlike in three-stone fireplaces
- Preservation of buildings, which are not as exposed to combustion fumes

## 4. Greenhouse gas (GHG) emissions

In recent years, SIPEF has committed to a strategy to reduce its GHG emissions as enshrined in its RPP. In light of this, SIPEF has taken several steps to reduce the emission of GHG. SIPEF is currently assessing the possibility to become 'carbon neutral'. It is recognised that it will require a good understanding of the historical and current emissions of the Group in order to communicate a realistic target for that.

All agriculture results in the emissions of GHG. The main sources of GHG are from the release of carbon from historical land use conversion; the oxidation of peat; the anaerobic decomposition and production of methane from rubber and palm oil effluent; the release of nitrous oxide as a result of the use of fertiliser; and emissions resulting from the use of vehicles and machinery in the operations.

SIPEF has committed to a no deforestation and no new peat policy and this will reduce the emissions from converting secondary forest to agriculture. Peat stores large amounts of carbon, which, when drained for agriculture, is converted to carbon dioxide through decomposition by aerobic bacteria (respiration) and in some cases fires (oxidation). The rate of decomposition is minimised through the maintenance of a high-water table. As already mentioned, SIPEF has committed to no new plantings on peat and this also implements best management practices to minimise the decomposition and fires on peat.



After land cover change, the next biggest emission factor is the emission of methane from mill effluents. The largest source of mill effluent is the palm oil mills. The organic matter within the effluent is a high quality nutrient organic matter. A part of the treatment process to reduce the organic matter in palm oil mill effluent uses anaerobic bacteria.

Unfortunately, this process releases methane, which is a powerful GHG. In order to avoid the release of methane into the atmosphere, the methane is burned in flares or biogas engines. The latter replaces electricity from the grid which in all the Group's operating areas is produced from coal or diesel-powered generators when no grid connection is available.

**GHG EMISSIONS FROM PALM OIL MILLS EFFLUENT (POME)**

FACILITY	CAPTURE SYSTEM	TONNES CO <sub>2</sub> <b>EMITTED</b> OR <b>AVOIDED</b> IN 2018	TONNES CO <sub>2</sub> <b>EMITTED</b> OR <b>AVOIDED</b> IN 2019
<b>INDONESIA</b>			
<b>NORTH SUMATRA</b>			
BMPOM	Aerobic compost + methane capture	22 397.89	15 039.28
PLPOM	Reactor tank + methane capture	22 502.45	24 115.07
UMWPOM	Reactor tank + methane capture	28 927.65	34 277.88
<b>BENKULU</b>			
MMPOM	Reactor tank + biogas engine	50 980.50	44 866.46
BTPOM	Effluent ponds	27 221.41	23 681.39
<b>MUSI RAWAS</b>			
DILPOM	Effluent ponds	5 525.64	7 528.39
<b>PAPUA NEW GUINEA</b>			
HARGY POM	Effluent ponds	999.49	1 324.01
BAREMA POM	Reactor tank + methane capture	5 960.99	4 654.72
NAVO POM	Effluent ponds	1 337.90	642.91
<b>AVOIDED</b>		<b>130 769.48</b>	<b>122 953.41</b>
<b>EMITTED</b>		<b>35 084.44</b>	<b>33 176.70</b>

As can be seen above, SIPEF currently has methane capture systems at five of the nine palm oil mills. By capturing the methane produced in these digesters and either flaring or producing electricity with it, a large amount of GHG emissions are avoided. All methane capture devices installed in the plants are registered with the UN Framework Convention on Climate Change (UNFCCC) and meet the Clean Development Mechanism (CDM) standard, validating the techniques used.

It is the intention of the SIPEF group to equip all palm oil mills with methane capture/prevention systems in the future, as technology becomes available and affordable. Further investment in biogas engines depends on commitments from the electricity companies, as early 2019 they stopped

paying for the delivery of the electricity. This income is essential to make these investments a viable economic project.

In the recent past, three important projects were realised in Indonesia to remedy and limit the emission of methane gas as much as possible:

- The Mukomuko palm oil mill became the first to be equipped with a bioreactor with methane capture. The methane was initially used as fuel for one of the boilers. The installation of a biogas-powered generator was then begun for the production of electricity. This power is used to operate the mill and for other Company activities, such as drying the rubber blocks produced in the nearby crumb rubber factory. The generator



Biogas engine in Mukomuko



The bioreactor tank at the Perlavian palm oil mill

also produces the electricity for the central workshop, management offices and Company housing.

Furthermore, SIPEF used to supply electricity to the public electricity grid. However, these supplies were discontinued due to cessation of payment.

- The Perlavian palm oil mill was upgraded from using a covered lagoon to using a bioreactor to further improve methane capture and containment of the process.
- Lastly, in Bukit Maradja a composting system became operational at the end of 2017 and produces high quality compost. The system maintains the aerobic conditions at a constant level to ensure that no methane is produced during the composting process. That is achieved by ventilating the soil and the successive transfer of the compost from

one bunker to the next. The oxygen content and the temperature are constantly monitored and registered. The whole process takes place in aerobic conditions, so no methane is produced.

The Bukit Maradja composting system is the first of its kind. The mill facility became a zero-discharge mill which maximises the recycling of nutrients otherwise lost through effluent discharge. By putting compost back into the field, the use of chemical fertilisers is reduced, which would otherwise emit large amounts of N<sub>2</sub>O, a GHG which is 310 times as powerful as CO<sub>2</sub>. Besides being a fantastic reduction of GHG emissions, the compost improves the 'soil DNA', which is a term used to describe the necessary biotic conditions to sustain high yields in the plantations.



At the end of 2017, a composting system was put into operation in Bukit Maradja



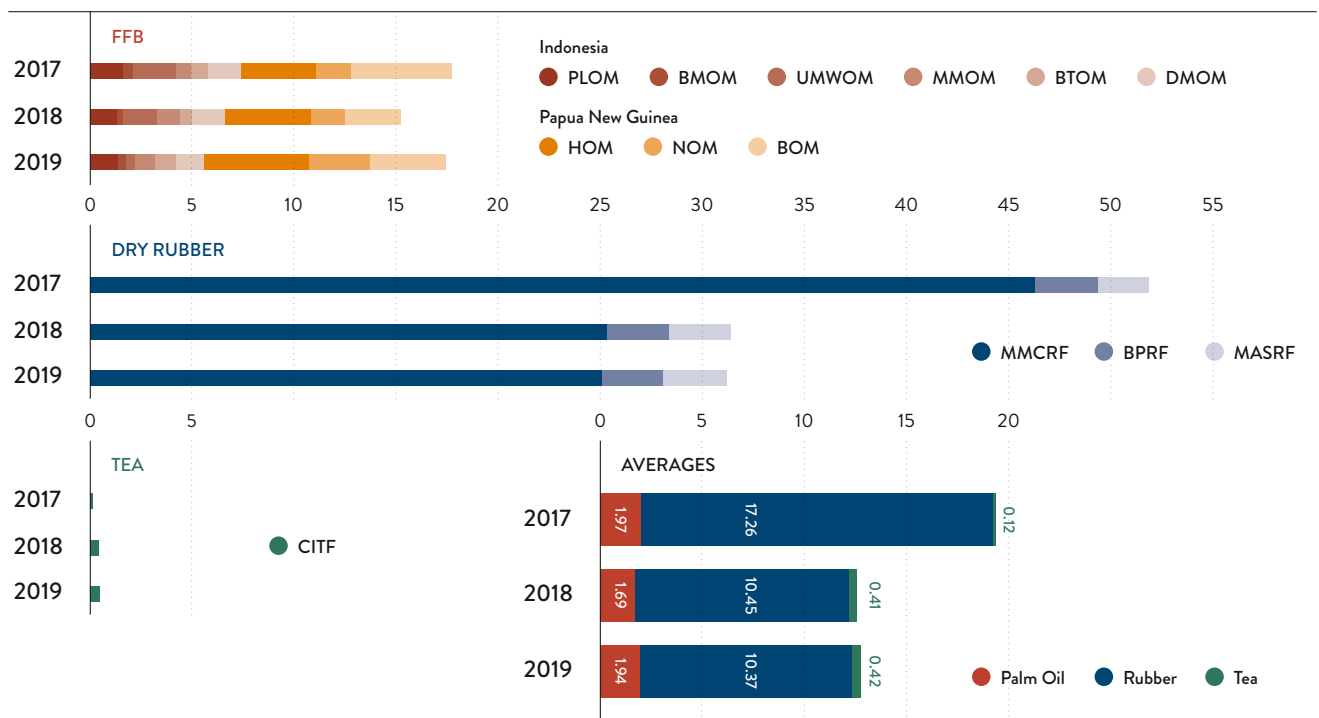
The historical GHG emissions for SIPEF's RSPO certified palm oil estates have been estimated since 2014 utilising the GHG calculators issued by the RSPO. The calculator estimates major sources of GHGs and balances this against carbon sequestration in the oil palm crop and in the mill products and by-products. It converts all of these to carbon dioxide equivalents (CO<sub>2</sub>e) over the

life span of the crop and expresses the results in CO<sub>2</sub>e per tonne of crude palm oil (CPO). The production of CPO causes GHG emissions from land use change (i.e. forest conversion), planting on peat, palm oil mill effluent, fertiliser use and fuel use. While some of these emission factors have changed due to the Company no deforestation and no peat commitment, the estimates cover the life cycle of the palm and include historical emissions. While SIPEF has completed GHG calculations for all of its RSPO certified supply bases, it has not done so for its as yet uncertified plantations. In addition, there have been no similar calculations done for the emissions from the cultivation of rubber, tea or bananas. Finally, there has been no estimate of the carbon storage and sequestration activity of the SBI Biodiversity Project, in which SIPEF has actively worked toward the effective protection and restoration of over 12 000 hectares of HCV forests. SIPEF has therefore set the target to calculate all of the GHG emissions and absorption factors of its entire operation by 2020. Based on this SIPEF will then set realistic emission reduction targets and a strategy to achieve these targets to be communicated in the 2020 Sustainability report.

**In the Bukit Maradja plantation, a composting system processes 100% of the EFB and the wastewater into organic fertiliser with a high nutrient content. The compost is used as soil improver in the plantations.**

Furthermore, SIPEF is monitoring the use of fossil fuel by its operations and introducing measures to reduce this. SIPEF monitors its fuel use and strives to reduce this to increase the cost efficiency of its operations as well as reduce the GHG emissions associated with fuel usage. As can be seen from the table below, the efficiency as measured in litres of diesel consumed per tonne of product sold, is improving.

FOSSIL FUEL USE IN LITRES DIESEL/TONNE FOR FFB/RUBBER/TEA



The figures for palm oil concern Indonesia and Papua New Guinea. In Indonesia the use of fossil fuel is low as the operations of the mills are driven by electricity directly supplied by the public net or generated by the methane capture systems build at the mills producing their own electricity. On the other hand, in Papua New Guinea electricity is mostly produced from diesel, which explains the higher consumption of fossil fuel than in Indonesia.

The rubber operations reduced drastically the use of fossil fuel in 2018 and 2019 due to the replacing of the diesel burners by gas burners for the drying of the rubber.

The fossil fuel use for tea has improved significantly as from 2016 on, year during which the mills started producing their own electricity via water turbines. In 2018 the tea factories switched almost entirely to the public electricity net.

The packing stations of bananas are entirely driven by electricity supply from the public net.

## 5. Use of chemicals

### 5.1 Fertiliser

Fertilisers are a necessary requirement to maintain agricultural productivity. Nutrients that are exported with the sale of agricultural products must be returned to the soil for future biological growth. Fertilisers represent one of the most significant costs of operations and the Group focuses on the reduction of the use of mineral fertilisers in the plantations and on their promotion or replacement by organic fertilisers.

All the empty fruit bunches (EFB) produced by the Group's palm oil mills are applied to the fields to return the remaining nutrients and organic matter content back to the field. In the Bukit Maradja plantation, a composting system processes 100% of the EFB and the wastewater into organic fertiliser with a high nutrient content. The compost is used as soil improver in the plantations. This way SIPEF can drive down the use of mineral fertilisers. The compost is expected to replace in excess of 60% of the mineral fertilisers in the Bukit Maradja plantation.

### 5.2 Pesticides

Specific attention is given to the use of pesticides. Integrated pest management (IPM) plans are developed for all operations and reviewed annually. All active ingredients in use are also reviewed annually for safety and efficacy. Pesticides in World Health Organisation (WHO) classes 'Ia' and 'Ib' are used only when no effective alternatives are available. Their use is authorised in writing by local senior management on a case-by-case basis. All the tea, rubber and banana estates of the Group are certified to the Rainforest Alliance Standard and do not apply any of the pesticides prohibited by this standard as per their list of prohibited pesticides ([www.rainforest-alliance.org/business/resource-item/lists-for-pesticide-management/](http://www.rainforest-alliance.org/business/resource-item/lists-for-pesticide-management/)). The Rainforest Alliance prohibited pesticide list is updated regularly with the technical input of the University of Oregon and represents the highest industry standard. The active ingredient, paraquat, was phased out of all the SIPEF operations in July 2016.

All workers, permanent or otherwise, involved with pesticides are trained and equipped adequately, and their health is monitored.

In all the crops of the Group, IPM systems are in place. IPM is a holistic concept where pesticides are one element of pest management, but not the only element. Specific, targeted agricultural practices are a part of pest management. For example, the rhinoceros beetle



(*Oryctes*), a serious threat to young palms, can be controlled by chipping old palm trunks at the time of replanting, thus reducing the habitat of the *Oryctes* larvae. This logic prevents the overuse of insecticides. SIPEF encourages natural predators like the barn owl and black shouldered kites to thrive in its plantations and thereby keep the rodent populations down. The Agro Muko estates are investing heavily in owl boxes. To date, 130 owl boxes have been built and there is a 70% occupancy. The presence of owls helps keeping the rat population down and in turn reduces the reliance of the Group on rodenticides.

When pesticides are needed, their use is optimised. Field employees and agronomists maintain a census of diseases and pests present. Certain thresholds of incidence will still trigger the use of pesticides in a controlled, measured manner. On the banana estates, great attention is given to avoiding the development of resistance to pesticides. The various active ingredients used are changed regularly, so that low concentrations of the pesticides can continue to have maximum effect. The Group is introducing very precise tools for the monitoring of pesticide use at the plantation block level. Its strategy is to improve the efficiency in the use of pesticides, reducing costs in the estates, but also benefiting the environment.



### 5.3 Compost

Unprocessed EFB are very moist and so unsuitable as boiler fuel. In addition, their size does not allow efficient combustion in a biomass boiler. But in recent years, these EFB have been recycled into compost.

At the end of 2017 the first composting system was put into operation in the Bukit Maradja plantation. It comprises eight ventilated bunkers and processes 100% of the EFB and the wastewater into organic fertiliser with a high nutrient content. The system, that fulfils the standards of the International Sustainability and Carbon Certification (ISCC), also processes deposits from the decanting systems and boiler ash. It maintains the aerobic conditions at a constant level to ensure that no methane is produced during the composting process.

In 2018 and 2019, 20 755 metric tonnes and 21 261 metric tonnes of EFB and 55 014 m<sup>3</sup> and 55 951 m<sup>3</sup> of palm oil mill effluent from the Bukit Maradja palm oil extraction mill were recycled and used in the plantations as soil improver, instead of artificial fertiliser.

The compost is expected to replace more than 60% of the mineral fertiliser in the Bukit Maradja plantation.

**55 951 m<sup>3</sup>**  
of palm oil mill effluent was recycled and used in the plantations in 2019

## 6. Water footprint

Water is a precious resource and is managed as carefully as possible. Pollution of waterways is prevented by maintaining riparian strips of various widths, depending on local regulations and best-known practices.

As none of the Group's crops in Southeast Asia is irrigated, the main use of water is for processing and for the use of the employees and their families. In the oil palm operations, the older mills tend to use more water per metric tonne of FFB than the newer, better-designed mills.

Since 2017, the operations have gradually been improved, with a target of less than one metric tonne of water per metric tonne of FFB for processing. The data for some palm oil mills still includes the water used by the employees and their families (PLOM, UMWOM, MMOM, BTOM, HOM and NOM). Most of the operations are showing positive trends for water use in litres per metric tonne of product.

The banana plantation in Ivory Coast uses irrigation. Almost 70% of the irrigation water is stored

WATER USE IN LITRES/TONNE FFB/RUBBER/TEA OR BANANAS		2017	2018	2019	
FBB					
MILLS INDONESIA					
	PLOM	1 258	940	840	
	BMOM	825	850	900	
	UMWOM	1 346	1 060	1 350	
	MMOM	813	1 040	1 130	
	BTOM	816	710	700	
	DMOM	1 010	1 770	1 000	
MILLS PAPUA NEW GUINEA					
	HOM	1 230	870	1 260	
	NOM	1 220	1 140	430	
	BOM	590	1 700	1 620	
DRY RUBBER					
FACTORIES INDONESIA					
	MMCRF	34	26	24	
	BPRF	35	30	31	
	MASRF	36	31	32	
TEA					
CIBUNI FACTORY		CITF	8	8	8
BANANAS					
	EGLIN AVERAGE	7 100	7 900	7 000	

in dams during the rainy season then reused and pumped during the dry season a few months later. 30% comes from rivers alongside the farms. Water for the banana packing stations is 100% supplied from wells due to health and food safety requests. 100% of the water is recycled after the packing process by using decantation tanks then stored in the dams for irrigation in the future. At Plantations J. Eglin, the energy used to pump the water is 100% electricity, supplied by the government. Bananas remain the most water-intensive product by far, followed by rubber, tea and palm oil.

For all the Group's operations, wastewater discharge is carefully monitored for compliance with local regulations. Wastewater is either used as a liquid fertiliser (land application) or is discharged into water bodies after verification that it will have no negative impact.

The most commonly used indicator of effluent quality is biochemical oxygen demand (BOD). This is a measure of the amount of oxygen the aerobic bacteria consume as a result of the organic matter content within the effluent. A high BOD indicates that the effluent is rich in nutrients and can foster the growth of bacteria, thereby increasing the consumption of dissolved oxygen within the effluent. When effluent is discharged into natural water courses it is important to keep the BOD as low as possible so that the effluent does not contribute to the eutrophication or oxygen starvation of aquatic ecosystems. On the other hand, if the effluent is used as a fertiliser and applied to the land, it is favourable to have a high nutrient load (high BOD) within the effluent. There are laws regulating the BOD levels required for discharging into waterways or land application. The limit for discharge to a natural water body is 100 mg/litre and the limit for land application is 5 000 mg/litre. SIPEF has the engineering controls and water treatment systems in place as required and is constantly measuring the BOD of Company effluent to stay within the required limits.

#### **BOD (BIOCHEMICAL OXYGEN DEMAND) OF POM (PALM OIL MILL) DISCHARGE PER OIL MILL (MG/LITRE)**

	OIL MILL	WAY OF DISCHARGE	2017	2018	2019
INDONESIA	PLOM	LAND APPLICATION	525	1 117	929
	BMOM	LAND APPLICATION	576	1 115	1 239
	UMWOM	INTO WATER BODY	28	53	24
	MMOM	INTO WATER BODY	52	59	87
	BTOM	INTO WATER BODY	52	73	83
	DMOM	INTO WATER BODY	44	55	98
PAPUA NEW GUINEA	HOM	INTO WATER BODY	68	144	71
	NOM	LAND APPLICATION	179	502	359
	BOM	LAND APPLICATION	148	125	100

In all the operations of the Group, with a focus on the operations on peat, specific attention is given to fire prevention, fire risk monitoring and firefighting.

The RPP of SIPEF prohibits the use of fire for land clearing on the estates or on the areas SIPEF manages.

## 7. Wildfire prevention

In all the operations of the Group, with a focus on the operations on peat, specific attention is given to fire prevention, fire risk monitoring and firefighting.

The RPP of SIPEF prohibits the use of fire for land clearing on the estates or on the areas SIPEF manages. Such use of fire is not only against the laws of the countries where the Group operates, it is also not beneficial to the long-term fertility of soils.

Moreover, extreme drought situations show the importance of the impact of climate change. Therefore, sustainable land development requires the intensification of future efforts to manage fires recorded in the concession areas controlled



Training of the fire brigades



by SIPEF. The best way is to work with the surrounding stakeholders, including the authorities, to discourage any attempt to impact areas and to enhance cooperation with the local villagers to prevent fires of all kinds.

To control fire, the Group maintains vigilance over the managed estates through manned fire towers, communication with field staff and investigation of all direct fires observed and potential fires or 'hotspots', identified by satellite in the Fire Information for Resource Management System (FIRMS<sup>3</sup>). A strict reporting system is in place to document all fires on the estates. Automated 'hot-spot' alerts based on satellite imagery are received and each alert is investigated. The fire risk status is updated every day and communicated to all levels of the workforce. Fire risk status signs are placed at numerous points in the estates, so that the employees and their families are kept aware. When the risk is considered high, fire spotters are deployed.

In accordance with the law and with the principles and criteria of RSPO, the Group has trained firefighters, dedicated resources and vehicles fitted with water tanks and high-pressure water pumps. The firefighting teams train weekly and maintain a high level of motivation. They are deployed outside of the estates, whenever necessary, to fight fires in the nearby villages. All verified fires are immediately extinguished, and an internal report is compiled, which is then filed with the police on every occasion.

2019 has been a particularly dry year with over 220 fires put out by the field staff of SIPEF Indonesia, both on the own estates and on nearby areas where the Company has no control. Of these, 171 were outside the SIPEF management areas. All of these were duly reported to the local police and the causal factors were investigated. It has been found that most fires were started intentionally on land outside the jurisdiction of the Company, and by individuals who wish to claim ownership over land that is considered unused and abandoned. SIPEF takes very good care of its soils and would obviously not use fire as a land management tool. It values the organic matter which enriches its soils. Nonetheless the dry weather in 2019 has caused many fires to burn throughout Indonesia. Unfortunately, SIPEF has been implicated in allegations of using fire in the past. An investigation by the RSPO has resulted in the Company being absolved of these allegations, as the majority of the fires being reported took place in 2015 on the Dendymarker Estate before SIPEF owned it. Moreover, the 2019 fires which occurred again mostly in Dendymarker, took place on land that is owned by local communities and over which SIPEF has no jurisdiction.

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3 [WWW.FIRMS.MODAPS.EOSDIS.NASA.GOV/](http://WWW.FIRMS.MODAPS.EOSDIS.NASA.GOV/)

SIPEF is attaining amazing yields in all of its estates. In particular, the yield per hectare and the respective oil extraction rates (OERs) in Papua New Guinea are leading in the industry and, hence, they are the benchmark for the Group’s operations in Indonesia.

## 8. Yield increase

### 8.1 Product quality and productivity

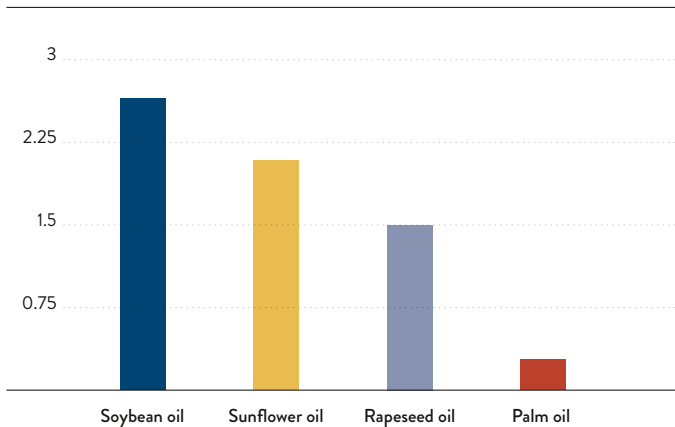
#### PRODUCT QUALITY

The commitment of SIPEF to produce quality palm oil, palm kernel oil, palm kernels, rubber, tea and bananas has been the backbone of the existence of the Group and is providing the first entry point for the customers. SIPEF believes in long-term partnerships with its customers and, therefore, recognises the importance of safeguarding the highest standards in quality. It is convinced that the production of quality starts in the fields. Healthy seedlings for oil palm and clones for rubber and tea, as well as viable tissue culture for bananas, are essential to begin with. Careful upkeep of the fields, application of the right fertilisers and accessibility of the fields are critical to harvest a high quality product.

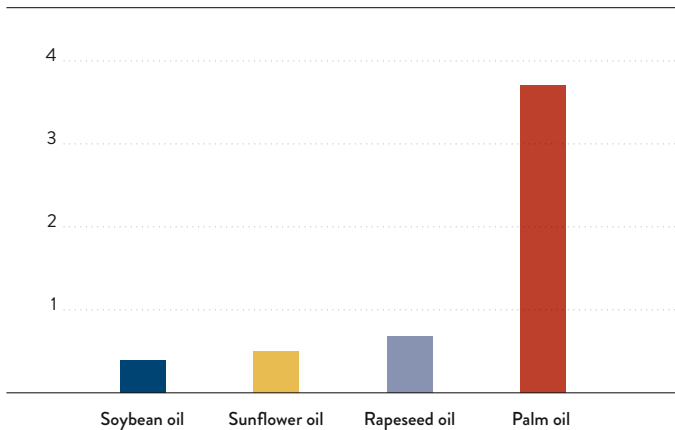
#### PRODUCTIVITY

It has been shown that as the world population is growing and countries increase their purchasing power, there is a proportional growth in the consumption of vegetable fats. It has been estimated that by 2050 the global food demand will be around 350 million tonnes per year more than the 185 million tonnes consumed currently. The growth in biodiesel has been stronger in the last two decades but depends heavily on governmental mandates. In a world in which environmental considerations are driving the industry standards, the increased demand will have to be met from responsible and sustainable sources. It has been proven that palm oil is by far the most efficient source of vegetable oil by any measure (i.e. land, water, fertiliser, pesticide, cost).

FOOTPRINT OF MAIN VEGETABLE OILS (HECTARES/TONNE/YEAR)



PRODUCTIVITY OF MAIN VEGETABLE OILS (TONNES/HECTARE/YEAR)



Source: [www.theconversation.com/the-geopolitics-of-palm-oil-and-deforestation-119417](http://www.theconversation.com/the-geopolitics-of-palm-oil-and-deforestation-119417)

SIPEF is attaining amazing yields in all of its estates. In particular, the yield per hectare and the respective oil extraction rates (OERs) in Papua New Guinea are leading in the industry

and, hence, they are the benchmark for the Group's operations in Indonesia. Although there are differences in soil structure, SIPEF believes these targets can be met.

#### OIL EXTRACTION RATES

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	21.91%	21.83%	22.44%	22.18%	22.47%	22.13%	23.01%
PAPUA NEW GUINEA	22.82%	23.17%	23.41%	23.93%	24.62%	24.34%	23.33%
GROUP	22.36%	22.50%	22.92%	23.05%	23.54%	23.23%	23.17%

The lower the content of free fatty acids (FFA) the better the palm oil quality.

When oil palm fresh fruit bunches (FFB), which are exceptionally rich in oil and perishable, are damaged during harvesting, handling or transport, the main constituents of the oil are massively and rapidly hydrolysed. This results in the release of FFA that make the oil more acidic and lower its quality. The sooner the sterilisation process (steam cooking) is done after harvesting, maximum within 24 hours, the sooner

this acidification is inactivated. Besides trying to shorten this delay, SIPEF also ensures a maximum reduction in the bruising damage that can occur at the time of harvesting and handling, as well as a reduction in the harvesting of overripe fruits.

High quantities of FFA impede downstream processing and, therefore, having high amounts of it in the crude palm oil (CPO) and crude palm kernel oil (CPKO) is not desirable.

#### AVERAGE PERCENTAGE OF FREE FATTY ACIDS IN PALM OIL

	OIL MILL	2013	2014	2015	2016	2017	2018	2019
INDONESIA	PLOM	2.59	2.57	2.74	2.48	2.48	2.65	2.97
	BMOM	2.63	2.67	2.70	2.42	2.95	3.14	3.06
	UMWOM	-	3.58	3.65	2.63	2.99	3.62	3.98
	MMOM	3.06	3.78	3.05	3.01	3.42	3.46	3.55
	BTOM	3.74	3.36	3.46	3.21	3.78	3.86	3.47
	DMOM	-	-	-	-	3.52	3.71	3.65
PAPUA NEW GUINEA	HOM	3.98	3.98	3.12	3.43	3.41	3.68	4.03
	NOM	3.54	3.46	3.11	3.32	3.61	4.30	3.98
	BOM	-	-	5.29	3.97	4.02	4.23	4.26

A highly important challenge going forward is the need to consistently increase the yields from the smallholder farmers in Papua New Guinea to improve their income, general livelihood and reduce the gap between the Group’s plantation yields.



Smallholder oil palm projects are developed with and for local communities, beyond legal requirements. In Papua New Guinea the oil palm operation, HOPL, is the most engaged with smallholders. It has included approximately 3 700 smallholders in the supply base of its three mills. It collects the crop of the smallholders individually, giving them priority over its own crop. All the smallholders in the supply base of HOPL have been successfully certified for compliance with the RSPO standard.

A highly important challenge going forward is the need to consistently increase the yields from the smallholder farmers in Papua New Guinea

to improve their income, general livelihood and reduce the gap between the Group’s plantation yields. HOPL operations have for the past three years, commencing in 2017, increased its direct involvement in the extension services provided to smallholders, relieving the local government of part of this critical, but management-intensive function. The cooperation and collaboration between the smallholder farmers and HOPL have been hugely positive. A nominal expense of four kina (PGK) per tonne has been invested to improve the farmers’ knowledge of effective farming, while the yields are expected to improve further over time.

YIELD PER HECTARE (IN TONNE)		2013	2014	2015	2016	2017	2018	2019
INDONESIA	PLANTATIONS	18.29	20.36	21.49	20.97	19.05	19.80	18.47
	SMALLHOLDERS	-	-	-	-	13.73	12.65	12.75
PAPUA NEW GUINEA	PLANTATIONS	26.30	27.09	26.46	26.72	27.53	28.25	20.92 *
	SMALLHOLDERS	18.82	17.50	18.26	17.67	15.98	16.47	13.47 *

\* due to volcanic eruptions



## 8.2 Verdant Bioscience Pte Ltd

In an ever more affluent world, where population growth will exceed nine billion before mid-century, there is an inexorable growth in demand for vegetable oils, and a broad rejection of non-niche animal fats. These vegetable oils are found in an ever-increasing myriad of products in the developed world (50% of all consumer goods), while remaining a staple in the developing world.

Global vegetable oil production amounted to around 234 million metric tonnes in 2019, with palm oil production being recorded at 75.72 million metric tonnes in 2019. Oil palm is by far the most efficient of the vegetable oil crops and is 6-10 times more productive (yield/hectare/annum) than other oil crops. In a commodity market, it

is 'cheap', because of its high yield, and arguably the most versatile oil for the food industry. Indonesia and Malaysia are the largest palm oil producing countries. Expansion of production to meet demand by increasing land area puts forests, biodiversity, indigenous people and customary practices at risk. But expansion of production by increasing yield takes the pressure off forests, doesn't put biodiversity at increased risk and doesn't threaten social order and human equity in developing countries, yet meets the world demand for competitively priced vegetable oil.

The joint venture 'Verdant Bioscience Pte Ltd' (VBS) of which SIPEF is a partner, leads in the Research and Development area for tropical plants and its progress is exciting. VBS



In order to limit its ecological footprint, SIPEF fully believes that it has to optimise the yields that the soils can produce. To that end, SIPEF engages with VBS with which it undertakes all its research and development activities, with the aim of increasing its yield per hectare.

is grounded in a long and distinguished history in tropical plantation agriculture, allied to the responsible application of objective science. Its corporate shareholders (of which SIPEF is one) have similarly exemplary resumés in plantation agriculture. High yielding though it is, palm oil uniquely has the physiological potential to double or even triple the yield of crude oil. VBS was

established in 2013 with the express principal objective of exploiting this potential and substantially increasing oil palm (and other crop) yields through the application of objective science in three main areas:

- Plant breeding, genetics (not genetic modification) and biotechnology through the production of F1 hybrid oil palm. This is an unavoidably protracted process and progress to date is on target.
- Agronomic improvements, most notably by economically optimising palm nutrition.
- Crop protection improvements, to offset the increasing threats from pests and diseases.

The Company's under-pinning values are deeply ethical, as are its high-level objectives (summarised above) and its day-to-day operating procedures (RSPO, ISPO, Rainforest Alliance etc.). VBS quietly 'walks the walk' regarding sustainability, while many other entities rampantly 'talk' about



sustainability, and the bad behaviour of others.

In order to limit its ecological footprint, SIPEF fully believes that it has to optimise the yields that the soils can produce. To that end, SIPEF engages with VBS with which it undertakes all its research and development activities, with the aim of increasing its yield per hectare. SIPEF believes that VBS will develop oil palm varieties that could double the current yield per hectare, that will allow it to respond to the constantly rising demand for palm oil without threatening the global environment.

In that context, in April 2017 SIPEF formally transferred the management of the Timbang Deli rubber plantation from Tolan Tiga to VBS. In North Sumatra and Bengkulu, a network of test fields was built to develop optimal fertilisation plans and realise the cultivation potential of the F1 hybrids, to develop treatments against plagues and diseases as well as to study various

problems related to Ganoderma, a major disease of oil palms. SIPEF also calls on VBS for advice on fertilising the three crops (palm oil, rubber and tea) in all regions of Indonesia.

For more information see Company Report, page 84.



# Social topics and treatment of employees

The following analysis of the Company’s social topics and treatment of employees concentrates especially on the decent working conditions and the wellbeing of the employees and their families, as well as on the impact of the operations of the Group on communities.

UPON DOING SO, SIPEF IDENTIFIED THE FOLLOWING SDGS TO FOCUS ON:



The plantations of SIPEF are located in rural areas of countries that usually score low on the UN Human Development Index (HDI). The HDI is an index that ranks countries based on human development. Nations that rank higher on this index have a higher level of education, a longer average lifespan and a higher gross national income per capita than nations with a lower score.

The following table summarises the HDI scores of the countries in which SIPEF operates in 2019:

	HDI	Population (in 000)
Belgium	0.916	11 539.3
Indonesia	0.694	270 625.6
Ivory Coast	0.492	25 716.5
Papua New Guinea	0.544	8 776.1

Source: [www.hdr.undp.org/en/content/human-development-index-hdi](http://www.hdr.undp.org/en/content/human-development-index-hdi)

The indexes are calculated using national statistics and are generally higher (better) than the living conditions within the rural areas within which the SIPEF plantations are located. Generally, these are areas with low rates of employment and lacking in government services. Since agriculture is a permanent enterprise which relies on a productive workforce in order to remain economically viable, SIPEF places utmost importance on valuing its own workforce and the communities within which its enterprises are located. Social topics, like environmental topics, are managed using a systematic methodology as per the SA8000 standard. This requires a systematic review of the perceived aspects and impacts, and the implementation of strategies to reduce the negative impacts while promoting the positive ones. This methodology incorporates the effects of the activities of the Group on society such as livelihoods, health, education, fair labour conditions and community cohesion.

The express object of SIPEF's Responsible Plantations Policy, the RPP, is the social impact of new developments and the operations and of the existing plantations. To optimise the management of the plantations, a lot of attention is given to good collaboration with the local communities, the technical training of the employees, and ensuring a safe and healthy working environment. The development of the plantations, and where relevant the support to surrounding smallholders, contributes considerably to the social and economic development of the national communities, and plays a major role in the fight against poverty.

Rather than waiting for grievances SIPEF actively engages with its stakeholders. Communities neighbouring the operations, or affected by them, are consulted periodically, and as much

**The development of the plantations, and the support to surrounding smallholders, contributes considerably to the social and economic development of the national communities, and plays a major role in the fight against poverty.**

as possible provided with opportunities to benefit from the Group's activities. SIPEF provides employment, and builds and maintains schools, roads, health centres, bridges and places of worship. The plantations grow with and for people.

The development and maintenance of harmonious relations inside and outside the plantations are a critical part of managing the operations of the Group. Therefore, the Corporate Social Responsibility (CSR) of SIPEF is part of the Group's RPP. The current measures respond to the needs of the communities. CSR budgets are drawn up for each operational unit. The plantation managers have open and constructive talks with local stakeholders and decide on the optimal use of these budgets in the local context. In 2018, in Papua New Guinea SIPEF supported and co-funded the engagement of a medical ship from Youth With A Mission (YWAM) on its jetty for 10 days, whereby all people from the surrounding villages could receive free medical examinations. This included 622 primary health care (PHC) patients seen by YWAM doctors and nursing staff. The Optical Care Unit conducted 641 consultations and distributed 354 reading glasses. The Eye Health Unit conducted 65 cataract surgeries whilst the Oral Health Unit completed 128 dental extractions. YWAM also completed training for 370 villages in Community Health Education and Promotion.



For oil palm operations a social survey of the communities and the Company's stakeholders is administered annually. The surveys record the perceptions of the communities and stakeholders regarding the activities of the Company, including positive and negative impacts.



Every operational unit also has its own health, safety and environment committee, which meets on a monthly basis. Both employee representatives and representatives of the people living in the homes provided by SIPEF have a seat on this committee. At the monthly meetings, participants can put forward comments and complaints regarding health, safety and environmental issues.

The development and maintenance of harmonious relations inside and outside the plantations are a critical part of managing the operations of the Group.

## 1. Fair labour practices

Ensuring that employees are treated fairly and in compliance with recognised social standards is essential to SIPEF for its long-term growth and its reputation. According to the RPP of SIPEF 'fair labour practices' are the norm in all operations of the Group.

### 1.1 Health and safety

The overarching goal of SIPEF is zero work-related fatalities. To achieve this, all risks are analysed and assessed, the workplaces adapted, protective equipment provided where needed and training held at various levels. Workplace inspections are conducted regularly. Any occupational accidents are investigated to prevent them from being repeated.

Particular attention is also given to workers who handle chemicals, such as pesticides. They are given special training, supervision and personal protective equipment (PPE). Pregnant and breastfeeding women are not permitted to have contact with chemicals. They are given different duties during pregnancy and when they are breastfeeding. All employees are given annual medical examinations, while workers who handle chemicals are examined more thoroughly and frequently.

In Indonesia in 2019, 2 276 high-risk workers, who work with pesticides or herbicides or are exposed to dust, noise or other harmful factors, were given an annual medical examination and 6 706 non-high-risk workers were given routine medical check-ups. Based on these check-ups, the Company physician provided figures on illness, sickness benefits and occupational accidents as part of the health and safety at work programmes. In recent years, there have been no recorded accidents due to handling chemicals.

The overarching goal of SIPEF is zero work-related fatalities. To achieve this, all risks are analysed and assessed, the workplaces adapted, protective equipment provided where needed and training held at various levels.

The Company doctors independently record the lost-time injury (LTI) for each operating unit. Each unit has a qualified person in charge of Occupational Health and Safety (OHS), who leads the implementation of the Safety Management Plan. Regular OHS meetings are held at the estate level to discuss the causal factors of LTI incidents and how these can be prevented in the future. This information is discussed at management meetings when required.



Unfortunately, a number of accidents was recorded in Indonesia and Papua New Guinea in 2018 and 2019, primarily connected with the harvesting and transport of fruits to the mill. There were many minor accidents in Ivory Coast, because various sharp tools are used there in the fields.

Under the Occupational Health and Safety Administration (OHSA) standard used for reporting here, lost-time injury frequency rate

(LTIFR) is calculated as the number of lost-time injuries (LTI) plus fatalities, divided by the number of hours worked, multiplied by a factor of 1 000 000 which is the current industry standard used to enable the comparison between companies.

#### LTIFR FREQUENCY RATE

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	4.62	5.11	2.57	2.82	2.40	6.77	5.04
PAPUA NEW GUINEA	50.01	26.10	13.04	4.18	2.98	2.96	NA *
IVORY COAST	-	8.28	5.10	3.10	6.20	14.80	14.50

\* Due to the multiple volcanic eruptions severely disrupting our normal operations in Papua New Guinea, the Group has not been able to verify the unreliable data collected in 2019

Unfortunately, there have been a number of fatalities in recent years.

In 2018, there was a fatality due to the electrocution of a harvester in Indonesia. This tragic accident happened while harvesting near high tension electrical wiring alongside a road. The conventional harvesting pole and rubber boots were not enough to provide the insulation required when the harvesting pole touched the high-tension wire. After a thorough investigation including a root cause analysis, both engineering and administrative controls have been implemented to prevent this type of incident from recurring. All harvesters wor-

king with long poles in areas near high tension wires are now supplied with special insulated harvesting poles. These poles do not pass electricity under normal and abnormal (raining) conditions. There are standard operating procedures (SOPs) in place to ensure their use is enforced. Ongoing training is being conducted to increase awareness and ensure that harvesters working in these areas are not at risk.

A second fatal workplace accident occurred in 2018 In Papua New Guinea. A male plantation employee fell off a truck while distributing fertiliser bags. He sustained a severe head injury, a fractured skull, resulting in his death. Investiga-



tion indicated poor visibility due to overhanging palm fronds. HOPL took the corrective action of pruning to increase the accessibility of roads. Further training is to be conducted to increase awareness of overloading, poor loading practices, distribution and dislodging of fertilisers. All is to be done when the vehicle is stationary.

In 2019, a male operator got tangled in the rope for the FFB transfer cage winch in Papua New Guinea and sustained severe injury resulting in death. Additional emergency stop controls were installed and the SOP for using capstan winches in all mills was further strengthened. More training of mill personnel and more frequent inspection of the mills themselves are set.

In 2019, there were four non-work-related fatalities in Indonesia. Two of these were heart attacks on the job, and one was a suicide. The last fatality occurred when a tree fell on a contractor who had arrived to work at rest time and, while waiting to start work, a tree fell on him in high winds. In 2019, there were also two non-work-related fatalities in Papua New Guinea. One occurred when a contractor on his way to a job stopped to buy something and was run over while crossing the road. The last non-work fatality in Papua New Guinea happened when an unauthorised passenger fell off a company tractor. All these unfortunate accidents were properly investigated, as there were contractors and/or Company assets involved outside

**WORK RELATED FATALITIES**

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	2	0	0	0	0	1	0
PAPUA NEW GUINEA	0	0	2	0	0	1	1
IVORY COAST	0	0	0	0	0	0	0
TOTAL	2	0	2	0	0	2	1

of working duties. Further corrective actions were necessary, and more training was conducted to increase awareness and the rationale of stakeholders to act in a safe manner, even outside working hours.

Lastly, it is important to state that all plantations have their own ambulances to evacuate the victims of serious accidents. Smoking and the consumption of alcohol or drugs is banned in the workplace.



**1.2 Education**

Free transport to state schools is arranged for the children of all Group employees, where relevant. In isolated areas where there are no state schools, SIPEF provides education itself. For example, primary schools have been built for the children of employees on the Umbul Mas Wisesa (UMW) plantation in Indonesia and on the J. Eglin plantations in Ivory Coast. The UMW school was recently opened up to all children in the surrounding communities.

In Bialla, Papua New Guinea, an existing international school set up by Hargy Oil Palms Ltd is now in the process of being enlarged, with new classrooms to include secondary education. In a joint project with the Papua New Guinea Incentive Fund, Hargy Oil Palms Ltd has also built a school complex in one of the most remote areas of West New Britain, where more than 200 primary school children are now receiving education. In Indonesia, SIPEF has granted land to the local authorities on several occasions so that schools can be enlarged and has subsidised the teachers' salaries.

	INDONESIA	PAPUA NEW GUINEA	IVORY COAST
Number of schools built, supported and/or managed by the Group	57	1	3
Number of teachers subsidised by the Group	188	7	1

### 1.3 Gender equality

Traditionally, most workers on the plantations have been men. Over the past few years, SIPEF has encouraged equal rights to work for men and women. In Indonesia SIPEF has set a target of having at least one woman in a managerial position in each operating unit in 2018-2019. This initiative, which may sound minor, has had a positive disruptive effect on a profession which is traditionally male-dominated. The new female managers, despite the disparate pressure of male and female expectations, have performed beyond expectations. Attitudes are being changed one step at a time.

In Indonesia SIPEF has set a target of having at least one woman in a managerial position in each operating unit in 2018-2019. This initiative, which may sound minor, has had a positive disruptive effect on a profession which is traditionally male-dominated.

#### PERCENT PERMANENT EMPLOYEES

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	64.31%	64.45%	62.66%	59.80%	63.99%	86.00%	88.00%
PAPUA NEW GUINEA	-	-	-	99.40%	97.80%	96.50%	95.10%
IVORY COAST	-	-	-	-	80.00%	91.30%	91.70%
BELGIUM	100%	100%	100%	95.00%	88.00%	78.22%	78.50%

#### PERCENT FEMALE EMPLOYEES

	2013	2014	2015	2016	2017	2018	2019
INDONESIA *	24.05%	24.91%	25.59%	25.27%	24.70%	18.13%	17.35%
PAPUA NEW GUINEA	19.00%	19.00%	21.00%	19.00%	22.00%	24.20%	24.40%
IVORY COAST	7.00%	17.00%	14.00%	19.00%	19.00%	19.50%	19.80%
BELGIUM	50.00%	54.50%	54.50%	52.00%	50.00%	51.00%	54.00%

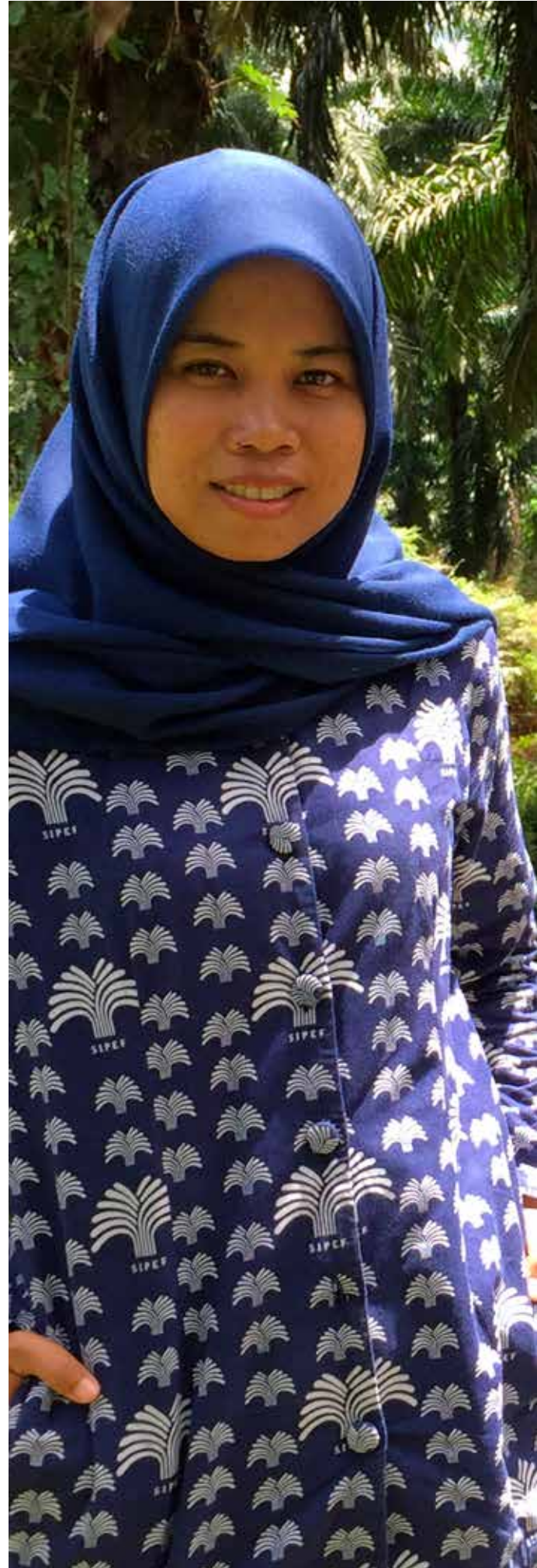
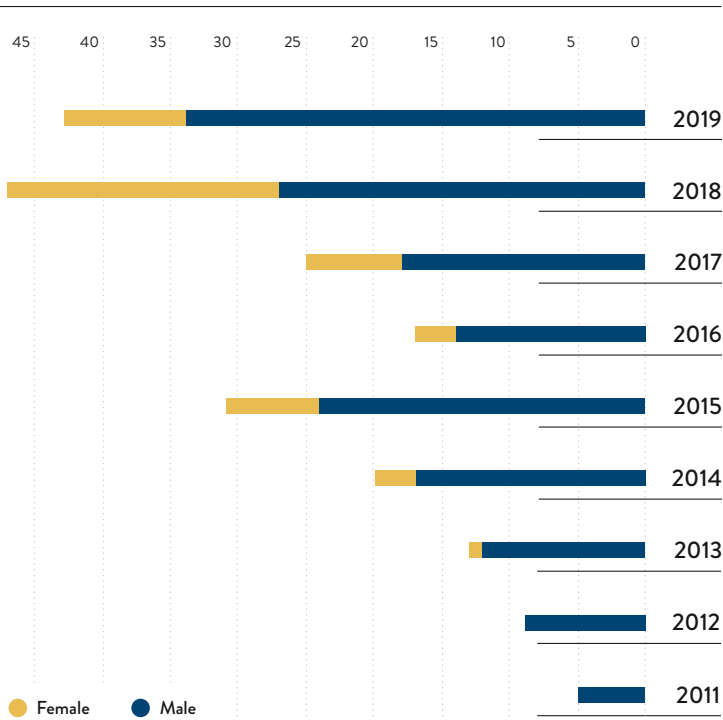
\* until 2017 the figures were incomplete and did not include the expansion areas in South Sumatra

In order to promote working families most of the plantations offer free childcare to give women equal opportunities in the workplace. This service was offered at all SIPEF plantations by the end of 2017.

To optimise the management of the plantations, a lot of attention is given to training the employees in agricultural and management methods, and general knowledge. The practical guidelines and management practices regarding agricultural methods, environment and general aspects are summarised in manuals with standard procedures. Training is held to ensure these procedures are applied correctly. Both men and women can sign up for the training. The Group has been pleased to see more female cadets entering the training programmes to become field estate managers.

In Indonesia there is a long-running cadet program designed to take in recent college graduates and fast-track them into SIPEF's middle management career path.

NUMBER OF GRADUATED CADETS OF THE TRAINEE PROGRAM IN INDONESIA:



*I am Asni. I was born on 2 January 1989 in Medan. I graduated from the Faculty of Agriculture at North Sumatra University in 2013. I have been working at PT Tolan Tiga Indonesia - SIPEF Group since May 2014. I first joined the Management Trainee Program in 2014.*

In 2015, I was placed in PT Agromuko - Mukomuko Estate as an oil palm nursery assistant. In 2017, I was given the responsibility of managing the division and handling a mature area of around 550 hectares. In the same year, the management gave me more challenges to manage a fast-track replanting program 2017. Since October 2019, I have been in Sei Kiang Estate and manage a mature area of around 630 hectares.

The challenge that I have as a woman in a workforce dominated by male workers is sometimes that my instructions are not properly done or followed up because the workers are more familiar with having a male leader. Another challenge is feeling insecure on duty while going around alone in the field. As a female field assistant, it's not easy to change the mindset of workers who are used to being led by males. By keeping trying to improve good communication and teamwork, and ensure that I can become a professional leader, hopefully they will change.

SIPEF management has been helping me to achieve success in my career. This started with a full one-year management training program in 2014 and being placed in several estates during the training program to learn about oil palm plantations i.e. nursery, immature oil palm, mature oil palm and replanting programs. SIPEF management is always committed to ensuring the workers' safety in the field, giving the equal rights to male and female workers in any position and in their career. This is part of Company policy.

My great ambition in future working in SIPEF is to be one of SIPEF's executive leaders.

My advice to other women who will join SIPEF is not to worry if you work in a male workforce, as SIPEF has a policy and the commitment that employees have equal rights. A female worker has to be brave, be strong, be confident and be a decisive leader to face the challenges in the field. Take the opportunities and responsibilities given by management and do your best to achieve the goals.

***“My great ambition in future, working in SIPEF, is to be one of SIPEF's executive leaders.”***

Thank you very much to SIPEF management for giving me opportunities to improve my career, with some training programs such as the In-House Training of ISO 9001:2015, and to participate in the Supervision Development Program 2019 at the SIPEF Training Centre at Bukit Maradja Estate.

I hope that SIPEF will be more developed, advanced and successful.

The cadet program is very demanding in that it requires a lot of skills and dedication from the participants. The program is also in high demand, as it provides a pathway to highly sought-after career opportunities within SIPEF. Over the years, the cadet program has consistently increased in numbers, with five successful graduates in 2011, growing to 47 and 43 in 2018 and 2019 respectively. SIPEF is actively encouraging women to apply and participate. While there is no female to male ratio target, the cadet program has increased the intake of female cadets over the years.

In Indonesia there is a long-running cadet program designed to take in recent college graduates and fast-track them into SIPEF's middle management career path. The cadet program is very demanding in that it requires a lot of skills and dedication from the participants. The program is also in high demand, as it provides a pathway to highly sought-after career opportunities within SIPEF. Over the years, the cadet program has consistently increased in numbers, with five successful graduates in 2011, growing to 47 and 43 in 2018 and 2019 respectively. SIPEF is actively encouraging women to apply and participate. While there is no female to male ratio target, the cadet program has increased the intake of female cadets over the years.

**SIPEF believes that a thorough FPIC process is critical to the long-term success of any new operation, both for the communities and for the Company.**

## 2. Impact on communities

### 2.1 FPIC

Before launching a new project, the Company ensures that the Free, Prior and Informed Consent (FPIC) of communities is obtained. SIPEF believes that a thorough FPIC process is critical to the long-term success of any new operation, both for the communities and for the Company. Communities have the right to fully understand the scope of the new developments and to express their opinions, and to reserve the right to not participate at any stage prior

to the implementation of the project. Such a process can last for months or years. In Papua New Guinea SIPEF has sometimes spent years in communications with some communities. This has created the right conditions for an honest, long-lasting working relationship, which is fundamental for a permanent industry such as agriculture.

**2.2 Medical care**

The provision of appropriate medical care demands special attention throughout the Group. In Indonesia at the end of December 2019, 35 285 people (employees and their dependents) were registered with the national health insurer. Indonesia also has 24 polyclinics, 8 visiting doctors and 45 permanent paramedics, of which approximately half are midwives and the other half nurses. All these medical facilities were officially recognised by the national health insurer, which covers the costs of treatment there. There were 71 623 and 60 330 visits in all clinics respectively in 2018 and 2019.

In Ivory Coast and Papua New Guinea, the medical care package is paid in full by the Compa-

ny, which works with its own doctors and nurses at local clinics and care centres set up by SIPEF on the plantations. During 2019, the Papua New Guinea operation of SIPEF treated 93 000 individual outpatients who were seen by 28 health care employees within 12 Company clinics.

In Papua New Guinea in 2017, SIPEF initiated a USD 240 000 revolving fund for smallholders to improve their latrines and to gain access to clean water. The issues were well-identified: the high prevalence of gastro-intestinal diseases affecting children, and the burden for women to get water from sometimes distant water sources. The necessary improvements remain out of reach for most villagers, who have no access to credit.

	INDONESIA	PAPUA NEW GUINEA	IVORY COAST
Number of clinics	24	12	3
Number of medical personnel	45	28	7

**2.3 Fundraising maternity ward renovation**

On the occasion of the celebration of ‘100 YEARS of SIPEF’ the Company initiated a fundraising project for a maternity ward upgrade and renovation, in West New Britain in Papua New Guinea. Through Hargy Oil Palms Ltd (HOPL), SIPEF has operated in this area for the last 41 years and contributed actively to reach the United Nations Sustainability Development Goals (UNSDG) for this particular region.

This project is inspired by the UNSDG Goal 3: Good Health and Well-Being. More particularly SIPEF decided to upgrade the Maternity Section of the Bialla Health Centre (BHC) in order to improve the healthcare of the pregnant women and newborn babies in HOPL’s footprint area and the extended communities.

Every week, pregnant women from HOPL and the surrounding communities access the Public Health Centre, which is only equipped to manage normal and basic childbirth. All complicated deliveries are referred to Kimbe General Hospital, which is a 150-km journey of more than three hours in the back of a truck along unsealed sections of road. The midwives at the Public Health Centre work under pressure every day, and they do not have the medical equipment to ensure safe deliveries for mothers and children.

There is a great requirement for this maternity ward renovation in the BHC, as pregnant mothers who have complications are required to stay in that ward for observation and recovery before they are discharged. Today, the BHC does not have the capacity to take care of the mothers and babies if they need to stay longer than normal.

At the current time, the equipment of the labour ward is very limited, and this has consequences of the potential risk of contracting HIV or other neonatal infections for the nurse, baby and the mother. Thus, having decent medical equipment, such as a suction machine, is indispensable for saving lives.

In October 2019, a total of 38 300 euros were raised and contributed to this project. Currently the HOPL team is working with the West New Britain Health Authorities to repurpose an existing building with the aim of converting it into a functional maternity ward. It is in the design phase with floor plans being considered. This will then lead to the ordering of appropriate medical equipment such as a suction pump, Doppler machine and a heating lamp for babies, with quotations currently being sourced.





## 2.4 Infrastructure

Most workers come from the local population and are housed on the plantations with their families. Only a small number of workers and temporary employees come from nearby communities. Safe, comfortable housing with properly functioning utilities continues to be provided by the Group to employees and their families living on SIPEF sites.

The presence of the Group's operations also contributes to the improvement of infrastructure. In Papua New Guinea, HOPL maintains public roads, in coordination with the local government. In Indonesia, some of the estate roads are open to the public during the day. In the newer estates, SIPEF consults communities to decide where to build roads on the outskirts of its concessions. The estates ensure maintenance of the roads. This cooperation greatly reduces the risk of accidents inside the estates, while giving more freedom of movement to the communities.

SIPEF also promotes the opening of local stores by the employees' cooperatives. The Company subsidises the transport of goods or provides the capital needed for worker cooperatives, where required, to ensure prices remain stable and affordable. In Indonesia, the employees' cooperatives have set up successful mini-markets on most plantations. In Papua New Guinea the Group often works with local operators who receive medium to long-term operating concessions. In such cases, the Company monitors prices applied by the local operators to maintain the affordability of basic goods.



**SIPEF provides safe, comfortable housing, contributes to the improvement of local infrastructure and promotes the opening of local stores by the employees' cooperatives.**

SIPEF works closely with smallholders who are able to expand their activities together with the Group. This allows local farmers to participate in a sustainable industry and benefit from the Group's technical expertise.

### 3. Smallholders

SIPEF works closely with smallholders who are able to expand their activities together with the Group. This allows local farmers to participate in a sustainable industry and benefit from the Group's technical expertise. SIPEF provides agronomic advice or service, zero- or low-interest loans for seedlings and tools, as well as its best genetic material for improved yields. There is a permanent demand from the local population, in close association with the smallholders, for the continued expansion of the activities of the Group and accelerated economic development of these remote communities.

#### PREMIUM PAID TO SMALLHOLDER (PGK/TONNE FFB)

	2013	2014	2015	2016	2017	2018	2019
Papua New Guinea	4.44	6.88	8.44	11.74	13.87	12.80	12.16
Indonesia *	NA	NA	NA	NA	NA	NA	NA

\* NA = not applicable

As much as half of the fruit bunches processed in the mills of HOPL, in Papua New Guinea, comes from approximately 3 700 RSPO certified smallholders. They received their certification at the same time in 2009 as the company, HOPL, and remain committed to its preservation. As the smallholders have been certified to the RSPO standards, they share in all premiums which SIPEF receives through the sale of certified products.

In 2015, a law was passed in Indonesia requiring all new HGU concessions to include an area equal to 20% of the total HGU area as smallholder production for that particular supply base. This did not create a significant problem for SIPEF, as the Company took this into account with all subsequent expansions. In 2018, the law was amended to include all renewals of HGU concessions. This has created a great challenge for SIPEF, as there will be a succession of HGUs up for renewal that will require an area equivalent to 20% of their total area to be under smallholder production before the renewal is approved.

As this law has been passed for the whole industry, it has created an enormous growth in the demand for smallholder production. SIPEF is implementing a strategy to enable this requirement to be fulfilled, while maintaining and attaining its goal of 100% RSPO identity preserved (IP) supply chains. However, this process cannot be done overnight, hence the increase of uncertified smallholders in the last few years. As this is a process that requires a lot of attention, a special smallholder department has been created, and SIPEF is positive of success.

**NUMBER OF SMALLHOLDERS COLLABORATING WITH SIPEF**

	2013		2014		2015		2016		2017		2018		2019	
	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO
Papua New Guinea	3 639	-	3 798	-	3 856	-	3 861	-	3 708	-	3 640	-	3 647	-
Indonesia *	171	57	171	168	212	330	212	651	212	880	212	3 882	212	3 936

\* the number of non-certified smallholders increased significantly in 2018 because of the smallholders of South Sumatra of the expansion areas

In Indonesia, the Agro Muko operation works with surrounding villages to develop small oil palm blocks called KMD (*Kebun Masyarakat Desa – villagers’ estates*), managed by the plantations at the same high standards. SIPEF pre-finances the development of the blocks and later buys the production at market prices. The village cooperatives can enjoy significant additional revenue, which is then used for communal works. Monthly accounts are communi-

cated to the cooperatives, and the amounts paid by SIPEF are published in the local newspapers. Transparency is total. The scheme is extremely popular, and even villages far from the Group’s estates volunteer to join.

# Respect for human rights

SIPEF recognises that human rights are universal and supports full implementation of the International Bill of Human Rights.

To do so SIPEF has issued a Human Rights Policy<sup>1</sup> which makes clear its commitments and reiterates these commitments within its Responsible Plantations Policy which is aligned to the International Bill of Human Rights and to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, ILO Indigenous and Tribal Peoples Convention, 1989 (No. 169), as transcribed in the laws and regulations of the countries where it operates.

The compliance of the Group to these legal requirements is made operational through management systems and checked by both internal and external audits. The Company realises that respect for human rights is an area that continuously changes as socio-economic conditions evolve, with norms and expectations that exceed legal requirements. To be ahead of this, SIPEF has an effective grievance mechanism. All grievances are handled in a transparent and timely manner. All grievances and their resolution status from NGOs and/or grievances considered significant are posted on the SIPEF website.

The Company has adopted and implemented group-level policies, which are implemented locally by procedures set down in the local Company handbooks. They are built on the following guidelines:

- Child labour on the plantations is not tolerated;
- The Group does not use or condone any form of forced labour or human trafficking;
- SIPEF gives everyone equal opportunities and does not tolerate discrimination;
- SIPEF does not tolerate sexual harassment;
- The Group respects freedom of association and collective bargaining.

The Group gives assurances that it will treat its employees fairly in all areas. Employment contracts are clear and, as a minimum, in compliance with local laws.

### 1. Child labour

SIPEF has a zero-tolerance towards child labour on the plantations. It is not tolerated, be it direct employment by the Company or by its contractors. The minimum working age on the plantations is 18. Clear and simple rules have been promulgated to ensure this. Employees are encouraged to report any form of child labour, even by third parties that work with SIPEF. Any non-compliance with this policy by the employees or contractors of the Group results in instant dismissal.

### 2. Decent living wage

The Group gives assurances that it will treat its employees fairly in all areas. Employment contracts are clear and, as a minimum, in compliance with local laws. All employees and workers have the right to one day of rest per six days worked.

Above the legal requirement, SIPEF is committed to complying with international certification requirements which follow the methodologies as set forth by the Global Living Wage Coalition<sup>2</sup> (GLWC). SIPEF is committed to providing a fair and decent wage, as defined by the GLWC as:

*“The remuneration received for a standard work-week by a worker in a particular place is sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”*

The GLWC, RSPO and Rainforest Alliance require the living wage to be calculated by independent parties. The calculation is reliant on the cost of living and is therefore specific to a region. The

RSPO has issued a tender for an independent consultancy to calculate the relevant DLW applicable within Indonesia. SIPEF will work proactively to ensure the calculation reflects the actual conditions on the ground and are feasible for the industry to adopt.

### 3. Unions

The Group respects freedom of association and collective bargaining. Union representatives have open access to the management of the Company. The majority of the SIPEF plantations are operating under collective bargaining agreements which are updated as required.



1 [WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/HUMAN-RIGHTS-POLICY/](http://WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/HUMAN-RIGHTS-POLICY/)

2 [WWW.GLOBALLIVINGWAGE.ORG/ABOUT/WHAT-IS-A-LIVING-WAGE/](http://WWW.GLOBALLIVINGWAGE.ORG/ABOUT/WHAT-IS-A-LIVING-WAGE/)

# Ethics policy

## 1. Anti-bribery and anti-corruption

SIPEF understands the importance of its participation in creating a fair environment for business, free from the distorting, anti-competitive effects of bribery and other forms of corruption. Corruption is a considerable obstacle to economic and social development around the world. It has negative impacts on sustainable development.

SIPEF acknowledges that and has introduced a code of conduct in all of the countries where it is active. Furthermore, in 2017 the Group officially drew up a Group ethics policy<sup>1</sup>, in which are enshrined the following principles:

- Compliance: all relevant international and national laws will be upheld.
- Transparency: shareholders and stakeholders will be provided with all non-confidential information.
- Zero-tolerance towards bribery and corruption: Facilitation payments are actively avoided, and gifts may only be given with prior approval from senior management.
- Zero tolerance of child labour, slavery or forced labour.
- Prohibition for management and employees to use the Group's facilities or working hours to conduct personal business.

Since 2017 the Group has provided training for the procurement and licensing departments with the target to ensure that employees at every level of the business understand the relevance and importance of this policy.

Internal sanctions, up to dismissal, are issued for breaching Company regulations. The worst cases are reported to the relevant authorities and the Company cooperates in full in cases of prosecution.

Despite all efforts to prevent fraud, cases of varying gravity are uncovered by the internal audit teams.

Internal procedures and internal audit programs are constantly under review to prevent and detect internal and external fraud.

The RPP of SIPEF states that grievances, both internal and external are considered seriously and are handled through transparent and unbiased mechanisms.

## 2. Grievance policy

The RPP of SIPEF states that grievances, both internal and external are considered seriously and are handled through transparent and unbiased mechanisms. The employees of the Group, and any other stakeholders, can report grievances freely and without fear of negative consequences.

A Group Policy on Grievances<sup>2</sup> has been implemented, and communicated to the entire workforce, as well as to other stakeholders. With this framework in place, grievances are addressed in a transparent manner, directly between the complainants and the respective operations.

A specific grievance system is in place for sexual harassment cases, preserving privacy and ensuring fair proceedings.

The grievance mechanisms allow for appeals to higher management and protect whistle-blowers.

All grievances that are deemed of importance to the international stakeholders or as requested by the person(s) laying the grievance are communicated to the general public through the website of the Company. The current status of the grievance and how it has been resolved is communicated.



1 [WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/ETHICS-POLICY](http://WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/ETHICS-POLICY)

2 [WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/GRIEVANCE-POLICY/](http://WWW.SIPEF.COM/HQ/SUSTAINABILITY/POLICIES/GRIEVANCE-POLICY/)

# Summary

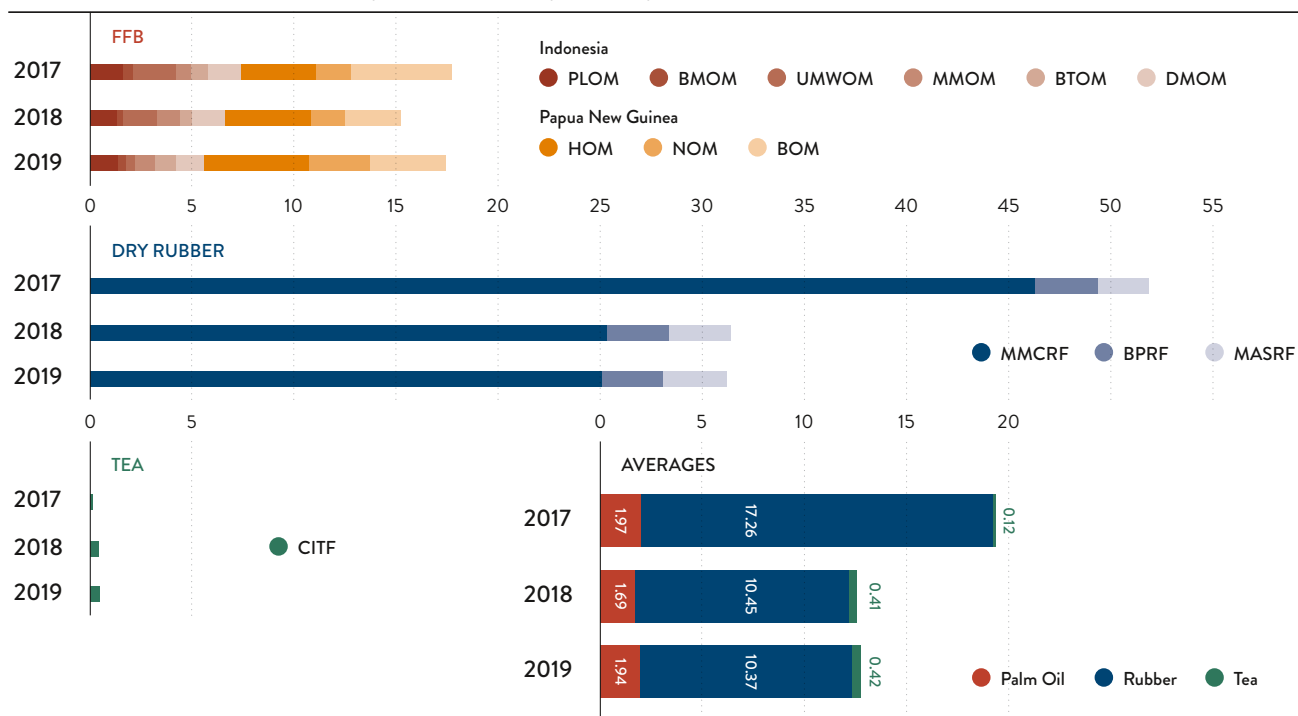
## Environmental topics

### GHG EMISSIONS FROM PALM OIL MILLS EFFLUENT (POME)

FACILITY	CAPTURE SYSTEM	TONNES CO <sub>2</sub> <b>EMITTED</b> OR AVOIDED IN 2018	TONNES CO <sub>2</sub> <b>EMITTED</b> OR AVOIDED IN 2019
<b>INDONESIA</b>			
NORTH SUMATRA			
BMPOM	Aerobic compost + methane capture	22 397.89	15 039.28
PLPOM	Reactor tank + methane capture	22 502.45	24 115.07
UMWPOM	Reactor tank + methane capture	28 927.65	34 277.88
BENGKULU			
MMPOM	Reactor tank + biogas engine	50 980.50	44 866.46
BTPOM	Effluent ponds	27 221.41	23 681.39
MUSI RAWAS			
DILPOM	Effluent ponds	5 525.64	7 528.39
<b>PAPUA NEW GUINEA</b>			
HARGY POM	Effluent ponds	999.49	1 324.01
BAREMA POM	Reactor tank + methane capture	5 960.99	4 654.72
NAVO POM	Effluent ponds	1 337.90	642.91
<b>AVOIDED</b>		<b>130 769.48</b>	<b>122 953.41</b>
<b>EMITTED</b>		<b>35 084.44</b>	<b>33 176.70</b>



**FOSSIL FUEL USE (LITRES DIESEL/TONNE FOR FFB/RUBBER/TEA)**



**WATER USE (LITRES/TONNE FFB/RUBBER/TEA OR BANANAS)**

WATER USE IN LITRES/TONNE FFB/RUBBER/TEA OR BANANAS		2017	2018	2019	
<b>FFB</b>					
<b>MILLS INDONESIA</b>					
	PLOM	1258	940	840	
	BMOM	825	850	900	
	UMWOM	1346	1060	1350	
	MMOM	813	1040	1130	
	BTOM	816	710	700	
	DMOM	1010	1770	1000	
<b>MILLS PAPUA NEW GUINEA</b>					
	HOM	1230	870	1260	
	NOM	1220	1140	430	
	BOM	590	1700	1620	
<b>DRY RUBBER</b>					
<b>FACTORIES INDONESIA</b>					
	MMCRF	34	26	24	
	BPRF	35	30	31	
	MASRF	36	31	32	
<b>TEA</b>					
	CIBUNI FACTORY	CITF	8	8	8
<b>BANANAS</b>					
	EGLIN AVERAGE	7100	7900	7000	

**BOD (BIOCHEMICAL OXYGEN DEMAND) OF POM (PALM OIL MILL) DISCHARGE PER OIL MILL (MG/LITRE)**

	OIL MILL	WAY OF DISCHARGE	2017	2018	2019
INDONESIA	PLOM	LAND APPLICATION	525	1117	929
	BMOM	LAND APPLICATION	576	1115	1239
	UMWOM	INTO WATER BODY	28	53	24
	MMOM	INTO WATER BODY	52	59	87
	BTOM	INTO WATER BODY	52	73	83
	DMOM	INTO WATER BODY	44	55	98
PAPUA NEW GUINEA	HOM	INTO WATER BODY	68	144	71
	NOM	LAND APPLICATION	179	502	359
	BOM	LAND APPLICATION	148	125	100

**OIL EXTRACTION RATES**

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	21.91%	21.83%	22.44%	22.18%	22.47%	22.13%	23.01%
PAPUA NEW GUINEA	22.82%	23.17%	23.41%	23.93%	24.62%	24.34%	23.33%
GROUP	22.36%	22.50%	22.92%	23.05%	23.54%	23.23%	23.17%

**AVERAGE PERCENTAGE OF FREE FATTY ACIDS IN PALM OIL**

	OIL MILL	2013	2014	2015	2016	2017	2018	2019
INDONESIA	PLOM	2.59	2.57	2.74	2.48	2.48	2.65	2.97
	BMOM	2.63	2.67	2.70	2.42	2.95	3.14	3.06
	UMWOM	-	3.58	3.65	2.63	2.99	3.62	3.98
	MMOM	3.06	3.78	3.05	3.01	3.42	3.46	3.55
	BTOM	3.74	3.36	3.46	3.21	3.78	3.86	3.47
	DMOM	-	-	-	-	3.52	3.71	3.65
PAPUA NEW GUINEA	HOM	3.98	3.98	3.12	3.43	3.41	3.68	4.03
	NOM	3.54	3.46	3.11	3.32	3.61	4.30	3.98
	BOM	-	-	5.29	3.97	4.02	4.23	4.26

**YIELD PER HECTARE (IN TONNE)**

YIELD PER HECTARE (IN TONNE)		2013	2014	2015	2016	2017	2018	2019
INDONESIA	PLANTATIONS	18.29	20.36	21.49	20.97	19.05	19.80	18.47
	SMALLHOLDERS	-	-	-	-	13.73	12.65	12.75
PAPUA NEW GUINEA	PLANTATIONS	26.30	27.09	26.46	26.72	27.53	28.25	20.92 *
	SMALLHOLDERS	18.82	17.50	18.26	17.67	15.98	16.47	13.47 *

\* due to volcanic eruptions

## Social topics and treatment of employees

**LTI FREQUENCY RATE**

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	4.62	5.11	2.57	2.82	2.40	6.77	5.04
PAPUA NEW GUINEA	50.01	26.10	13.04	4.18	2.98	2.96	NA *
IVORY COAST	-	8.28	5.10	3.10	6.20	14.80	14.50

\* Due to the multiple volcanic eruptions severely disrupting our normal operations in Papua New Guinea, the Group has not been able to verify the unreliable data collected in 2019

**WORK RELATED FATALITIES**

	2013	2014	2015	2016	2017	2018	2019
INDONESIA	2	0	0	0	0	1	0
PAPUA NEW GUINEA	0	0	2	0	0	1	1
IVORY COAST	0	0	0	0	0	0	0
TOTAL	2	0	2	0	0	2	1

**PERCENT PERMANENT EMPLOYEES**

	2013	2014	2015	2016	2017	2018	2019
Indonesia	64.31%	64.45%	62.66%	59.80%	63.99%	86.00%	88.00%
Papua New Guinea	-	-	-	99.40%	97.80%	96.50%	95.10%
Ivory Coast	-	-	-	-	80.00%	91.30%	91.70%
Belgium	100%	100%	100%	95.00%	88.00%	78.22%	78.50%

**PERCENT FEMALE EMPLOYEES**

	2013	2014	2015	2016	2017	2018	2019
Indonesia *	24.05%	24.91%	25.59%	25.27%	24.70%	18.13%	17.35%
Papua New Guinea	19.00%	19.00%	21.00%	19.00%	22.00%	24.20%	24.40%
Ivory Coast	7.00%	17.00%	14.00%	19.00%	19.00%	19.50%	19.80%
Belgium	50.00%	54.50%	54.50%	52.00%	50.00%	51.00%	54.00%

\* until 2017 the figures were incomplete and did not include the expansion areas in South Sumatra

**SOCIAL INVESTMENTS**

	INDONESIA	PAPUA NEW GUINEA	IVORY COAST
Number of schools built, supported and/or managed by the Group	57	1	3
Number of teachers subsidised by the Group	188	7	1
Number of clinics	24	12	3
Number of medical personnel	45	28	7

**NUMBER OF SMALLHOLDERS COLLABORATING WITH SIPEF**

	2013		2014		2015		2016		2017		2018		2019	
	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO	RSPO	No RSPO
Papua New Guinea	3 639	-	3 798	-	3 856	-	3 861	-	3 708	-	3 640	-	3 647	-
Indonesia *	171	57	171	168	212	330	212	651	212	880	212	3 882	212	3 936

\* the number of non-certified smallholders increased significantly in 2018 because of the smallholders of South Sumatra of the expansion areas

**PREMIUM PAID TO SMALLHOLDER (PGK/TONNE FFB)**

	2013	2014	2015	2016	2017	2018	2019
Papua New Guinea	4.44	6.88	8.44	11.74	13.87	12.80	12.16
Indonesia *	NA	NA	NA	NA	NA	NA	NA

\* NA = not applicable

## For further information

### SIPEF

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For more information about SIPEF:  
Tel.: +32 3 641 97 00

Dit jaarverslag is ook verkrijgbaar in het Nederlands.

Translation: this annual report is available in Dutch and English. The Dutch version is the original; the other language version is a free translation. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Concept and realisation: Focus advertising

#### Photography:

Portraits of the chairman, the members of the board of directors and the members of the executive committee © Wim Kempnaers  
Some images of estates and products © Jez O'Hare Photography, © Adrian Tan Photography and © Hien Bamouroukoun

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## Responsible persons

### **RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

François Van Hoydonck  
managing director

Johan Nelis  
chief financial officer

### **DECLARATION OF THE PERSONS RESPONSIBLE FOR THE FINANCIAL STATEMENTS AND FOR THE MANAGEMENT REPORT**

Baron Luc Bertrand, chairman and François Van Hoydonck,  
managing director declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31 December 2019 were drawn up in accordance with the 'International Financial Reporting Standards' (IFRS) and provide an accurate picture of the consolidated financial position and the consolidated results of the SIPEF group and its subsidiary companies that are included in the consolidation;
- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2019 and their effects on the financial position, as well as a description of the main risks and uncertainties for the SIPEF group.

### **STATUTORY AUDITOR**

Deloitte Bedrijfsrevisoren CVBA/  
Réviseurs d'Entreprises SCRL

Represented by  
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