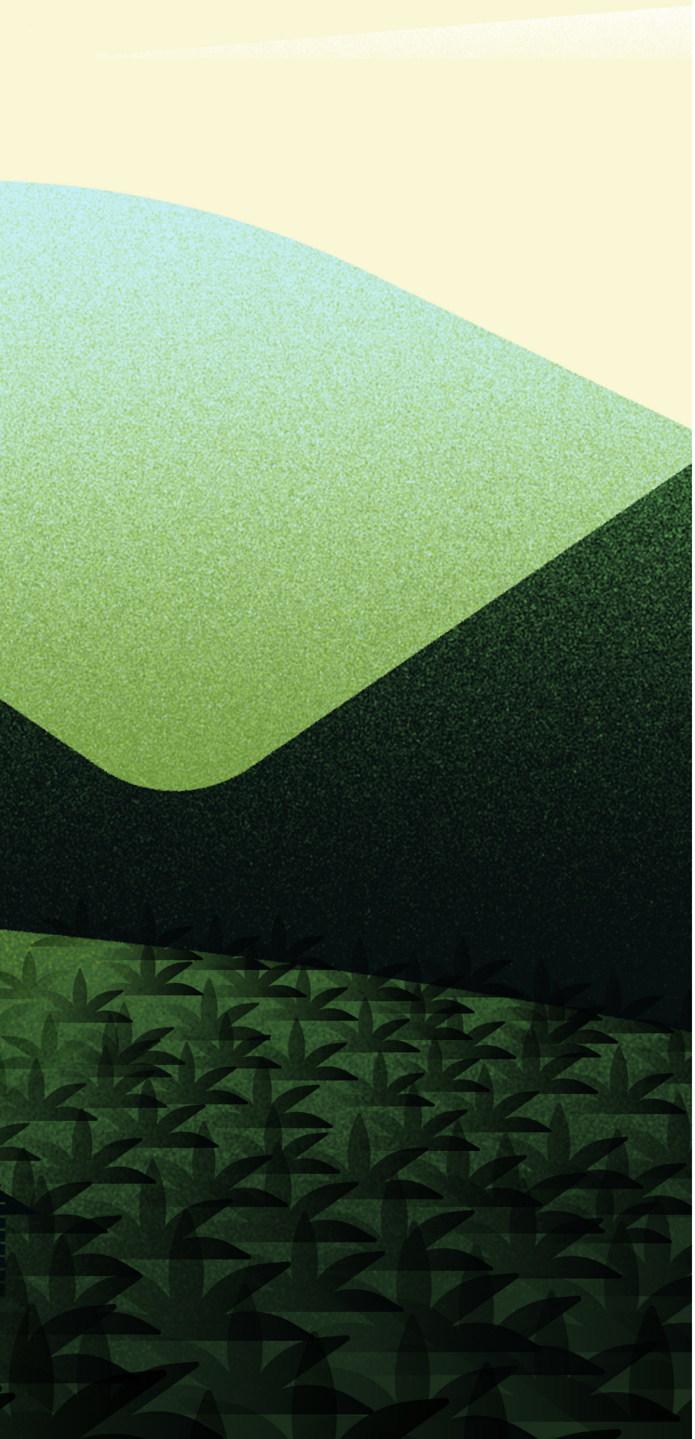
Annual Report 2020

PART 1 - **COMPANY REPORT**

SIPEF

SIPEF is convinced that palm oil is an essential part of a balanced diet for an ever-increasing global population.



Mission

What SIPEF does

SIPEF produces certified sustainable tropical agricultural commodities, primarily crude palm oil and palm products.

Why SIPEF does it

SIPEF is convinced that palm oil, as the most productive and efficient vegetable oil, is an essential part of a balanced diet for an increasingly large and wealthy global population. The Company's goal is to be a reliable partner for its customers, suppliers, employees and other stakeholders in the production and sale of sustainable palm products, so that they in turn, can be successful.

How SIPEF creates value

Above all, SIPEF creates value by growing in a sustainable manner; investing in the quest for maximum yield per hectare; optimising waste management; creating a huge number of jobs and providing general welfare in often very remote areas for own employees and suppliers. SIPEF also pursues a regular dividend income and a rising share price by means of rigorous cost control and an increasing asset basis.

Key figures 2020

329 284 tonnes

Produced palm oil

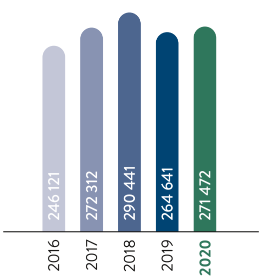
715 USD/tonne (CIF)

Average world market price of palm oil

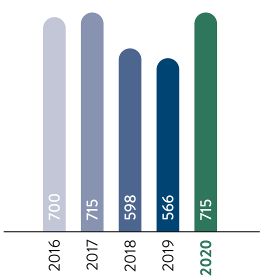
62 357 KUSD

Gross profit

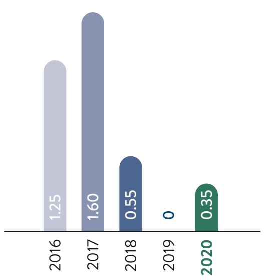
TOTAL OWN PRODUCTION OF PALM OIL OF CONSOLIDATED COMPANIES (IN TONNES)



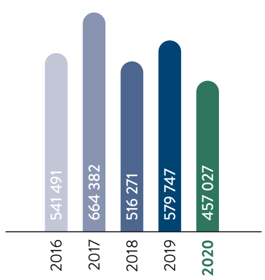
AVERAGE WORLD MARKET PRICE OF PALM OIL (USD/TONNE)



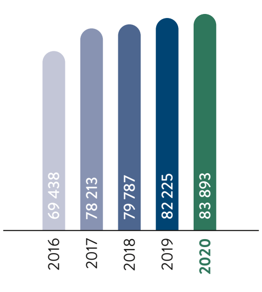
GROSS DIVIDEND (IN EUR)



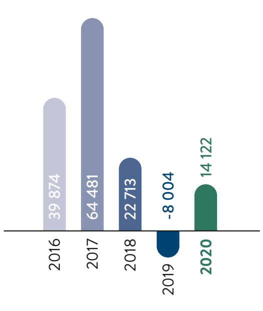
STOCK EXCHANGE CAPITALISATION AT 31/12 (IN KEUR)



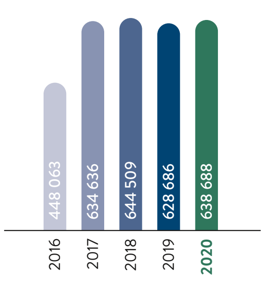
TOTAL PLANTED HECTARAGE (IN HA)



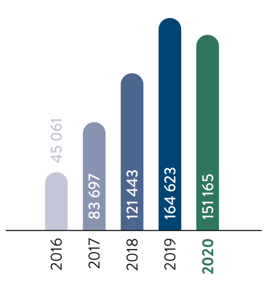
RECURRING NET PROFIT - SHARE OF THE GROUP (IN KUSD)



SHAREHOLDER'S EQUITY - SHARE OF THE GROUP (IN KUSD)



NET FINANCIAL DEBT (IN KUSD)



The connection to the world of sustainable tropical agriculture

100%
RSPO compliant

All the criteria for processing RSPO certified oil palm products have been met.

21 634
employees (FTE)

work on the plantations and in related processing facilities.

33
certificates

granted to the operational units of the Group.

Oil palm (91%)

SIPEF manages more than 35 oil palm plantations, and produces palm oil and palm kernels at 6 mills in Indonesia and palm oil and palm kernel oil at 3 mills in Papua New Guinea.

Rubber (6%)

SIPEF manages 3 rubber estates and runs 1 crumb rubber factory in Indonesia, producing Standard Indonesian Rubber (SIR), as well as 2 rubber factories producing Ribbed Smoked Sheets (RSS).

Tea (2%)

SIPEF produces high quality black CTC tea on a unique estate in Indonesia, which still harvests using skilled hand plucking.

Bananas (1%)

SIPEF owns 3 plantation sites in Ivory Coast equipped with 4 packing stations, mainly exporting its bananas to the European market.

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SIPEF at a glance

Palm oil

SIPEF has in total nine palm oil mills, all RSPO certified. In Indonesia it has six mills, all ISPO but also partly ISCC certified, where crude palm oil and palm kernels are produced. The three palm oil mills in Papua New Guinea produce crude palm oil and crude palm kernel oil. SIPEF intends to offer its customers 100% certified physically segregated traceable supply chains.

Certification
- RSPO
- ISPO
- ISCC
- ISO 14001:2015
- ISO 9001:2015

Main operations
- Indonesia (65% of CPO)
- Papua New Guinea (35% of CPO)

Main markets
Most of SIPEF's oils are directly or indirectly sold to the European market for both food and biofuel consumption. These markets are the most willing to pay a premium for sustainable oil.

Average world market price 2020 (vs 2019 in %)
CPO USD 715 per tonne (+26.3%)
PKO USD 826 per tonne (+23.7%)
(SOURCE: OIL WORLD)

Hectares planted

76 473

Rubber

SIPEF has in Indonesia three natural rubber factories, which solely process latex or cup lumps from its own estates. Both estates and factories are Rainforest Alliance certified. Two factories process the latex into RSS1, a niche grade used for mainly the automotive industry. A third factory produces SIR3CV60, another specialty rubber grade, as well as a more generic grade SIR10.

Certification
- Rainforest Alliance

Main operations
- Indonesia

Main markets
SIPEF's natural rubber is mostly sold at an FOB Indonesian port. Given its location, as well as the high production grades, the majority of the rubber is shipped to the United States.

Average world market price 2020 (vs 2019 in %)
RSS3 USD 1 728 per tonne (+5.4%)
(SOURCE: WORLDBANK)

Hectares planted

4 816

*of the revenue of the SIPEF-group

Tea

SIPEF has a tea estate in West Java, one of the largest tea estates in the world. The bushes are still hand-plucked to achieve the high standards of a superb black CTC tea (Cut, Tear and Curl). The estate and factory are Rainforest Alliance certified.

Certification
- Rainforest Alliance
- FSSC 22000-4.1
- Halal Assurance System

Main operations
- Indonesia

Main markets
SIPEF's high quality black CTC teas are mainly sold to Pakistan. But there is an increasing demand locally for high quality teas, and Cibuni tea is their preferred supplier.

Average Mombasa auction price 2020 (vs 2019 in %)
Combined grades USD 2 004 per tonne (-10.0%)
(SOURCE: WORLDBANK)

Hectares planted
1 786

Bananas

SIPEF has three production sites in Ivory Coast where green bananas are grown, packed and exported according to international standards. The plantations located on the periphery of Abidjan, are all fully certified. SIPEF thus ensures a strict control of the entire quality chain, food security and logistics. The variety cultivated is Cavendish and it is packaged in standard cardboard boxes with SIPEF's own brand, or as ordered and prepacked with the customer's brand.

Certification
- Rainforest Alliance
- GLOBALG.A.P.
- Fairtrade
- Sedex

Main operations
- Ivory Coast

Main markets
SIPEF's main commercial output is Europe, where it enjoys privileged access with exemption from customs duties on imports. Markets in the West African subregion are growing steadily. SIPEF's customers are 'ripeners' who distribute 'ready-to-eat' bananas in supermarkets or wholesale markets.

Average European market price 2020 (vs 2019 in %)
EUR 628 per tonne (-5.1%)
(SOURCE: CIRAD PRICE DATA (IN EUR))

Hectares planted
780

Significant events in 2020

January - December 2020

- The Group's total palm oil production grew by 5.4% compared to 2019.
- All Group production units remained operational, without any loss of volume or yield, despite covid-19.
- Palm oil production in Indonesia was almost stable (+0.7%): in North Sumatra, recovery from last year's drought was limited, while in the expansion regions, production growth continued.
- The plantations affected by last year's volcanic eruptions in Hargy Oil Palms Ltd (HOPL) in Papua New Guinea recovered, increasing HOPL's total palm oil production by 14.9%.
- The net result, share of the Group, after tax, amounted to KUSD 14 122, compared with a loss of KUSD -8 004 last year. This turnaround was mainly due to the strong recovery of palm oil prices during the second semester.
- The investment programs related to the expansion in South Sumatra in Indonesia, continued steadily in 2020. Cultivated hectares in Musi Rawas grew by 1 811 hectares to a total area of 14 014 hectares. 5 207 hectares were also replanted in the nearby Dendymarker plantation.
- Total capital expenditures, which were temporarily delayed by covid-19 related logistical problems, amounted to KUSD 51 763, while net debt decreased to KUSD 151 165 (2019: 164 623).
- The board of directors decided to again propose to the general meeting on June 9 2021, a gross dividend of EUR 0.35 per share, payable in July 2021.

May and November 2020

In May, SIPEF acquired, in addition to the already existing 38% stake, an additional 10% participation in Verdant Bioscience Pte Ltd (VBS). In November, this 10% was sold in full transparency to PT Dharma Satya Nusantara (DSNG). DSNG, a local palm oil producer, together with SIPEF and Ackermans & van Haaren, will further ensure the financial and operational support of this research activity. DSNG also acquired 5% of the Indonesian operating company PT Timbang Deli Indonesia, a subsidiary of VBS.

November 2020

In Plantations J. Eglin, all banana plantations were Fairtrade certified, after the Motobé plantation had already received this certification in 2019.

December 2020

On 10 December, a renewed export levy on palm products took effect in Indonesia. This increased levy limits the Group's profit potential.

SIPEF expects a strong palm oil market in 2021

AN INTERVIEW WITH THE CHAIRMAN AND MANAGING DIRECTOR

5.37%
Increase in palm oil production compared with 2019

2021 will be another important year for the Belgian agro-industrial group SIPEF as it continues its expansion. Despite the unexpected negative impacts of the coronavirus pandemic, the Company closed the financial year 2020 with a profit again. After an exceptionally challenging year, chairman of the board of directors Baron Luc Bertrand and managing director François Van Hoydonck share their perspectives of the future. They make a well-founded assessment of what's in store for the industry and the Group.

After the 'annus horribilis' of 2019, 2020 clearly brought relief for SIPEF. We can say that, can't we?

FRANÇOIS VAN HOYDONCK: "We do indeed wish to forget the '2019 anniversary year' as quickly as possible. While we so looked forward to our centenary, the Group was faced with a period of low production combined with low market prices, and the three successive volcano eruptions close to the plantations in Papua New Guinea. As a result, SIPEF closed the financial year with a loss for the first time in 18 years.

Fortunately, 2020 was a year of normalised production, without any natural disasters. But then covid-19 arrived, entirely unexpectedly, hampering the activities and above all disrupting market prices. In addition, towards the end of the year the Group also had to deal with an exceptional tax on its Indonesian palm oil production. But despite these negative and unexpected aspects, SIPEF once again ended the year in a position of profit, which will allow dividends to be paid once again."

Let's begin with the palm oil production. SIPEF reported a 5.37% rise compared to the previous year. Was that in line with expectations?

FRANÇOIS VAN HOYDONCK: "After a year of the impacts of extreme weather in 2019, the climatological conditions in both Indonesia and Papua New Guinea were clearly more favourable in 2020. As a result, SIPEF was able to look forward to a normalised pattern of growth at most of its plantations, with precipitation volumes well spread out across the year. The aftermath of the 2019 drought had its expected effect on production in the third quarter, but persisted at the older plantations longer than anticipated in the fourth quarter."

How was that reflected in the production in Indonesia?

FRANÇOIS VAN HOYDONCK: "All annual production volumes were rising, with the exception of the mature plantations of the Tolan Tiga group in North Sumatra. The average weight of the fruit was below expectations there, especially on the older palms, resulting in a 11.6% decrease for the fourth quarter. The annual volume of produced palm oil was down by 4.5% compared with 2019. Both the younger UMW/TUM plantations in North Sumatra and the Agro Muko plantations that are being replanted in Bengkulu province closed the year with a slight rise compared with 2019. The young mature plantings in South Sumatra continued their steady growth with an annual volume rise of 10.9%. They will be the most important growth factor of the SIPEF group in the years to come too."

10.9%
Annual volume rise of young mature plantings in South Sumatra

Do we see the same scenario at the other plantations?

FRANÇOIS VAN HOYDONCK: "Not everywhere, unfortunately. The production figures were below expectations at the Indonesian rubber plantations due to the *Pestalotiopsis* fungus, which caused a protracted wintering period and continues to affect production across Southeast Asia. There is still no efficient treatment at the moment, and production in the SIPEF group was down 5.0% compared with 2019. It does not look as though a reliable solution will be found to combat this fungal infection soon. The tea plantations in Cibuni, on the other hand, took full advantage of the improved growth conditions with sufficient, dispersed precipitation. The tea production for the Group accordingly rose by 18.5% to ultimately reach 2 762 tonnes, a volume that has not been achieved for a few years now."

How does SIPEF feel about the business climate in Indonesia?

BARON LUC BERTRAND: "After being re-elected in 2019 for a new five-year term, over the past year president Joko Widodo has created a positive business climate for foreign investors. Specifically, this was by revising and relaxing a number of restrictive laws governing start-ups, social security and taxation. The Omnibus Act amended more than 70 laws and regulations in one go. It was passed by the parliament in October and we are now looking forward to seeing the details of the implementation decrees. Despite criticism from the trade unions and NGOs, who are afraid too few control measures will now remain to apply the law properly, this unexpected relaxation has been enthusiastically welcomed by the international business community. But uneasiness remains about the ecological impact of the decrees connected with permitted operational expansion. Unfortunately, the palm production industry has become the victim of the political will to maintain

But despite some negative and unexpected aspects, SIPEF once again ended the year in a position of profit, which will allow dividends to be paid once again.

-- FRANÇOIS VAN HOYDONCK

the B30 blending, despite the low market prices for crude oil. The financing of this policy will be transferred in full to the palm oil producers, who are now heavily taxed by the levy of export taxes and see all the upside of their palm oil gross margin creamed off by the government. This unbalanced distribution of the charges affects the local independent smallholders, in particular, who are less efficient and produce at a higher cost price. But the industrial palm oil producers like SIPEF are also hit. We hope that the Indonesian government soon revises this one-sided taxation of the agriculture industry, when the fund that must finance biodiesel production has sufficient reserves once again. In the meantime, SIPEF is unable to enjoy sufficient benefit from the high market prices for palm oil generated by the structural supply and demand position."

Did you experience the same approach in Papua New Guinea?

BARON LUC BERTRAND: "Due to the frequent changes of power at government level, the business climate in Papua New Guinea continues to be very difficult to assess. A number of new ministers were appointed in the recent reshuffle of the government under the leadership of James Merape. The Group, of course, remains a long-term investor in industrial agriculture, and the palm oil industry is by far the biggest employer in rural areas. But the country's weakened financial position means that SIPEF is also vulnerable to local policy-making."

We haven't talked about the impact of the 2019 volcano eruptions yet. How great an impact do they still have on the activities?

FRANÇOIS VAN HOYDONCK: "The three successive eruptions in June, August and October of last year undoubtedly had a huge impact on the operations at the plantations in the province of West New Britain. Around 45% of the surface area suffered from the falling ash and stones. The 3 000 hectares that were affected are gradually recovering, but the main focus is now on cleaning up the plantations. However, the effects of the resumption of production will more likely start to be felt from 2022. No permanent effects are expected once the palms have formed sufficient leaves. That means that a 20.0% fall compared with normalised production was allowed for in 2020 for Papua New Guinea. The Group also expects a 16.0% negative impact on volume in 2021 and, possibly, another limited fall in production of up to 12.0% in 2022. Although, that is much less certain."

The Group oil palm plantations in Papua New Guinea generated 11.0% growth compared with the year before and even 20.2% growth in the production from local smallholder fruit.

-- FRANÇOIS VAN HOYDONCK

Can we nevertheless say that palm oil production increased nicely in Papua New Guinea?

FRANÇOIS VAN HOYDONCK: "That's right. We cannot be dissatisfied with the palm oil production at our subsidiary Hargy Oil Palms Ltd. There was a very substantial share of production results, 44% in fact, from the processing of fruit from local smallholders. They are all RSPO-certified, just like the SIPEF plantations and mills. The Group plantations generated 11.0% growth compared with the year before and even 20.2% growth in the production from local smallholder fruit, as these areas were less affected by the volcanic eruptions."

Presidential elections were also held in Ivory Coast in 2020. Were the Group banana and horticulture activities affected?

BARON LUC BERTRAND: "After the serious problems following the presidential elections in 2011, there were tensions ahead of the 2020 elections. This was because the re-election of president Alassane Ouattara for a third term was unusual. Even so, he was re-elected with a large majority in the first round, and there was no unrest to speak of in the country when he was sworn in for a new five-year period."

FRANÇOIS VAN HOYDONCK: "Despite the slight 5.2% fall in the production of bananas, and mainly due to the normalisation of the replanting procedures on the most recently laid out Azaguié 2 plantation, local management's good control of costs ensures that the contribution of this activity to the recurring result was virtually unchanged. We therefore continue to believe in the gradual growth of the SIPEF banana and horticulture activities in Ivory Coast."

Somewhat deliberately, we have not yet touched on the highly topical issue of the 'coronavirus'. But how has this pandemic been experienced by the SIPEF group?

FRANÇOIS VAN HOYDONCK: "Operationally, the impact on the Group was relatively small. Production did not suffer and costs were kept well under control. Obviously, there was a very big effect on prices in the second quarter of the year, with a drop to as low as USD 510 per tonne in May. However, they recovered fairly quickly in the third and particularly the fourth quarter, when the replenishment of the strategic stocks by the main palm oil-consuming countries triggered a substantial price rise. Prices on the spot market were more than USD 1 000 per tonne, a price level that is being maintained in 2021."

So, was the impact felt in any other sphere in particular?

FRANÇOIS VAN HOYDONCK: "SIPEF is a labour-intensive employer in remote areas in countries with limited public healthcare. The Group therefore mainly concentrated on safeguarding the health of its employees, who mostly live on the plantations with their families. The Group mostly introduced preventive measures to ensure that no clusters broke out in the local communities, and it also set up healthcare where needed. In these densely populated countries,

even more than elsewhere, it is important that vaccines are available to the many inhabitants soon."

Let's look to the future. What is the outlook for palm oil production?

BARON LUC BERTRAND: "The long-term expectations for palm oil remain generally very favourable. That is based on the fact that the global population is growing, especially in countries in the southern hemisphere. It is self-evident that there will be increasing consumption of palm oil as a basic ingredient in people's food. This vegetable oil is capturing an increasing share of the food, 32%, and 39% of the biofuel market worldwide – with the exception of Europe. That is due, among other things, to its efficient industrial processing and its low-cost price compared with other vegetable oils. Farming land is getting scarcer and scarcer. The palm oil yield per hectare is five to ten times higher than any other vegetable oil, and it will only rise as efficiency is improved."

And what are the expectations in the short term?

FRANÇOIS VAN HOYDONCK: "The short-term expectations are very good. Due to the low prices over the past two years, smallholders around the world, who account for almost half of global production, have used a little less fertiliser than usual. This has had consequences for current production volumes, and it will also affect next year's volumes. And ecological measures mean there has generally been very limited growth in the number of planted hectares. Furthermore, with biofuel being mandated in Indonesia and Malaysia, the rising demand for palm oil is strong enough to reduce the accumulated stocks to levels not seen in 12 years. That has led to strong palm oil prices in 2020, with the exception of the brief relapse in

Consumers of certified, sustainable palm oil can be sure of the guaranteed sustainable origin of the product, and that they are playing their part in the realisation of at least 12 of the 17 Sustainable Development Goals of the United Nations.

-- BARON LUC BERTRAND

connection with the coronavirus pandemic. These strong prices on the world market are expected to be maintained for the next two years."

Could coronavirus still disrupt the market?

FRANÇOIS VAN HOYDONCK: "The negative short-term impact of the coronavirus pandemic on palm oil demand will not be repeated. Palm oil consumption is mainly concentrated in the food industry and in hospitality. And, as soon as this gets back up to speed, we can expect growing demand, even with structural shortages in the long term."

What is the outlook for palm oil demand in Europe? The position remains difficult, doesn't it?

FRANÇOIS VAN HOYDONCK: "While demand for palm oil is growing on the global market, the saturated European market has been stable in recent years. That goes for both food and biodiesel. Palm oil is completely and unjustly the only raw material not eligible for subsidies under the EU's biofuel directive, but, because it is good value for money, biodiesel consumption remains at 3.8 million tonnes. This will probably not change until 2022, when the directive mandates the reduction in the share of palm oil as a raw ingredient of biodiesel in the EU to zero by 2030. However, the long-term impact of this negative measure will be offset in full by the rising global demand for both food and biofuels, which continues to rise by 3-4% each year."

You do not think it is right that palm oil is targeted by the EU?

BARON LUC BERTRAND: "It does indeed remain incomprehensible that the European authorities have not recognised the existence of sustainable palm oil. It's a missed opportunity to support certified palm oil producers. The European Parliament is also unjustly targeting palm oil production for its historical share in worldwide deforestation. Various studies now show that extensive cattle farming, in particular, but also cacao, coffee and rubber cultivation, forestry and the growth of soya and rapeseed areas, contribute more significantly to the current and incessant deforestation of wooded areas. The establishment of the Roundtable on Sustainable Palm Oil (RSPO) and other certifications has made palm oil one of the most controlled and regulated agricultural activities in recent years. Consumers of certified, sustainable palm oil can be sure of the guaranteed sustainable origin of the product, and that they are playing their part in the realisation of at least 12 of the 17 Sustainable Development Goals of the United Nations."

So, the focus continues to be on sustainable palm oil production?

BARON LUC BERTRAND: "As a tropical agricultural enterprise, SIPEF does indeed remain focused on the sale of palm products: crude palm oil, palm seed oil and palm seeds. The Group continues to do that within the framework of certified goods flows covered by the RSPO and the International Sustainability and Carbon Certification (ISCC), for use in the food industry and green power production, respectively. Checks that, incidentally, also apply to our other products, rubber, tea and bananas, all of which are supplied through those certified physical goods flows, with complete traceability of the raw materials, which are produced with due respect for people and the planet.

In recent years, SIPEF has taken a major step forwards in the 'No Deforestation, No Peat, No Exploitation' movement with its own 'Responsible Plantations Policy', which is constantly being refined. This policy has to guarantee that the palm oil SIPEF brings onto the market is not only certified but, with an eye to expansion, also causes no harm to humans or the environment."

What do consumers feel about this? Can you rely on the support of consumers?

BARON LUC BERTRAND: "Regrettably, I have to say that we cannot always rely to the same degree on efforts by palm oil consumers, even though the use of certified and traceable palm products can allay any concerns about environmental harm and/or social aspects. So SIPEF continues to work hard in the industry associations, often supported by influential NGOs, to change the mentality of consumers and impose an obligation on the processing industry to use only certified and, above all, also traceable sustainable palm oil in production processes. That said, it is predominantly a fight against negative perceptions, primarily arising in Europe in recent years, that despite all recent efforts palm oil is still being shown in a bad light."

In recent years, SIPEF has taken a major step forwards in the 'No Deforestation, No Peat, No Exploitation' movement with its own 'Responsible Plantations Policy', which is constantly being refined.

-- BARON LUC BERTRAND

In PT Dendymarker Indah Lestari a major step was taken in strengthening the Group's presence in South Sumatra. Since the acquisition, 5 207 hectares have been replanted.

-- FRANÇOIS VAN HOYDONCK

Could we also quickly raise the 'expansion' aspect? What more can we expect?

FRANÇOIS VAN HOYDONCK: "Considerable efforts have been made over the past eight years to develop a new palm oil activity in the province of South Sumatra. We can now say that SIPEF has been successful in this. South Sumatra, with the Musi Rawas project and the Dendymarker plantation, has now grown into an operational unit comparable with the units in North Sumatra and Bengkulu, creating a balanced spread of SIPEF interests through three independent centres of activity on the island of Sumatra. South Sumatra's contribution in the production figures and the operational results will only increase in the coming years, particularly because the areas are mostly newly planted with the most recently available high-yield seeds."

Could you give any figures for the expansion activities in South Sumatra?

FRANÇOIS VAN HOYDONCK: "SIPEF's expansion efforts continue to be centred on the development of the activities in Musi Rawas. After 2011, four concessions were acquired in this regency through three local companies. Three more concessions were added in 2018, adjacent to the land that had been acquired earlier. During the financial year 2020, 1 028 hectares of additional activities were compensated and an additional 1 811 hectares planted, resulting in a total of 14 014 hectares of cultivated land. That is 80.4% of the total of 17 424 compensated hectares, of which 2 360 hectares were acquired for planting for smallholders and 15 064 for development by the Group."

And then there's the Dendymarker plantation acquired in 2017, isn't it?

FRANÇOIS VAN HOYDONCK: "The acquisition of 95% of the PT Dendymarker Indah Lestari oil palm plantation company in August 2017 was a major step in strengthening the presence of the Group in South Sumatra. Since the acquisition, 5 207 hectares have been replanted, 2 383 hectares in the past financial year. In the meantime, the harvest remains limited to 2 910 hectares of 'old' planted zones, which have been completely overhauled to make harvesting easier, until they are replanted over the next three years. All fruit from the mature hectares in South Sumatra can be processed for the time being at the own extraction mill, which is already operating at full capacity. Unfortunately, the mill's production capacity could not be enlarged from 20 to 60 tonnes of fruit per year in 2020, due to the covid-19-related travel restrictions. This will undoubtedly be one of the main priorities of the investment budget in 2021. To continue to handle the rising production volumes, the capacity of the Dendymaker mill will be tripled, and the planning and design phase will be launched for a second extraction mill of the same size, which is set to start operating in 2022."

What scale are we talking about over the coming years?

BARON LUC BERTRAND: "SIPEF is now one of the few RSPO-certified palm oil companies focusing on expansion by turning inefficiently run local rubber plantings into profitable oil palm plantations. However, this is always done in due compliance with the RSPO's New Planting Procedures, which were tightened up just last year. All plantings are done in consultation with the surrounding communities. And 20% of the land is planted for the benefit of these communities. Due to these acquisitions and the further expansion of the recently acquired concessions, the business unit in South Sumatra could be enlarged to more

The business unit in South Sumatra could be enlarged to more than 33 000 planted hectares of oil palms over the next five years.

-- BARON LUC BERTRAND

than 33 000 planted hectares of oil palms over the next five years. As a result, the SIPEF group will comprise a 94 000-hectare plantation, but the full supply base, including smallholders, will cover 120 000 hectares."

Despite this growth, will we still be able to mention SIPEF and sustainability in the same breath?

BARON LUC BERTRAND: "Without a doubt. It's a priority of SIPEF to continue to be a role model in terms of sustainability. SIPEF is a listed European company, so investors must be assured that people and the planet are respected by means of the renowned certification of all SIPEF activities and products that takes account of ecological and socially responsible standards for tropical industrial agriculture. The first Sustainability Report was published in 2015. An annual update is now made available on the SIPEF website and, since last year, it is also published in printed form as part of the Annual Report."

FRANÇOIS VAN HOYDONCK: "All Group palm oil plantations are now fully RSPO-compliant, with certification of all areas that could already be certified (after obtaining their permanent Indonesian *Hak Guna Usaha*, or HGU, land use licences) have been certified. Furthermore, full Rainforest Alliance certification was obtained for all rubber, tea and banana plantations, and on top of that, SIPEF obtained in 2018 a new integrated ISO 9001 certification for all Indonesian companies, which will guide the structured management of our activities there. For rubber, this Rainforest Alliance certification will be replaced by a Forest Stewardship Council certification starting in 2021. Fairtrade certification was obtained for the banana activities at the Motobé plantation in 2019, but this has now been extended to all banana plantations of Plantations J. Eglin in Ivory Coast. This means that all European customers can import SIPEF Fairtrade bananas as desired. In doing so, the Group continues to follow the trends set by its customers and stakeholders, based on their need for confirmation that sustainability standards are fulfilled at all times."

All Group oil palm plantations are now fully RSPO-compliant, with certification of all areas that could already be certified.

-- FRANÇOIS VAN HOYDONCK

How is that specifically translated for the palm oil industry?

FRANÇOIS VAN HOYDONCK: "Active involvement in the organisations that look after the reputation of palm oil in Europe and the rest of the world, and have set themselves the goal of encouraging the use of sustainable palm oil in the food industry and among consumers, is essential. SIPEF promotes a balanced view of the nutritional properties of palm oil. It clarifies the ecological and social criteria used by sustainable producers and stresses the high value creation of the industry in the production countries, the consequence of the highly labour-intensive nature of its activities. That has led the Group to issue its own Responsible Plantations Policy, which is updated annually and encourages to apply the most innovative standards, which typically go further than what the aggregated certifications impose today."

Does that also apply to the extraction mills?

FRANÇOIS VAN HOYDONCK: "SIPEF will continue to invest in driving down the greenhouse gas emissions. In 2021, the Group is working on a baseline assessment of the current situation as a starting point for improvement in the years to come. The coronavirus pandemic delayed the expansion of the Dendymarker mill slightly, but in 2021 it too will be equipped with a system to capture methane gas from wastewater. This will be the sixth of nine mills to fulfil the standards for certification for green energy purposes in Europe. In North Sumatra SIPEF has been working for a few years now on a state-of-the-art compost system that absorbs the empty fruit bunches and wastewater from the Bukit Maradja palm oil mill. The zero-emission process generates sufficient compost for the long-term improvement of the soil structure of the oldest plantations and the significant reduction of the use of chemical fertilisers. An installation that produces electricity from methane has also been built in Bengkulu and, since the end of 2017, where possible, the Group has been injecting the energy that cannot be used internally into the public grid. As a result, three years ago SIPEF became a direct supplier of green power to the public sector, for the first time. The completion of the installation in North Sumatra, which was delayed by covid-19, is also eagerly anticipated. This installation will process the empty bunches not used for fertilisation into high-quality biocoal pellets. From 2021, these will be exported to generate green electricity in China."

When we talk about sustainability, nature conservation comes to mind, an important aspect. What is SIPEF doing about that?

BARON LUC BERTRAND: "Through an Indonesian foundation, SIPEF has been making a long-term contribution to nature conservation in that country for several years now. That is done through the protection of two beaches along the south coast of Sumatra, where endangered species of turtles come to lay their eggs. More than 2 000 young, protected turtles are put out to sea every year. SIPEF also actively protects the very abundant flora and fauna, including the area's Sumatran tiger population, in more than 12 000 hectares of endangered forest bordering the Kerinci Seblat National Park. Action was taken in close partnership with the local population to stop poachers and illegal felling. Furthermore, we also started setting up nursery gardens there to replant tropical forests, within the framework of a 60-year agreement with the Government."

> *SIPEF also actively protects the very abundant flora and fauna in more than 12 000 hectares of endangered forest bordering the Kerinci Seblat National Park.*
>
> -- BARON LUC BERTRAND

Research and development remain very important for an industry that is under pressure to increase production but virtually has no access to additional land. This means we must primarily work on improving efficiency in planted areas. In this context, our 38% shareholding in the partnership agreement relating to Verdant Bioscience Pte Ltd, signed in 2013, is very important.

-- BARON LUC BERTRAND

Can research and development also be seen as an aspect of sustainability?

BARON LUC BERTRAND: "Without a doubt. Research and development remain very important for an industry that is under pressure to increase production but virtually has no access to additional land. This means we must primarily work on improving efficiency in planted areas. In this context, the 38% shareholding in the partnership agreement relating to Verdant Bioscience Pte Ltd, signed in 2013, is very important. During the past financial year, Sime Darby Plantation Group was superseded as the largest shareholder by Ackermans & van Haaren, with 42%, and an operational Indonesian partner Dharma Satya Nusantara, with 10%. As a result, SIPEF, together with the group of scientists united in BioSing, with 10%, has created a very well-balanced shareholder base. The Group expects to significantly bolster the future profitability of the oil palm plantations in the company in the medium term by developing high-yield palms, which are expected to take production to the next level."

Are there other SIPEF products besides palm oil? Could you say something about these?

FRANÇOIS VAN HOYDONCK: "Rubber, tea and banana plantations remained part of the Group's tropical agricultural activities in 2020, albeit with varying success with regard to their contribution to the results. In the first half of the year, particularly, the rubber markets had to contend with low prices. And the demand for natural rubber was also dented by the temporary impact of covid-19 on raw materials prices. But prices soon began to rise from June, so the losses of the first half of the year were not compounded. However, due to the low yields and the impact of the *Pestalotiopsis* fungus, natural rubber made a negative contribution to the gross margin for the third consecutive year."

Is there still faith in the long-term prospects of rubber in the SIPEF group then?

LUC BERTRAND: "It was wisely decided to switch to oil palms where that is agronomically efficient, which is the case in North Sumatra and Bengkulu. We are looking for a solution for the rubber plantation near Palembang in the province of South Sumatra. That conversion will take a few years, however. We first need to wait for the approval of the RSPO. In the meantime, the mature trees are being tapped for as much latex as possible, while the immature trees are already being removed."

The tea division also found it hard going this year, didn't it?

FRANÇOIS VAN HOYDONCK: "The tea division did indeed have to contend with an oversupply of tea on the Kenyan markets. This meant far too low a price was offered throughout the year for the high-quality hand-picked Java tea from the Cibuni plantation. So, despite a good production volume, at the close of the year tea's contribution was negative. The Group is working on optimising the costs to offset the low sales prices, which continue in 2021."

Happily, the banana activities were stable again, aren't they?

FRANÇOIS VAN HOYDONCK: "After a thorough restructuring of management in 2018, the production and export of bananas from Ivory Coast continue to make a very stable contribution to the Group's gross margin. This is despite a 5.2% downtick in production volume in 2020 compared with the previous year. It was the result of the normalisation of the replantings in the newest plantations. The good export quality, together with high-grade packaging standards, gives SIPEF access to a niche market, based on annual contracts that continue to guarantee a stable return."

After a thorough restructuring of management in 2018, the production and export of bananas from Ivory Coast continue to make a very stable contribution to the Group's gross margin.

-- FRANÇOIS VAN HOYDONCK

How do all these plans fit in with SIPEF's financial possibilities?

BARON LUC BERTRAND: "In 2017, SIPEF acquired additional assets for approximately USD 200 million, half of which was financed by a capital injection and half by bank loans. After this highly intensive investment year, the lower palm oil prices over the next two years led to the net financial debt in the SIPEF Group rising to KUSD 164 623 at the end of 2019. That's because, in spite of those much lower palm oil prices, the Group was determined to implement the planned investments in full and continue to prioritise the full capacity utilisation of the expansion in South Sumatra. So SIPEF is still on track to achieve the targets set previously. The better prices and production figures in 2020 reduced that debt already to KUSD 151 165 by the end of 2020. The intention is to find the right balance between the planned investment and the debt position over the coming years. For example, the Group will finance the development of new land, primarily from its own funds, with due consideration for an annual remuneration for shareholders, which SIPEF wishes to maintain at 30% this year."

What does that mean for the dividend for 2020?

BARON LUC BERTRAND: "This means that SIPEF is once again able to adopt a dividend for the financial year 2020, by proposing to the ordinary general meeting the maintenance of the pay-out ratio of 30%, and so provide for gross remuneration of EUR 0.35 per share, payable from 7 July 2021."

This means that SIPEF is once again able to adopt a dividend for the financial year 2020, by proposing to the ordinary general meeting the maintenance of the pay-out ratio of 30%.

-- BARON LUC BERTRAND

Let's now move on to the results of the Group. Could you summarise them for us?

FRANÇOIS VAN HOYDONCK: "Despite the temporary effects of the coronavirus pandemic on market prices in the second quarter and the exceptional impact of the volcano eruptions in Papua New Guinea on the production there, and due to the rising palm oil production volumes and the steady contribution of bananas, the consolidated recurring results, share of the Group, are once again positive at KUSD 14 123, compared with a loss of KUSD 8 004 in 2019. The new consolidated equity is KUSD 638 688."

Can we expect any announcements about the directors at the ordinary general meeting?

BARON LUC BERTRAND: "Changes are coming this year. At the next general meeting of 9 June 2021, the board of directors will propose the renewal of Baron Jacques Delen's tenure for one year until 2022, despite him having passed the age limit. Furthermore, Petra Meekers will take a seat on the Group executive committee on 10 June 2021, and so step down as a director of SIPEF."

Who will replace her?

BARON LUC BERTRAND: "We propose appointing Yu Leng Khor to replace Petra Meekers as a non-executive director for a four-year term until the general meeting of 2025. Ms Khor will also fulfil the criteria for qualification as an independent director. In her independent professional activities, she has acquired very extensive knowledge of the agriculture industry in Southeast Asia, and we are convinced that she will make a very important contribution to the further development of the Company going forward.

The general meeting will also be asked to provide for the replacement of the statutory auditor. This is because, after many years of loyal service, Deloitte is no longer legally permitted to fulfil these duties. It will therefore be proposed to the meeting that the EY (ex-Ernst & Young) audit team will take over these duties worldwide from Deloitte, for the usual term of three years until the general meeting of 2024."

Do you have any closing thoughts as chairman of SIPEF?

BARON LUC BERTRAND: "Absolutely. I feel we can be proud of what SIPEF has achieved up to now. Despite a few difficult years of lower palm oil prices and disasters in Papua New Guinea, we have had the courage to continue with our expansion plans. We have maintained our belief

in the strong future of palm oil as the leading vegetable oil in the food and energy industries. As a result, the Company is well placed to get to work with a lot of ambition in the next few years, once again supported by stronger market prices, albeit, unfortunately, for the time being, they are being creamed off by a random biofuel tax in Indonesia. Due to the continuation of the policy of sustainability and transparency, the Group has grown into one of the leaders on the palm oil market. The expansion achieved in recent years will only strengthen its position of being an in-demand producer of high-quality palm oil."

And would the managing director like to make any final remarks?

FRANÇOIS VAN HOYDONCK: "With pleasure. I would like to express my exceptional gratitude to all SIPEF group employees, who, each at their own level and in their own activity, have contributed to the achievement of the Company's goals, including the enlargement of the planted areas. Especially in these uncertain times with the coronavirus pandemic, this past year our people have remained at their post in areas where healthcare is limited. Without their unfailing support and determination, 2020 could have been another catastrophic year.

Within the framework of our expansion financing, it is also important to control costs and manage the plantations and mills in the most efficient way. I hope that everyone will continue to work towards that in their own work situation."

SCHOTEN, 10 FEBRUARY 2021

This interview was recorded on the date of the board of directors of February 10, 2021. For any important developments after this date, we refer to the Financial Statements, Note 31 Events after the balance sheet date.

Strategy of the Group

SIPEF is an agro-industrial business that specialises in the production of certified sustainable tropical agricultural commodities. Specifically, the Group produces palm oil products, natural rubber, tea and bananas in Indonesia, Papua New Guinea and Ivory Coast.

Since 2005, SIPEF has actively worked on its growth in selected core businesses, primarily palm oil in Indonesia and Papua New Guinea. The centre of gravity of activities is palm product cultivation in these two countries, which accounts for around 92% of total turnover.

SIPEF is convinced that palm oil, as the most productive and efficient vegetable oil, will remain an essential part of a balanced diet of an increasingly large and more wealthy global population. It is therefore obvious that the Group will grow.

SIPEF is convinced that palm oil, as the most productive and efficient vegetable oil, will remain an essential part of a balanced diet of an increasingly large and more wealthy global population.

This can be achieved in two ways: by raising palm production efficiency and by external growth.

Improving efficiency

The future of the palm oil industry depends on optimising planting yield.

As the global population rises, there is an increasing demand for vegetable oils and fats, but less and less available farmland. Climate change is also leading to more extreme weather. Most of the required growth in production can be achieved in palm oil, the most efficient vegetable oil. Only by developing stronger, more productive palm species can SIPEF rise to this challenge. With that in mind, the Company invests in research to ensure it can profit from the strong growth the industry is set to experience.

The continuation of the partnership agreement with Verdant Bioscience Pte Ltd (VBS) is part of this growth strategy. This agreement was signed in 2013 with New Britain Palm Oil Ltd, a plantation company with a renowned palm oil production research centre in Papua New Guinea, and BioSing, a group of scientists with experience in the industry. Under this agreement, the Group benefits from active agronomic guidance and will be able to benefit from the development of high-yield palms. SIPEF therefore expects to raise the productivity of its oil palm plantations in the medium-long term, and significantly support and improve their future profitability by applying these scientific developments.

5.9%

Combined annual growth percentage of planted hectares (2005-2020)

External growth of the Group

The Group's expansion strategy consists of external growth, by acquiring extra areas that can be planted and meet the requirements for RSPO certification. The Group concentrates on land suitable for agricultural use, that fits within its sustainability policy and can be acquired under economically sound conditions. These areas can be acquired outright or through concession agreements. Furthermore, SIPEF's door is wide open to independent smallholders who wish to sell their production and cooperate with the Company. That is because of the permanent demand from the local population for the Group to continue to expand its activities and accelerate the economic development of these remote communities, in close association with the smallholders.

SIPEF is pursuing a planted area of 100 000 hectares and wishes to achieve that expansion in a sustainable way, with a limited debt ratio.

The number of planted oil palm hectares at the end of the financial year 2020 was 76 473 and the total planted hectares was 83 893, compared with 48 093 hectares in 2005 (SIPEF-CI, Brazil and Vietnam, not included). The combined annual growth percentage between 2005 and 2020 was therefore 3.8%. Taking into account the buy-out of minority shareholders, the growth, share of the Group, even amounted to 5.9%.

Slowly but surely, the goal of 100 000 planted hectares is being achieved. SIPEF continues to actively look for investment opportunities for the expansion of the planted areas in remote regions, where the agricultural sector is the most important employer.

In this context, the retention of the property rights and concession rights is essential for the Group to safeguard and develop production in the various countries.

The Company's long-term ambition is to double the palm oil production volume. In concrete terms, SIPEF could account for 1% of global palm production rather than half a percent.
In 2018, annual production of palm oil of the Group surpassed 350 000 tonnes for the first time, a volume that will grow strongly over the next few years, due to the steady enlargement of planted hectares and the introduction of high yielding palms.

SIPEF is pursuing a planted area of 100 000 hectares and wishes to achieve that expansion in a sustainable way, with a limited debt ratio.

In 2020, the Group experienced a disappointing production year, with total palm oil production of 329 284 tonnes, a consequence of generally poor weather conditions, but predominantly due to the temporary damage caused to the plantations by the three successive volcanic eruptions in Papua New Guinea in 2019. However, this downturn should not have any impact on the aforementioned long-term strategy. By 2026, the Group expects an annual production of 500 000 tonnes.

Sustainability policy

SIPEF is determined to continue to be a role model in terms of sustainability. As a listed European company, it has to be able to guarantee its investors that people and the planet are respected, through the renowned certification of all its activities and products, taking account of ecological and socially responsible standards for tropical industrial agriculture.

With this in mind, SIPEF is focused on the sale of certified products. Approximately 96% of the Group's crude palm oil (CPO), palm kernel oil (PKO) and palm kernels (PK) is traded in certified physical goods flows of the RSPO and International Sustainability and Carbon Certification (ISCC), for respective use in the food industry or for the production of green energy. Incidentally, those checks also go for the Group's other products: tea, rubber and bananas. In the future, SIPEF will continue to endeavour to deliver all its products in certified physical goods flows (for more details about certification, see page 23 of the Sustainability Report).

96%
of the Group's crude palm oil products is traded in certified physical goods flows

The Group serves a limited number of customers with whom it has built a long-term relationship, and who are prepared to pay a premium for quality certification.

SIPEF remains very actively involved in the organisations that safeguard the reputation of certified palm oil in Europe and the rest of the world, and has set the goal of encouraging the use of sustainable palm oil in the food industry and among consumers. It promotes a balanced image of the nutritional properties of palm oil; clarifies the ecological and social criteria used by sustainable producers; and stresses the high value creation of the industry in the production countries, the consequence of the highly labour-intensive nature of its activities. That has led the Company to issue its own Responsible Plantations Policy (RPP), which is updated annually. It encourages SIPEF to apply the most innovative standards, which typically go further than those imposed by the aggregated certifications today.

Traceability

SIPEF also wants to provide complete transparency about its goods supply chain with full commodities' traceability. It feels customers have a right to know the origin of the Group's products, so the production location of every product sold by SIPEF can be checked, be that a plantation managed by the Group or a plot farmed by a smallholder who works with SIPEF.

Restoration and protection of ecological areas

For many years now, SIPEF has made a long-term contribution to nature conservation and the protection of important ecological areas in Indonesia, through the Indonesian foundation the Group helped set up. The SIPEF Biodiversity Indonesia (SBI) project, which manages a 12 656 hectare forest, is the foundation's biggest project. This initiative combats illegal felling, the illegal planting of oil palms and poaching, with reforestation work also carried out in the project area in association with groups of local farmers. The satisfying results of these projects encourage SIPEF to continue these activities in the long term (see page 49 of the Sustainability Report).

Financial policy - Dividend policy

SIPEF aims to optimise its results by improving its production volumes and controlling the costs of the palm oil activities more efficiently. For the other three businesses: rubber, tea and bananas, management is concentrating on improving returns and lowering costs with the focus on labour costs, as these cultures are more labour-intensive than the palm oil activities.

In the recent past, the Company has financed its investments structurally from operating cash flow, long-term bank loans and its own funds, which were bolstered by USD 97 million from a successful capital increase in 2017. However, as a consequence of the low palm oil prices in the following two years, the net financial debt increased at the ends of the financial years 2018 and 2019. In 2020, there was a slight improvement in net financial debt to a level of KUSD 151 165, and the intention is to further reduce this debt level.

It is the Company's intention to find, with limited leverage, the right balance between scheduled investments, mainly the continued expansion in South Sumatra, and the financing of said investments out of operational cash flows. This will be done with due consideration for an annual remuneration for shareholders, which, for the past eight years, has been set at 30% of recurring profit. SIPEF expects to continue the prevailing remuneration policy in the future.

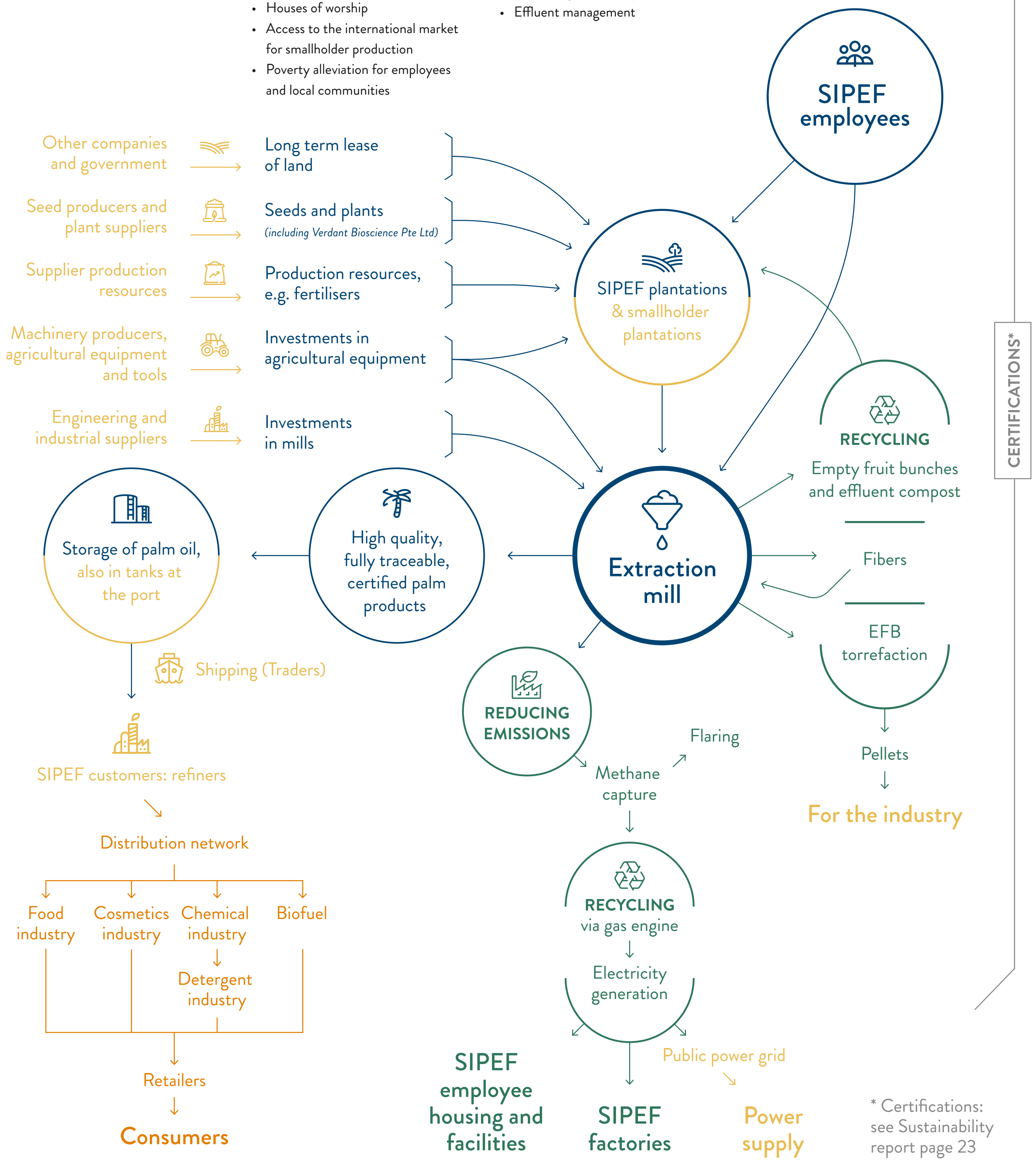
SIPEF aims to optimise its results by improving its production volumes and controlling the costs of the palm oil activities more efficiently.

From palm seed to palm oil

Value creation:
- Employment
- Housing
- Schools
- Health centres
- Roads and bridges
- Access to basic daily needs (clean water, electricity, ATM, mobile phone network)
- Houses of worship
- Access to the international market for smallholder production
- Poverty alleviation for employees and local communities

Use and preservation of ecosystem services such as:
- Water management
- Biodiversity control
- Forest protection
- Preventing methane emissions
- Reducing the use of imported fertilisers
- Preserving soil fertility
- Effluent management

- *SIPEF activities*
- *Value creation*
- *Third party activities*
- *SIPEF product destination*



* Certifications: see Sustainability report page 23

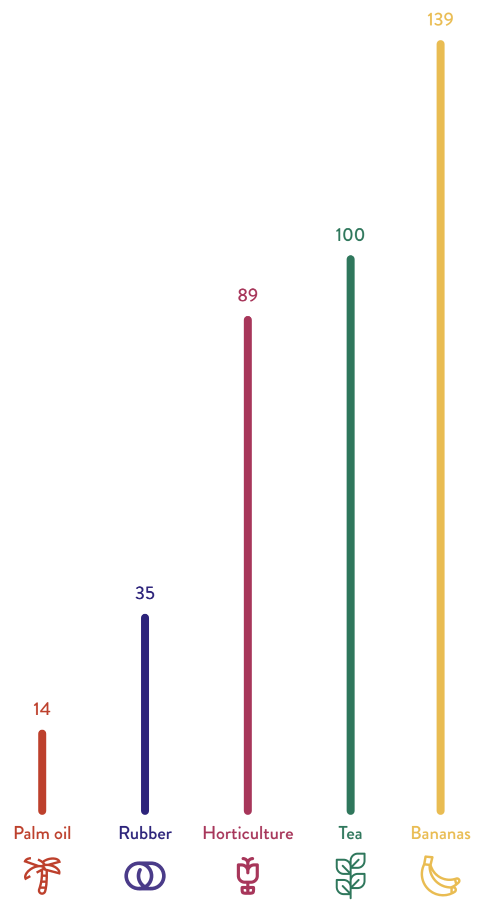
Business Model

The chart represents the business model of SIPEF in relation to palm oil production. As the production of palm oil generates 95.8% of the Group's gross margin, it is the core of the production activity of the Company. This model also applies broadly to the other activities of the Group.

Costs of the Group

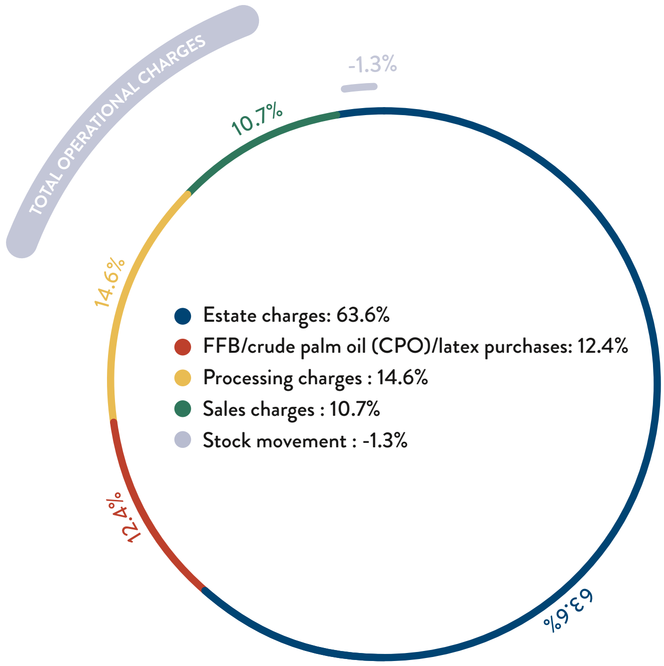
The production of palm products, rubber, tea, bananas and horticulture is very labour-intensive. The following employee ratios apply:

NUMBER OF FIELD WORKERS PER 100 HECTARES OF CROP



In total, the Group currently employs 21 634 employees (full-time equivalent - FTE). Labour is one of the most important costs of SIPEF. Other important recurring expenses of the Group relate to the acquisition of chemical and organic fertilisers.

The total operational charges (including depreciations) within the SIPEF group can be divided into five different categories, based on the business model of the Group:



- **Estate charges (63.6%):** include all charges relating to the fieldwork to produce the base agricultural products (i.e. fresh fruit bunches (FFB), latex, tea leaves, bananas, horticulture);
- **FFB/crude palm oil (CPO)/latex purchases (12.4%):** include all purchases from third parties (smallholders) or associates and joint ventures;
- **Processing charges (14.6%):** include all charges relating to the processing of the base agricultural products into the finished agricultural commodities (i.e. palm oil, rubber, tea);
- **Sales charges (10.7%):** include all direct costs attributable to the sales of the year (i.e. transport charges, palm oil export tax);
- **Stock movement (-1.3%):** includes the variance in stock compared to the previous year.

For additional information related to the costs of the Group we refer to Note 7 – Operational result and segment information of the Financial Statements.

In addition to these costs incurred during the year, the Group invests significantly in biological assets (bearer plants), buildings, infrastructure, installations and machinery, vehicles, office equipment, and other property plant and equipment. These investments are capitalised on the balance sheet and afterwards depreciated. Depreciation costs are calculated based on the estimated useful life of an asset, and are included in either estate charges or processing charges, depending on the asset.

In order to ensure the continuity of its activities, SIPEF needs to acquire and retain land rights, and renew the land rights agreements for the long term. Acquisition of these land rights is capitalised and not depreciated over time, as they are considered to be indefinite. The renewal costs related to the original land rights are capitalised, and are depreciated over the period of the renewal. Finally, the Group continues to look for opportunities to expand by acquiring plantations from other companies and/or collaborating with local owners.

In implementing its business model, the Group works hard to improve its productivity and stimulates its growth as efficiently as possible, based on sustainable practices. By doing so, SIPEF creates value for the Company, the environment and society. Moreover, as a sustainable company, the business model of SIPEF constantly deals with the requirements of stakeholders on the level of sustainable development and value creation.

As a sustainable company, the business model of SIPEF constantly deals with the requirements of stakeholders on the level of sustainable development and value creation.

SIPEF creates value for the company

Since 2005, SIPEF has actively worked on growth, primarily in the palm oil industry in Indonesia and Papua New Guinea.

The activities in South Sumatra are at the forefront of the Group's development. This region has good agronomic qualities, and there are many opportunities for the employment of local people in industrial agriculture developments. Since 2011, SIPEF has acquired seven concessions in South Sumatra through three local subsidiaries. Supported by the expatriate management of Medan Head Office, the expansion has gained momentum. In 2020, the development of a new business unit for the SIPEF group in South Sumatra, which was already started in 2011, continued. During the financial year 2020, an additional 1 028 hectares were compensated and 2 217 hectares prepared for planting or planted, bringing the total to 14 014 cultivated hectares. This is 80.4% of the total of 17 424 compensated hectares, of which 2 360 hectares were provisionally acquired for planting for smallholders and 15 064 hectares for own development. Since the acquisition of 95% of the oil palm plantation, from 1 August 2017, PT Dendymarker Indah Lestari (DIL) has been an integral part of the SIPEF group. Optimising the loss-making plantation activities and gradually replanting the old palms, which are around 20 years old, are priorities in the SIPEF investment program over the next few years. A start was also made on the enlargement of currently fallow land within the permanent operating licence (*Hak Guna Usaha* - HGU), always within the framework of the RSPO New Planting Procedure (NPP). By the end of 2020, 5 207 hectares had been replanted and 1 194 hectares prepared for expansion of the planted area.

In Papua New Guinea, continued expansion proved difficult due to the NPP rules. This means that only limited growth is possible in coming years with regard to bringing the 13 689 planted hectares up to 15 000 hectares, thanks to some acquisitions of land already used for farming. This scale corresponds to the full capacity utilisation of the three mills in Papua New Guinea, with due consideration for the additional production of approximately 3 700 smallholders, who account for 43.8% of the oil production.

All these transactions bring the number of planted oil palm hectares at the end of the financial year 2020 to 76 473 and the total planted hectares to 83 893, compared with 48 093 hectares in 2005 (SIPEF-CI, Brazil and Vietnam not included). Slowly but surely, the goal of 100 000 planted hectares is being achieved.

SIPEF continues to actively look for investment opportunities for the expansion of the planted areas in remotely situated areas, where most people are active in the agricultural sector. Lastly, thanks to the partnership with Verdant Bioscience Pte Ltd (VBS), a renowned palm oil production research centre in Papua New Guinea, the Group will be able to benefit from the development of high-yield palms. SIPEF therefore expects to raise the productivity of the oil plantations in the medium- to long-term, and significantly support and improve their future profitability by applying these scientific developments.

SIPEF creates value for the environment

A. Valuable waste

The SIPEF group owns and operates six palm oil mills in Indonesia and three in Papua New Guinea, which all together processed 1 405 944 tonnes of FFB in 2020. That activity generated an estimated 981 334 m^3 in wastewater and 281 226 tonnes of empty fruit bunches (EFB). In the past, wastewater and EFB were considered as palm oil production process waste without any value for the Company, and were treated in secondary processes that generated extra costs.

100%

of the EFB and the wastewater is processed into organic fertiliser with high nutrient content

The wastewater was processed through anaerobic ponds, which led to the emission of methane. It is worth reiterating that the global warming potential of methane is 21 times that of carbon dioxide.

In recent years, SIPEF has taken steps to reduce the emission of greenhouse gases (GHG). One of the greatest efforts by the SIPEF group to drive down the emission of methane and generate sustainable revenues for its shareholders is the building of methane capture systems at the palm oil mills of Mukomuko, Bukit Maradja, Perlabian, Umbul Mas Wisesa and Barema. In 2020, the construction of a sixth methane capture facility was started at the Dendymarker mill, with completion scheduled for 2021.

All these investments have been registered as projects under the Clean Development Mechanism (CDM) in the United Nations Framework on Climate Change (UNFCC). The methane capture systems at these sites are able to flare the methane, or even better, burn it in the mill boilers or in a gas engine, generating electricity. The Mukomuko palm oil mill processes wastewater to produce biogas with a significant methane content, which is captured in a closed reactor tank, replacing the anaerobic settling tanks in the methane capture system. However, the biogas produced in the reactor tank is not ready for use, as it contains a lot of moisture and hydrogen sulphide. Primarily, it must undergo a necessary treatment to remove sulphur and moisture before it can power a gas engine, in order to produce electricity.

Unprocessed EFB are very moist and so unsuitable as boiler fuel. In addition, their size does not allow efficient combustion in a biomass boiler. They can be used as mulch in the plantation or, in recent years, be recycled into compost. At the end of 2016, the first composting system was put into operation. It processes wastewater and EFB into compost, after the addition of other secondary products, i.e. deposits from the decanting systems and boiler ash. This compost is used in the plantations as soil improver instead of chemical fertiliser.

The composting system comprises eight ventilated bunkers, and processes 100% of the EFB and the wastewater into organic fertiliser with a high nutrient content. 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 system, which fulfils the standards of the International Sustainability and Carbon Certification (ISCC), recycled 23 115 tonnes of EFB and 53 662 m^3 of wastewater from the Bukit Maradja palm oil mill in 2020.

To ensure the compost is always suitable for the intended use, its nutrient content is checked every month. Composting waste is a good way of recycling raw materials and protecting the environment. SIPEF's goal is to replace more than 60% of the chemical fertiliser in the Bukit Maradja plantation with compost.

B. Generating electricity from biomass

A palm oil mill produces three sources of biomass: palm kernel shells, mesocarp fibre and EFB.

Palm kernel shells and mesocarp fibre are currently used in the palm oil mills as fuel in the boilers that produce steam. That steam is used to generate electricity through steam turbines. The steam emitted is also used in the sterilising process in the mill.

As stated above, unprocessed EFB are unsuitable for use as fuel due to their high moisture content and large size. However, they are ground and compressed at the Mukomuko palm oil mill, reducing the volume, releasing a small quantity of oil and cutting the moisture content to below 50%. After this treatment, the EFB are also suitable for use as fuel in the boiler.

48 280

Drop in consumption of diesel in litres compared to 2019 in Indonesia

The electricity generated by the steam turbines is used in the mills, which reduces the dependence on fossil fuels like diesel. The efficient use of these raw materials in 2020 resulted in diesel consumption in Indonesia falling by more than 48 280 litres compared with 2019. This corresponds to an estimated saving for the Group of more than USD 34 000.

This power generated by the steam turbines and biogas engine at Mukomuko palm oil mill will be used to operate the mill and for other Company activities, such as the central workshop, the rubber factory, the management offices and housing. In 2020, the Mukomuko steam turbines and biogas engine generated 8 239 503 kWh of electricity in total, 1 634 060 kWh of which was consumed by other activities. The surplus, mainly produced by the gas engine, is injected into the public grid of the State Electricity Company (*Perusahaan Listrik Negara* - PLN) in Bengkulu province.

C. Converting EFB into torrefied biomass pellets to be used as fuel for boilers

Recently, the Group has been studying alternative means of replacing fossil energy with energy from renewable sources. For example, the idea has emerged of converting EFB (highly moist and consequently low in energy content in themselves) into a cost-effective industrial biomass fuel or biomass hydrocarbon feedstock, for use in biomass or coal-fired boilers. To accomplish this project, the Umbul Mas Wisesa palm oil mill was expanded to include a torrefaction plant for converting EFB into pellets, with a capacity of 10 000 tonnes per year. The installation of all machinery and equipment was completed in 2020 and the commissioning is planned from February 2021, with full production expected in April 2021.

As the torrefaction process is integrated in the mill, no loss of biomass and no biological degradation of the biomass, avoiding the emission of abandoned methane linked to the storage of EFB, occurs.

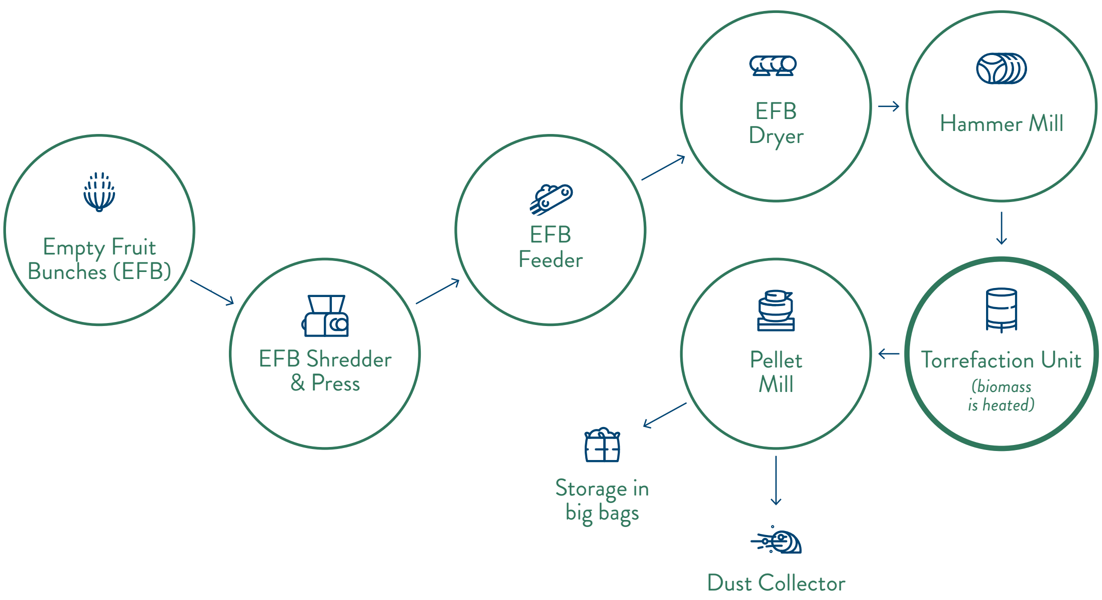
The EFB torrefied pellets are an ideal substitute for other forms of biomass or coal, not requiring any investment in boilers. Compared to non-treated EFB fibre, torrefaction generates a product with superior characteristics, improving its energy density via the reduction of moisture and oxygen contents, that allow for increased efficiency of boilers and gasifiers, and leading to higher heating value.

Their other advantage resides in low transport and storage costs. Big bags (1 000 kg) of pellets are easy to store and handle for delivery to any consumer, and are to be recycled, potentially returned to the mill filled with ash from the pellet combustion, thus returning nutrients (e.g. potassium, phosphorus) to the plantation.

As the Company is already self-sufficient in biomass fuel with the palm kernel shells and mesocarp fibre in its mills, the signing of a contractual purchase commitment, with one or another customer who has expressed an interest in entering into a long-term contract, is being sought.

The customers of SIPEF are refiners, who are willing to pay a sustainable premium for the fully traceable and certified palm products.

CONVERSION OF EFB INTO TORREFIED BIOMASS PELLETS



SIPEF creates value for society

SIPEF's plantation operations in Indonesia, Papua New Guinea and Ivory Coast create a lot of value for the production countries, whose economic development is accelerated.

- To optimise the management of the plantations, a lot of attention is given to training the employees in agricultural and management methods and general aspects.
- SIPEF works closely with smallholders, who are able to expand their activities together with the Group.
- Expansion in remote areas is always linked to investments in infrastructure, housing and facilities that the Company puts at the disposal of the workers.
- SIPEF actively consults with public and private stakeholders. It believes that, by working with customers, social and environmental NGOs, governments and industry bodies, civil society, producers, researchers and other willing stakeholders, it can maintain its social and legal support, and so bring about and promote the introduction of safe, sound and sustainable standards and practices.

For more detailed insight into how the Group creates value at various levels, see Part 3 of the Sustainability Report of this Annual Report.

Products of SIPEF - customers

SIPEF offers its customers crude palm oil (CPO), palm kernel oil (PKO) and palm kernels. It targets RSPO certification for 100% of its palm oil products. But in order to fulfil its sustainable development obligations and ensure sound practices are followed, including traceability of all its products, the Company applies many other generally recognised standards, such as the Indonesian Sustainable Palm Oil (ISPO) system and the Indonesian Sustainability and Carbon Certification (ISCC) standard. The Sustainability Report in this Annual Report gives a detailed overview of all the certifications on page 23.

The oil palm products of the Group are sold on the local market in Indonesia, as well as on the European market. They are destined for use in the food industry and green energy (biodiesel) production.

The customers of SIPEF are refiners, who are willing to pay a sustainable premium for the fully traceable and certified palm products.

Furthermore, SIPEF produces both latex (Ribbed Smoked Sheets - RSS) and Cup Lump grade Rubber (SIR10 and SIR3CV60) in its rubber factories, all of which are Rainforest Alliance certified. The main market for the rubber products is the United States of America.

SIPEF has one tea plantation where the tea leaves are still plucked by hand to produce high quality 'Cut, Tear and Curl' (CTC) tea. The main market for this tea is Pakistan, and the rest is sold to multinational companies specialising in the bespoke blending of tea. There is also an increasing demand for the tea on the local market in Indonesia. The plantation is also Rainforest Alliance certified.

Finally, bananas are sold within the framework of certified goods flows with full raw material traceability. Bananas are picked and packed in the Group's packing stations. More than 80% of the high-quality bananas are sold to the European market, United Kingdom included, after shipping, in accordance with the European guidelines, while the balance is sold in the West-African region and to the local market in Ivory Coast. At the end of 2020, the Company received confirmation from the British government that commercial agreements, in particular those related to bananas, will be renewed for most of the supply countries, including Ivory Coast. It can therefore be inferred that Brexit will not have a negative impact on SIPEF banana exports.

History

1919
-
1939

1919-1939: The trailblazing years

14 June 1919 the "Société Internationale de Plantations et de Finance" (SIPEF) was created, with its stated objective of promoting and managing plantation companies in overseas tropical areas. The Company's Head Office was established at Graanmarkt 2 in Antwerp, was fairly quickly listed on the stock exchange in Antwerp and started with two sites in Kuala Lumpur (Malaysia) and Medan (Indonesia). The acquisition of three plantations in Indonesia: Tolan Satoe, Tolan Dua and Tolan Tiga soon followed. Initially, SIPEF focused primarily on the production of rubber. However, the post-war depression and the bottom prices for rubber on the international market led to the decision in the late 1920s to convert from rubber to palm oil to keep the plantations profitable.

1939
-
1969

1939-1969: Turbulent times

During the Second World War the Japanese occupiers seized some of the plantations for food production and the others were reclaimed by the jungle, which was able to grow unrestrained. The recovery was costly and time-consuming.

On top of that, the invention of synthetic latex caused the market price of rubber to tumble to a historically low point. Therefore, the decision was taken by SIPEF to invest primarily in palm trees when replanting. Unfortunately, the rebuilding was hampered by the unstable political situation in Indonesia. Indeed, after independence the country found itself in the grip of Islamic and communist rebel forces.

With regard to spreading the risk, SIPEF invested in the Congo, a Belgian colony that, at that time, seemed to be a beacon of stability. The Group's range was enlarged with new products, such as coffee, cacao, tea and medicinal plants. But the Congo, too, soon experienced political unrest and violence perpetrated by independence fighters. These events brought down the SIPEF share price. Charles Bracht took this opportunity to strengthen his participation in the Company and subsequently became chairman of SIPEF. A new chapter in the history of SIPEF began under his chairmanship.

1969
-
1989

1969-1989: Diversification

Under the leadership of Charles Bracht, later assisted by his son Theo, SIPEF expanded geographically and was quickly embedded on every continent: from Asia (Indonesia and Malaysia) to Oceania (Papua New Guinea and the Solomon Islands) and from Africa (Ivory Coast, South Africa, Guinea, Zaire and Liberia) to South America (Brazil and Venezuela). As well as managing plantations and the manufacture of traditional products like rubber, palm oil and tea, the Company also traded coffee, cacao, hearts of palm, grapes, pineapples, spices and even ornamental plants. Investments were also made in 'safe' real estate projects in America and Belgium, as well as, in banks and insurance companies. In doing so, the shareholders wanted to protect themselves against political instability in the overseas areas, a risk that later proved to be justified when the Group was confronted with civil wars in Africa and chronic inflation in South America.

The kidnap and murder of Charles Bracht in 1978 was one of the blackest pages in SIPEF's hundred-year existence. After this tragic event, Theo Bracht succeeded his father.

SIPEF has always played a pioneering role with respect to sustainability. Therefore, the Group was one of the first palm oil producers worldwide to be granted RSPO certification.

1989 - 2009

1989-2009: Focus and transformation

By the end of the 1980s the diversification across various continents had left a high indebtedness. A difficult period of downsizing and remediation measures followed. In 1994, SIPEF opted for a capital increase which resulted in an influx of new shareholders. At the request of these investors, including Ackermans & van Haaren, restructuring was implemented to safeguard the independence of the management. In 2004, again a capital injection followed to usher in a period of exponential growth.

Sustainability has always been an important value within the Group. Already in the trailblazing years, the enlargement of plantations had led to the building of roads and the provision of housing, schools and medical care for the employees and their families. SIPEF has always played a pioneering role with respect to sustainability. Therefore, the Group was one of the first palm oil producers worldwide to be granted Roundtable on Sustainable Palm Oil (RSPO) certification. In this way, SIPEF was one of the founders of the Roundtable on Sustainable Palm Oil.

There is still a lot of potential for growth, but always within the framework of the Principles and Criteria for the production of sustainable palm oil.

2009 – Ongoing: Yesterday is the present for tomorrow

Over the last decade, SIPEF has focused exclusively on the sustainable production of palm oil, rubber and tea (in Indonesia and Papua New Guinea) and bananas (in Ivory Coast). Furthermore, the pursuit of sustainability has driven SIPEF to invest more in recycling and research, more specifically, with the investment in a joint venture, Verdant Bioscience Pte Ltd, which aims to develop high-yielding palm seeds. In the context of the global population increasing, available farmland decreasing and more extreme weather conditions, the future of commodities depends on improving performance.

As the demand for vegetable fats will increase the development of stronger, more productive palm species is the answer to that. There is still a lot of potential for growth, but always within the framework of the Principles and Criteria for the production of sustainable palm oil.

Together with its reference shareholders, Ackermans & Van Haaren and the Baron Bracht family, SIPEF believes in the future of the Group. The commodities sector has always been volatile, but they have, within the board of directors, always thought long-term. Thanks to the foundations the families laid in the past, we look to the future full of confidence.

Global trends in the palm oil market

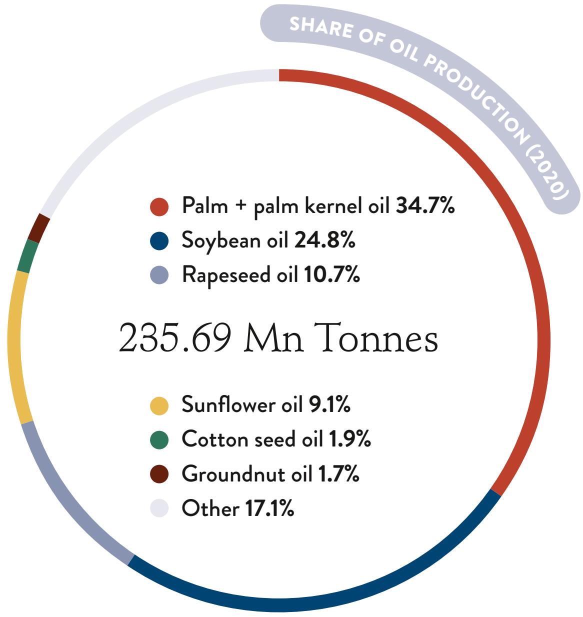
Palm oil and soybean oil dominate the global edible vegetable oils market, with around a 35% and 25% annual production share, respectively.

Crude palm oil (CPO) is an edible vegetable oil obtained from the pulp of the oil palm fruit and is refined/fractionated into refined products for final use. Palm kernel oil (PKO) is derived from the kernel of the palm fruit but has significantly different chemical properties and fat composition, being higher in lauric acid and similar in nature to coconut oil. It too is refined for further use.

One hectare of oil palm trees yields on average about 22 tonnes of fruit (fresh fruit bunches or FFB). Trees yield fruit around two to three years after planting, hit peak production after seven years (up to 36 to 40 tonnes of FFB) and decline from 18 years. The typical commercial lifespan of a tree is between 22 and 25 years. Production efficiency is typically driven by the FFB yield per hectare and the oil extraction rate (CPO per tonne of FFB). CPO is produced via a milling process and then, either sold as a raw product 'upstream', or further refined 'downstream'.

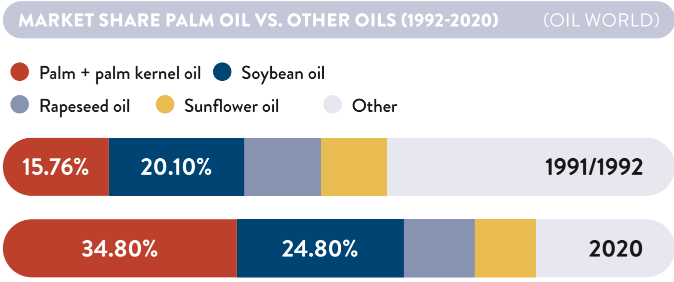
Palm oil is one of a group of 17 major oils and fats (from sesame oil to palm oil). The total vegetable oil market represents some 236 million tonnes.

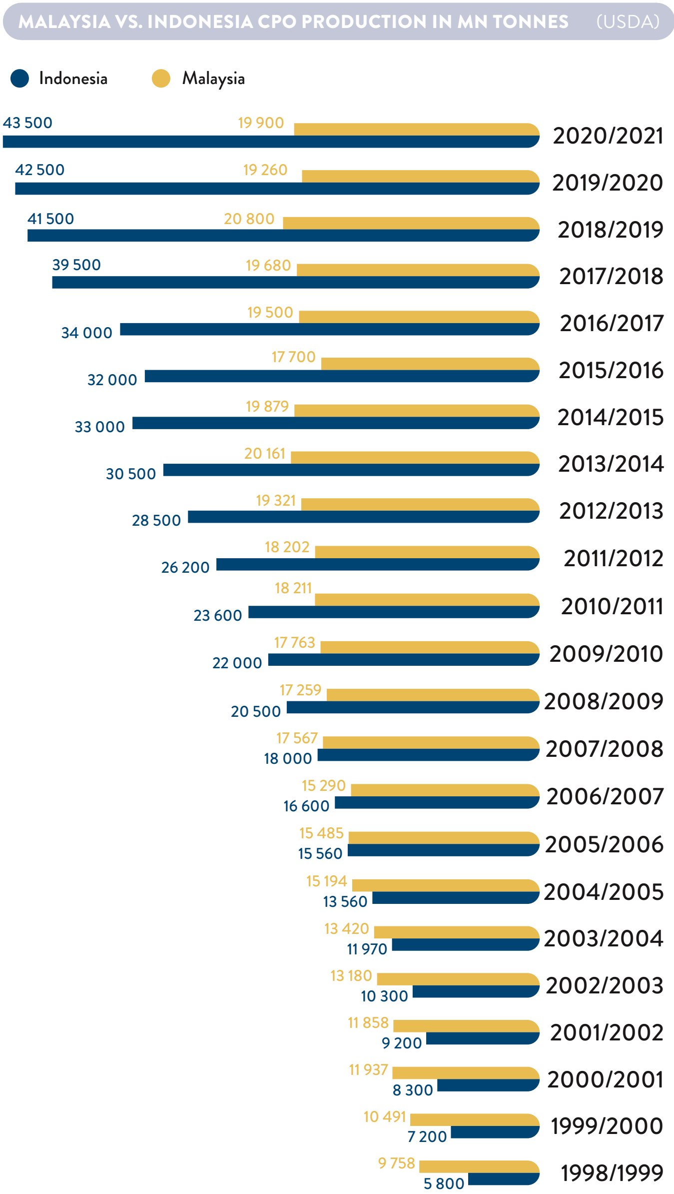
Edible oil consumption is mainly dominated by the food industry (>70% of edible oils use), but there are important uses in fuel, palm, soy and rapeseed oil being key components of biodiesel, and industry/chemicals. Palm oil is commonly used as cooking oil, in shortenings and in products such as margarine. CPO and PKO refined products can be found in everything from soap to cosmetics.



(OIL WORLD)

Palm oil and soybean oil dominate the global edible vegetable oils market, with around a 35% and 25% annual production share, respectively. However, palm oil is by far the most exported oil in the world, since most of the soybean oil is used intensively in the domestic sector in the United States and Brazil for food, animal feed and fuel.





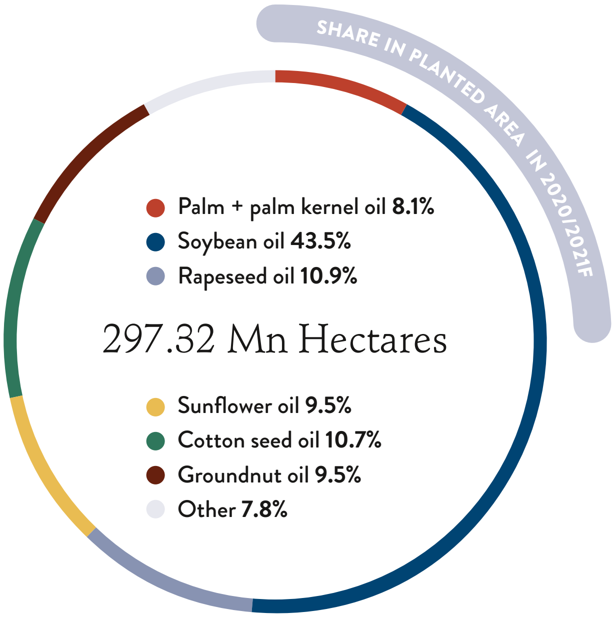
Ideal growing conditions for oil palm entail that plantations are concentrated close to the equator, mainly in Malaysia and Indonesia (84% of annual CPO production combined), and some parts of West Africa, whilst Indonesia has increased its relative share of the world CPO production over the years. Soybean production is concentrated in the United States, Argentina and Brazil (the three combined account for 81% of annual production).

Large plantation companies, often vertically integrated with refineries, play a big role in the palm oil market, although approximately 40% of oil palm cultivation itself is in the hands of smallholders. It has proven to be the perfect poverty alleviation crop for smallholders, although there is still a challenge to increase their yields, which on average are still 20% below plantation yields.

Whilst palm oil and palm kernel oil represent roughly 35% of the world's edible oil production, the planted area accounts for only 8.1% of the total planted area.

One of the main drivers is the significantly higher yield that palm oil affords: at world averages of four tonnes per hectare (4 t/ha), it is six to ten times higher than for competing oils. No doubt this is a sustainable competitive advantage, but there is a trade-off, since the required land is often located in tropical, forested areas. Environmental compliance pressures and sustainability requirements have slowed growth in recent years.

While Malaysia and Indonesia dominate supply, a significant amount of the output is exported. The largest export markets are China, India and the EU, which account for around one-third of global demand[1]. Growth in global demand has been resilient at a 5% compound annual growth rate in the past decade[2]. There are multiple drivers, but rising consumer income in emerging markets as well as biodiesel demand are certainly key. In addition, demand can be heavily influenced by the price relationship between competing oils, given many are interchangeable in their core use as cooking oil.



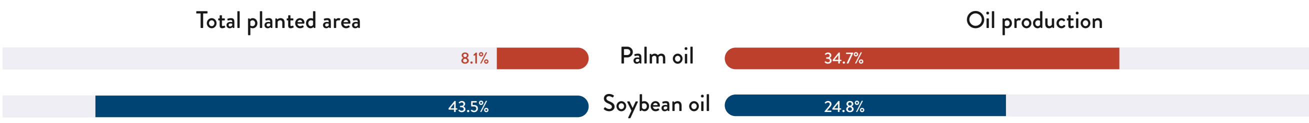
(OIL WORLD)

Relationship with soybean oil

Palm oil is closely linked to the performance of its main rival, soybean oil. It traditionally trades at a 10-20% discount from soybean oil, primarily reflecting its greater supply. Yet, the oils are interchangeable in their main uses for cooking and fuel, so the Company would not expect a sustained period of disconnection. The relationship means that demand and especially supply shocks, such as weather events in either oil, can have a significant impact on the other.

Whilst palm oil and palm kernel oil represent roughly 35% of the world's edible oil production, the planted area accounts for only 8.1% of the total planted area.

SHARE IN OIL PRODUCTION (2020) VS. SHARE IN TOTAL PLANTED AREA 2020/2021F (OIL WORLD)



1 OIL WORLD
2 OIL WORLD

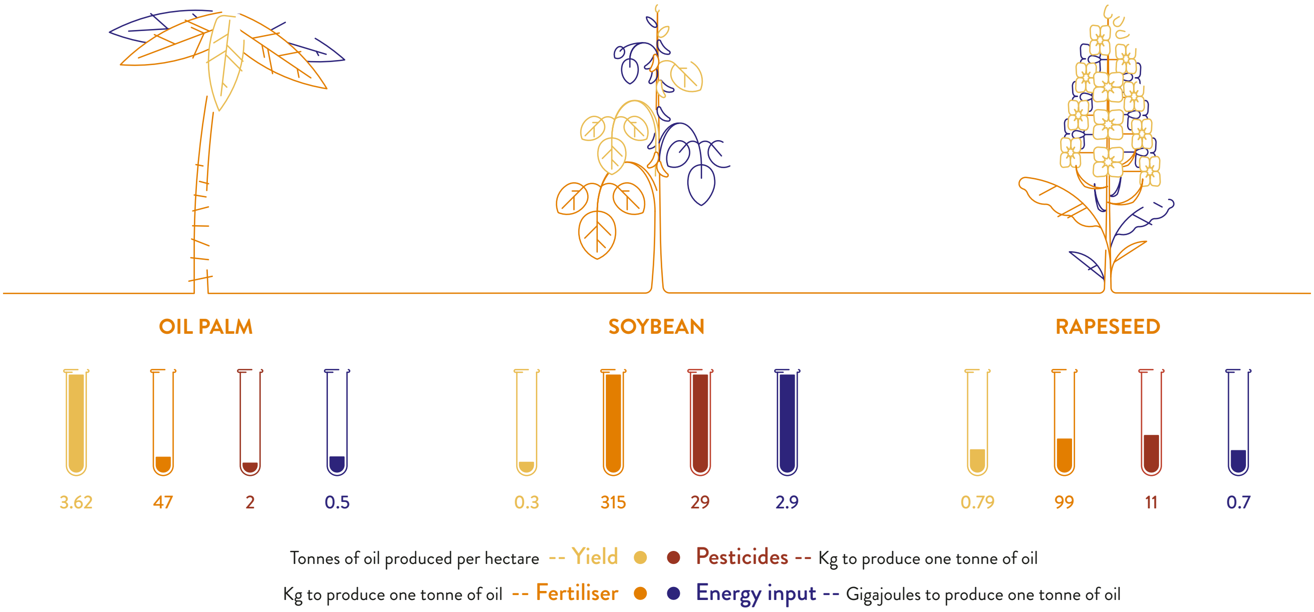
Demand trends in key markets

Trends in consumption of palm oil in the key markets are closely watched, particularly the domestic markets in Indonesia, India and China.

Since the biodiesel mandate kicked in in Indonesia, the local demand has grown significantly, over and above the big local demand from the food industry. In 2020, the local market achieved almost 30% biodiesel (B30), and there were bigger governmental targets set for 2022, namely B40. Whilst the commitment from the Indonesian government is largely macro-driven to reduce the dollar outflow for importing diesel, there is a green incentive as well. However, the palm oil/gas oil (POGO) spread is playing a significant role in the financial feasibility of the plan. The Palm Oil Support Fund is funded by the export levy on palm oil that is leaving the country and is used to subsidise the biodiesel producers. During 2020, there was sufficient money carried over from previous years to support the program, but it was running dry during the fourth quarter. In December 2020, the government introduced an exorbitant escalating export levy system to finance their B30 program. It collects USD 15 for every USD 25 price increase from a certain base level. In combination with a similar escalating export tax system, there is little upside for the grower from higher prices.

India has traditionally been a big consumer of palm oil. This will remain the case, as the local production of seed oils is still not able to catch up with the rise in demand due to Gross Domestic Product (GDP) growth, particularly of the middle class, as well as population increase itself. The swings in demand are driven by the local production and the competitiveness of palm oil versus competing imported oils. The Indian government is planning new incentives to grow their domestic oilseed production to be less dependent on imports.

China has invested heavily in soybean crushing, but still needs additional palm oil as it has done over the years. Due to the outbreak of African swine fever (ASF) in China in August 2018, almost half of the pig population had to be culled, resulting in a significant reduction in soybean meal demand. Therefore, there was a significant reduction in soybean and rapeseed crushing and, consequently, much less soybean oil was produced. Another impact of ASF is that fewer pigs by far were slaughtered for human consumption, which meant less lard (pig fat) on the market. These shortages of oil were compensated predominantly by palm oil in 2019, and there was a massive increase in palm oil imports. In 2020, the import of palm oil was slightly reduced and there was a strong increase in soybean imports, as the meal demand for animal feed was back on track. It is expected the local crushing will be maximised where possible in 2021; it shall depend to a large extent on soybean availability in the exporting countries.



(WWW.THEOILPALM.ORG/DAVOS-AND-FOOD-SECURITY-THE-FACTS-ON-OILSEED-EFFICIENCY)

Additional long-term elements to consider:

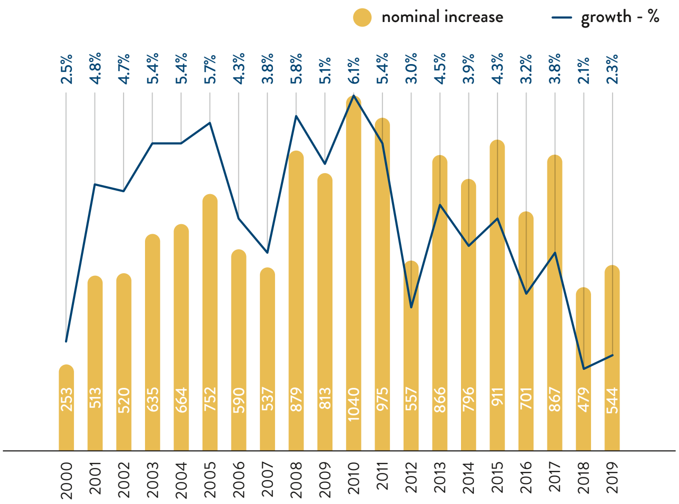
Regulation, compliance and taxation

Palm oil has often raised sustainability issues with customers, investors and NGOs around forest land usage, land clearance techniques and carbon emissions, as well as labour regulations. A dramatic change in customer attitudes could have an impact on long-term demand (a negative for CPO), while ever tighter restrictions on land usage could reduce supply (a positive for CPO). These will remain significant issues for the industry.

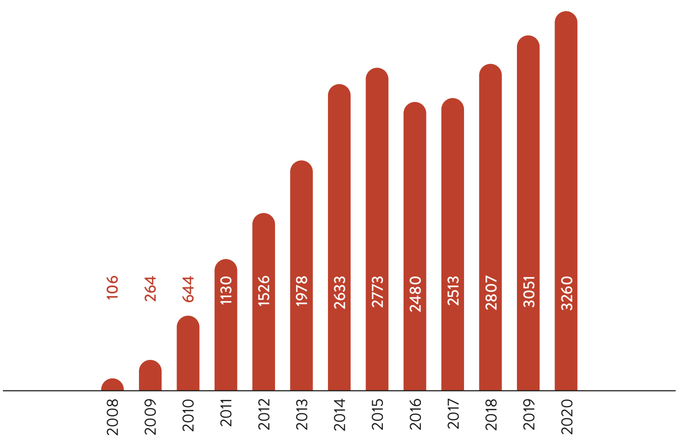
On the other hand, industry oversight is not new: significant internal and third-party efforts to regulate and monitor the palm oil industry have been around for almost two decades. The Roundtable on Sustainable Palm Oil (RSPO) emerged in 2001 and was formally established in 2004. It is a non-profit body with almost 5 000 members working to promote the sustainable production and full traceability of palm oil. In November 2018, new Principles and Criteria were adopted, which made it effectively a deforestation-free certification scheme. This was even recognised by the most critical NGOs. There are several national and voluntary schemes trying to achieve similar objectives, but the RSPO is still considered to be the norm.

Palm oil is a major source of employment and revenue for Indonesia and Malaysia (85% of the world's supply). In late 2015, Malaysia and Indonesia formed the Council of Palm Oil Producing Countries (CPOPC) to address common challenges faced in the palm oil industry, remove undercutting tactics and ensure the long-term sustainability of CPO prices. Palm oil accounts for 35% of global vegetable oil supply. It has a vastly superior yield and a significantly lower fertiliser application level than competing oils.

GLOBAL PALM PLANTED AREA TRENDS (USDA)



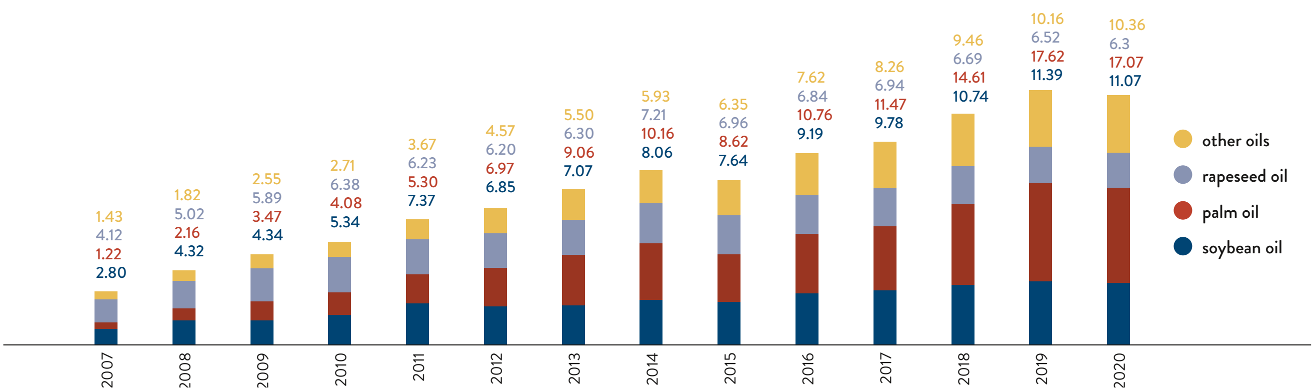
RSPO CERTIFIED HECTARES (KHA) (RSPO)



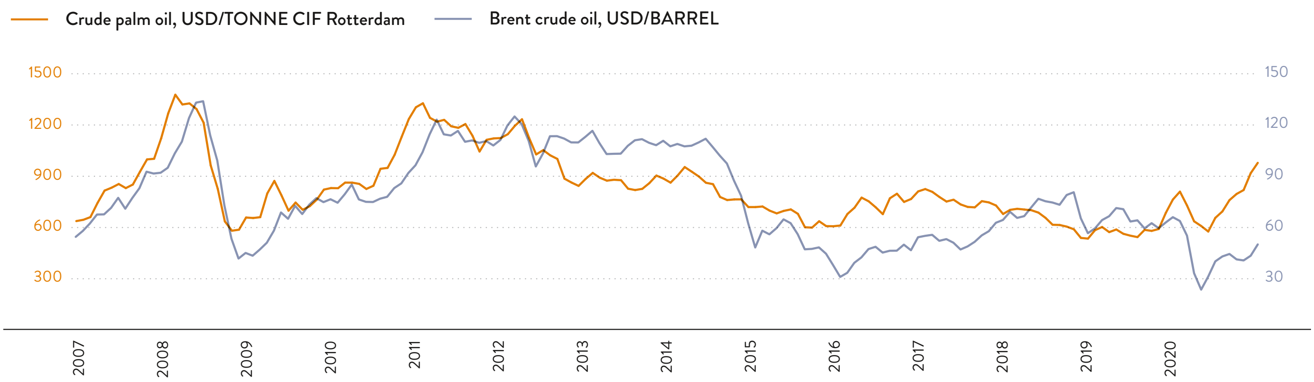
It also has a large emerging market customer base, especially in Indonesia, India and China. Given these considerations, the Company does not believe it is the intention of anyone in the mainstream to regulate CPO out of existence. Steady palm oil growth and global share gains, even as the importance of sustainability has become more apparent, support this.

Moreover, regulation tightens supply. Probably the most relevant impact of this increased oversight has been the gradual reduction in available land. Planted area growth has reduced significantly in Malaysia and in Indonesia. Production growth has been sustained as a result of the improvements in yields, as well as the development of estates in new countries in Southeast Asia, West Africa and South America. The Company views this fundamental tightening of supply as inherently positive for the CPO price and sees no sign of it abating. Indonesia imposed a prolonged moratorium, effective 1 May 2016, on new oil palm plantations and mining permits to protect the environment. Palm oil plantations already account for 70% of agricultural land in Malaysia, and industry participants expect little further growth. The new criteria of the RSPO, like the High Carbon Stock (HCS) Approach, provide very strict guidelines which make green fielding, developing agricultural land from forested areas, effectively unlikely. Brown fielding, converting an existing agricultural crop to another, is still very well accepted as the land has already been declared agricultural.

BIODIESEL USE OF MAJOR FEEDSTOCK (IN MILLION TONNES) (OIL WORLD)



CRUDE PALM OIL IN USD/TONNE VS. BRENT CRUDE OIL IN USD/BARREL (WORLD BANK COMMODITY PRICES – UPDATED DATABASE)

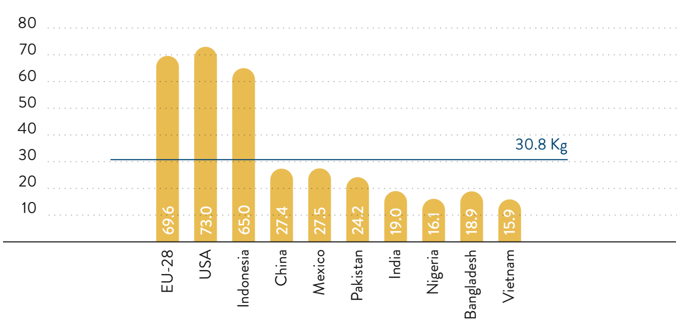


Biodiesel

Vegetable oils like palm oil are a major component of biodiesel, with corn, sugar and wheat the feedstock for the main alternative, bioethanol. Growth of the biodiesel industry has been another significant influence on the CPO price. Biodiesel has consistently taken share from the vegetable oil market over the past decade, as environmental awareness steadily increases and governments introduce minimum levels of mandated biofuel consumption. Palm oil represents 38.1% of biodiesel feedstock, with Indonesia a large producer (about 16.1% of global biodiesel). This in turn has driven an increasing correlation between the CPO price and the crude oil price.

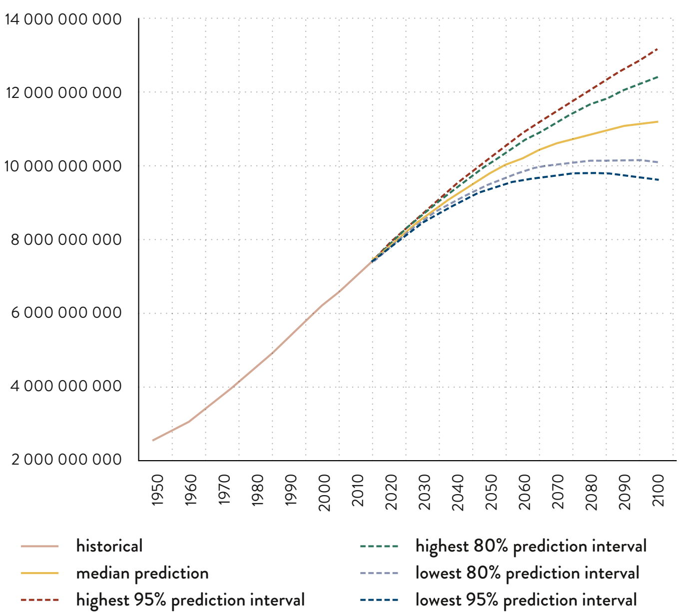
Implicit in this relationship is that high petroleum prices increase the relative attractiveness of biofuels. This means enforcement and growth of mandates, rather than discretionary blending, will be drivers for the biodiesel industry. The crude oil price should nevertheless remain a realistic floor for CPO prices.

PER CAPITA CONSUMPTION OF OILS AND FATS 2019 (KG) (OIL WORLD)



Usage in the EU-28, USA and Indonesia 'inflated by biodiesel production'

PROJECTED GROWTH OF WORLD POPULATION (WWW.UN.ORG)



Palm oil in the future

Over the last decades, the total consumption of oils and fats (foods, bioenergy, cosmetics, etc.) has grown steadily. In the period 2009 to 2020, statistics indicate that consumption increased from roughly 165 million tonnes in 2009 to 236 million tonnes in 2020, according to 'Oil World'. All over the world, the consumption of oils and fats tends to favour locally produced oils and fats. Therefore, in North America, Europe and Russia, annual seed crops (soybean, rapeseed and sunflower) are the main sources of oil. In tropical countries, palm oil, coconut oil and groundnut oil are mainly produced and consumed.

The world average oil and fat consumption per capita (including bioenergy) increased from 21 kg in 2005 to 30.8 kg in 2019. In general, the consumption of oils and fats increases in correlation to disposable income. Over the past few years, consumption has grown even faster than expected as a consequence of incremental demand from the biofuels market.

Population growth will have a huge impact on future food demands and will result in an increased demand for meat, fat and processed foods, and for biofuel. New land is needed, or yields need to improve in order for supply to meet demand. Historically, increased production has gone hand in hand with deforestation. But with the latest Principles and Criteria of the RSPO, and legislative action such as the moratorium in Indonesia, new expansion is very limited. Therefore, to increase production all focus should be on yield increase. This means absolute yield increase with new seeds and better management practice on one hand, and improving smallholder yields, by providing more support and new seeds on the other hand.

Given that palm oil is a perennial crop, historically there has been less investment in research and development in increasing yields, compared to annual crops such as soybean and corn. The palm oil industry needs to catch up as expansion of plantations is limited. SIPEF is invested in improving yield by its shareholding in Verdant Bioscience Pte Ltd.

Demographic trends in emerging regions have already contributed to more than a doubling of global palm oil demand in the last 15 years.

Demographic trends in emerging regions (mainly Asia Pacific and Africa) have already contributed to more than a doubling of global palm oil demand in the last 15 years, as consumption per capita is closely related to income. For this reason, the Company believes that the biggest increase in consumption will take place in the countries with rising per capita income, combined with high population growth. As a result, the Company expects the biggest increase in palm oil consumption to occur in the developing countries, where palm oil is already embedded in the consumption pattern.

Therefore, demand growth will most likely outpace production growth in the future. This view is supported by most of the analysts who monitor the long-term perspectives of vegetable oils, and palm oil in particular. As a fully compliant producer of certified sustainable palm oil, SIPEF is ideally placed to benefit from these future trends.

Product markets

Palm oil

The 2020 palm oil market can be characterised by an extreme V-shape pricing market, driven by poor production, great demand and the tremendous impact of the covid-19 pandemic. The Company experienced massive volatility throughout the year, ending with huge governmental measures impacting several vegoil producing countries.

The price rally at the end of 2019, following great global demand and disappointing production, was carried into the new year. Prospects for a longer-term high price environment were certainly looming. However, in the middle of February the world realised that the covid-19 outbreak had become a global pandemic. The panic that hit stock markets raged in the commodities as well, and markets were sold aggressively.

2020 was a year of extremes, in terms of the impact of the pandemic, disappointing crops, better than expected demand, and governmental impacts.

The petroleum market was shocked by the disagreement about production cuts in Russia and Saudi Arabia, and its futures markets dropped to unforeseen levels, even briefly into negative territory. It caused another negative effect for the vegoil market, as all purchases for future biodiesel production were sold.

The covid-19 impact on the global economy was unheard of, many lockdowns initiated lower physical shipments and, basically, all vegoils were at their low during the second quarter. Though food demand had changed slightly in terms of composition, it had hardly shrunk. As a result, domestic stocks were dropping and supply chains were completely squeezed, until most importing countries realised that urgent restocking was necessary. In addition, surprisingly, the biodiesel mandates were living up to their agreements. This was the start of the price recovery.

The hot and dry summer weather in the northern hemisphere played a major role in the continued support for vegoils and for many other agricultural crops. Sunflower seed production in Russia and Ukraine was much lower and Russia was the first country to initiate higher export taxes. On top of that, the soybean complex tightened as well, due to very strong imports from China. Latin America was virtually sold out and the world then depended on the availability of US soybeans. The La Niña weather phenomenon caused further hot and dry conditions, impacting the new planting season in South America.

Palm oil production was below its usual trend for most of 2020, due to lower fertiliser application in 2018 and 2019, as well as a dry weather spell in 2019. It became more apparent during the peak production cycle in the third and fourth quarter, and, in combination with the fantastic global demand, stocks were trimmed significantly. Changing export taxes and levy policies in the producing countries enforced certain export flows even more, and at the end of the year stocks were the lowest since 2007, in absolute terms. From a more relative perspective, the stocks-to-usage ratios were at their historical lowest.

A special word on the B30 biodiesel mandate in Indonesia: over previous years, through the Crude Palm Oil (CPO) Fund, the Indonesian government had collected significant amounts of export levies that had not been spent, but in 2020 the palm oil/gas oil (POGO) spread became much wider and the CPO Fund needed all its reserves to continue the B30 program. The Indonesian government seemed very dedicated to its green strategy that would also help their forex position greatly, by importing less diesel. However, in the prevailing POGO spread there was a huge gap, and the Government increased its export levy program, whereby it skimmed significant profits from the growers to finance the biodiesel mandate. In combination with the escalating export tax, there is little upside in profitability despite the great prices. It was a tremendous blow for growers.

It must be said, that the continued B30 program also implied a strong demand factor and it provided support to the market. Unfortunately, Indonesian growers will not enjoy it to the same extent as growers in other countries.

2020 was a year of extremes, in terms of the impact of the pandemic, disappointing crops, better than expected demand, and governmental impacts. The palm oil market started the year near USD 850 per tonne, and dropped to just below USD 500 per tonne in May, before it rallied to almost USD 1 000 by the end of the year. It was a true V-shaped market.

The average price for CPO CIF Rotterdam in 2020 was USD 715 per tonne against an average of USD 566 per tonne in 2019, an increase of 26%. However, the year closed at its high.

USD 715

The average price per tonne for crude palm oil in 2020

Palm kernel oil

The lauric oil market, the generic term for palm kernel oil (PKO) and coconut oil, was very subdued until the last quarter. The production of PKO was in line with palm oil production; however, high stocks carried over from 2019 were a constant dark cloud over the market. Despite lower coconut oil production, and as a result higher prices, PKO remained the weakest leg of the tropical oil market. The stronger demand from the soap industry, due to the covid-19 pandemic, could not inspire. The price of PKO was rather close to palm oil for most of the year, and at a significant discount to its rival coconut oil. At the end of the year, stocks seemed to have reduced and PKO could run its own course again.

The price of PKO was on average less than a USD 100 premium over palm oil, similar to 2019 but about USD 100 below the historical average. The average price of PKO CIF Rotterdam in 2020 was USD 826 against an average in 2019 of USD 668. But the year ended with prices above USD 1 200, back to its usual premium.

Rubber

The rubber market showed two different faces during the covid-19 year. Initially prices were stable, but when lockdowns were installed in many countries and car manufacturers closed their factories, rubber prices dropped. These lockdowns continued well into the second quarter and saw prices dropping to levels not seen since early 2016.

China's economy started showing signs of recovery in the second half of the year, just at a time when adverse weather affected rubber production in Thailand and Vietnam. On top of that, high latex demand from the latex glove industry, due to the pandemic, fuelled the price rally. It reached its peak of USD 2 878 per tonne in October, and maintained a level above USD 2 000 per tonne for the remainder of the year.

Prices for Ribbed Smoked Sheets 3 (RSS3) started the year at USD 1 697 per tonne on SICOM (Singapore Commodity Exchange) and closed at USD 2 144 per tonne, an increase of 26.34%. The average price for 2020 was USD 1 730 per tonne compared with USD 1 640 per tonne in 2019.

USD 1 730

The average price per tonne for "Ribbed Smoked Sheets 3" in 2020

The latest statistics published by the International Rubber Study Group (IRSG) indicate that consumption of natural rubber was 8.1% lower in 2020, but it is predicted to recover by 7% in 2021 and 5.3% in 2022, based on International Monetary Fund (IMF) figures. Production of natural rubber in 2020 is estimated to have dropped 5.9%, and forecasts for 2021 and 2022 are an increase of 4.7% and 5.0%, respectively. Overall IRSG statistics currently show a balanced outlook near term.

Tea

Teas produced on the Cibuni tea estate are compared with Kenyan quality; hence the benchmark for Company prices is the Mombasa tea auction. Kenya mainly produces 'Cut, Tear and Curl' (CTC) teas, similar to what is produced in Cibuni, and is the biggest exporter of CTC teas in the world. In 2020, monthly tea production in Kenya broke record after record, and halfway through the year, the 2020 production outpaced 2019 production by 41%. During that period, prices declined steadily to reach their low in July. Tea production in India, the second biggest tea producer in the world after China, was affected by covid-19 restrictions, and some demand shifted from India to Kenya. This allowed for tea prices to improve slightly in the Mombasa tea auction. However, this could not prevent the average price for 2020 being the lowest since 2007. The average price for 2020 was USD 2 000 per tonne versus USD 2 210 per tonne in 2019, a drop of 9.5%.

Bananas

Global production of dessert bananas continued to rise throughout the first three quarters of the year, and during that period consumer markets did not generally experience any fluctuations in supply. However, at the end of the year production in Honduras, Nicaragua and Guatemala was devastated as a result of two category 4 hurricanes, Eta and Iota, resulting in severe flooding and the total suspension of exports. The most severely affected country, Honduras, soon announced a total halt to its exports until the end of 2021. The lack of supplies from these Central American countries, which are geographically close to the North American market, was quickly offset by extra deliveries to the United States of America from Ecuador, Colombia and Costa Rica.

EUR 628

The average selling price per tonne of green bananas in Europe in 2020

The covid-19 pandemic, which began in China and then spread westwards, did not have an immediate impact on the consumption of bananas, which is of course a staple. However, the logistics sector was thrown into disarray, with ships and containers unable to leave port, cutting off everyday supplies and causing concern in several markets. As a result, prices began to fall at the beginning of September, a period of time when they are traditionally higher.

In Europe, the closure of schools and corporate restaurants at the beginning of the pandemic immediately shut down the trade in certain products, including mini-bananas for children. Consumers promptly switched to standard produce that benefits from fast and secure supply lines.

Nevertheless, in 2020, overall consumption remained steady on the two primary global markets, the European Union (EU) and the United States of America at almost 6.7 million tonnes and 4.1 million tonnes, respectively. That said, it was the EU that once again posted the best figures, with 3% growth, as dollar bananas accounted for 75% of its supply, including from Ecuador in particular. The banana supply from the African, Caribbean and Pacific (ACP) states fell slightly, while the supply from EU states (mainly the Antilles and the Canaries) was generally stable.

There is no doubt that the near permanent devaluation of the US dollar against the euro makes American produce more competitive than European or African produce, most of which, like Ivory Coast's output, is pegged to the euro.

European customs duties on dollar banana imports stabilised at EUR 75 per tonne, as expected. This is the level most recently agreed on and adopted by the EU after regular reductions going back almost fifteen years.

At the very end of the year confirmation was received from the British government that ex-EU Trade Agreements, notably those concerning bananas, would be renewed on a similar basis with most suppliers, including Ivory Coast. It can therefore be concluded that Brexit will not have a negative impact on the Group's exports to British customers.

In 2020, the average selling price of green bananas in Europe was EUR 628 per tonne, which is 5.1% lower than the average price in 2019. Prices in Europe have never been as low as they were during 2020.

Annual sales contracts ensured that Plantations J. Eglin achieved an average price FOB Europe of EUR 487 per tonne, which is 3% lower than in 2019. The average price FOB for the regional market was EUR 406 per tonne, which is 2% lower than in 2019.

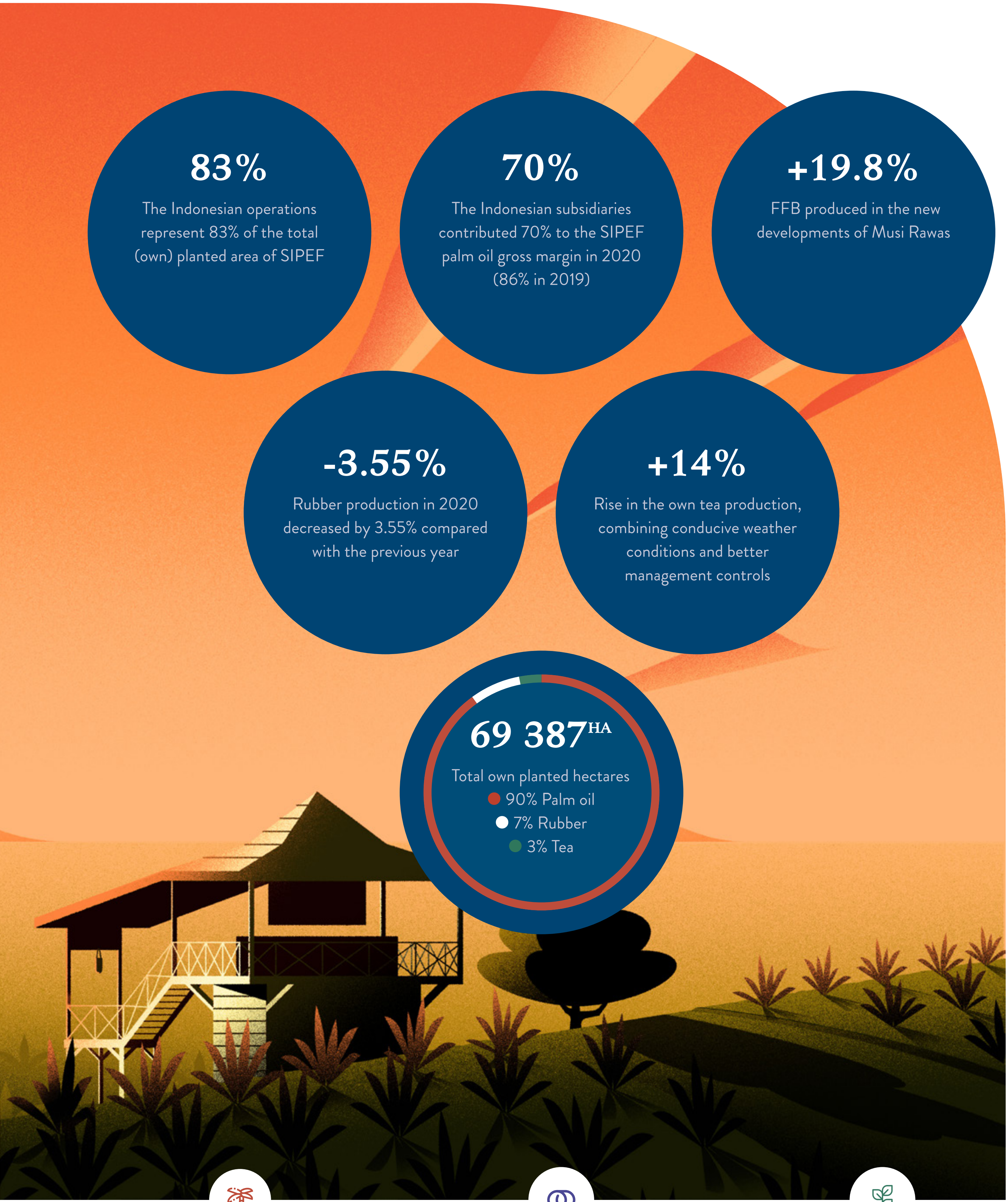
Rates in the maritime shipping sector, which has adopted new low-sulphur standards, remained fairly stable through to the end of the year, and the global market eventually took off after suffering from a dearth of transport facilities. This did not have any impact on banana shipments, as most freight contracts had been concluded at an earlier date.

The covid-19 pandemic, which began in China and then spread westwards, did not have an immediate impact on the consumption of bananas.

Indonesia

Indonesia is the largest palm oil producing country with 42.2 million tonnes in 2020. With an estimated 57 million hectares of agricultural land, farming has long been the backbone of Indonesia's economy.
An uptick in GDP to 5.2% was expected in 2020, but with the onset of the covid-19 crisis, it was revised down to 2.3%.

The SIPEF Indonesian operations are arranged across four provinces. The Head Office in Medan gives the regional offices the responsibility for planning, organising and managing the daily estate operations.



83%

The Indonesian operations represent 83% of the total (own) planted area of SIPEF

70%

The Indonesian subsidiaries contributed 70% to the SIPEF palm oil gross margin in 2020 (86% in 2019)

+19.8%

FFB produced in the new developments of Musi Rawas

-3.55%

Rubber production in 2020 decreased by 3.55% compared with the previous year

+14%

Rise in the own tea production, combining conducive weather conditions and better management controls

69 387 HA

Total own planted hectares

- 90% Palm oil
- 7% Rubber
- 3% Tea

PALM OIL

Own production: 950 853 tonnes FFB
Outgrowers production: 28 652 tonnes FFB
6 palm oil extraction mills

RUBBER

Own production: 5 300 tonnes
Outgrowers production: 711 tonnes
3 rubber factories

TEA

Own production: 2 664 tonnes
Outgrowers: 98 tonnes
1 tea factory

1. Country introduction

1.1 Basic facts and figures

REPUBLIC OF INDONESIA	(SOURCE: THE WORLD FACTBOOK)
Capital city	Jakarta
Total area (+ world ranking)	1 904 569 km^2 (Ranked 16)
Border countries	Malaysia 1 881 km, Papua New Guinea 824 km, Timor-Leste 253 km
Population	275 122 131 (July 2021 est.)
Growth rate	0.81% (2021 est.)
Urban population	56.6% of total population (2020)
Urban population rate	2.27% annual rate of change (2015-20 est.)
Population distribution	The major population concentration is on the island of Java, which is considered one of the most densely populated places on Earth, and on the outer islands surrounding Java and Bali. Sumatra contains some of the most significant clusters, particularly in the south near the Sunda Strait, and along the north-eastern coast near Medan. The cities of Makasar (Sulawesi) and Banjarmasin (Kalimantan) are also heavily populated.
Life expectancy (M/F)	Male: 70.6 years / Female: 75.1 years
Age structure	0-14 years: 23.87% / 15-24 years: 16.76% / 25-54 years: 42.56% 55-64 years: 8.99% / 65 years and over: 7.82% (2020 est.)
Major language(s)	Bahasa Indonesia, English, Dutch, local dialects (of which the most widely spoken is Javanese). Note: More than 700 languages are used in Indonesia.
Major religion(s)	Muslim 87.2%, Protestant 7%, Roman Catholic 2.9%, Hindu 1.7%, other 0.9% (includes Buddhist and Confucian), unspecified 0.4%
Main natural resources	Petroleum, tin, natural gas, nickel, timber, bauxite, copper, fertile soils, coal, gold, silver
Land use (2011 est.)	Agricultural land: 31.2% - Arable land: 13% - Permanent crops: 12.1% - Permanent pasture: 6.1% Forest: 51.7% Other: 17.1%
Agricultural products	Oil palm fruit, rice, maize, sugar cane, coconuts, cassava, tea, bananas, eggs, poultry, rubber
Industries	Petroleum and natural gas, textiles, automotive, electrical appliances, apparel, footwear, mining, cement, medical instruments and appliances, handicrafts, chemical fertilisers, plywood, rubber, processed food, jewellery, and tourism.
Currency	Indonesian rupiah (IDR)
2020 inflation rate	1.68%
GDP (2017 est.)	Agriculture: 13.7% / Industry: 41% / Services: 45.4%
Head of Government	President Joko Widodo, re-elected in October 2019, for a second five-year term
Labour force	129 366 million (2019 est.)
Labour force by occupation	Agriculture: 32% / Industry: 21% / Services: 47% (2016 est.)
Population below the poverty line	10.9% (2016 est.)

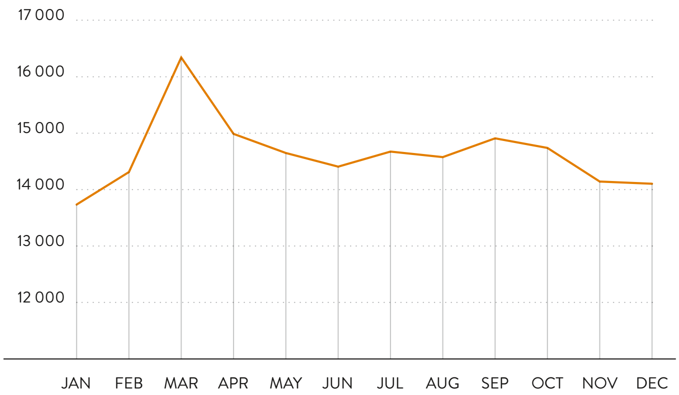
1.2 Economic and financial overview

Although the first quarter of 2020 was dominated by disruptions stemming from the covid-19 pandemic, 2019 proved a strong year for Indonesia's economy, which maintained a steady growth rate on the back of robust domestic consumption and continuing efforts to reform policy and simplify investment procedures. This was despite the general election and uncertainty surrounding trade relations between the US and China. The country's emphasis on digitalisation and infrastructure development are laying the foundations for future economic growth. The re-election of President Joko Widodo, better known as President Jokowi, was seen as a positive step for foreign investment.

Moreover, the archipelago's growing middle-class population, geographic position and human capital development agenda, alongside progress in free trade agreements, make it a strong contender on the global economic stage. The country holds considerable potential for developing entrepreneurial and creative industries prowess, already being home to four 'unicorn' start-ups (privately owned start-ups), plus one 'decacorn' (company owned start-up).

With construction and infrastructure development outside of Jakarta on the horizon, including relocating the capital city to East Kalimantan, investors are increasingly looking beyond Java for promising opportunities. The covid-19 pandemic will temporarily slow economic growth. Some projects and policy initiatives are delayed – with the government diverting capital from infrastructure developments to aid the crisis response – but the administration's commitment to ongoing reform looks set to further enhance the appeal of Southeast Asia's largest economy for investment.

INDONESIAN RUPIAH TO US DOLLAR FOR 2020



Indonesia is the only G20 economy in Southeast Asia and is home to the world's fourth-largest population. While it possesses a variety of natural resources, taking full advantage of this endowment is challenging due to constraints such as an archipelagic geography, an infrastructure deficit and workforce inefficiencies. Reforms aimed at addressing some of these shortcomings are on the table, though they face growing resistance, especially amid the covid-19 crisis. Real GDP growth was 5.03% in 2019. Prior to the outbreak of covid-19, an uptick in GDP was expected in 2020. At a policy meeting in February, Perry Warjiyo, governor of Bank Indonesia (BI), predicted covid-19 would have a V-shaped effect on economic growth in 2020, with a baseline growth rate of 5.1% that could rise to 5.2% with fiscal policy support. However, as the pandemic quickly worsened and numerous countries enacted strict lockdown measures, this was revised down to 2.3% in April.

(SOURCE: OXFORD BUSINESS GROUP - INDONESIA: YEAR IN REVIEW 2020)

The covid-19 pandemic has had a tremendous impact on Indonesia's health, economy and finances, especially in the second quarter of 2020. The social restrictions imposed to prevent the spread of the virus have had an impact on decreasing human mobility in almost all major cities in the period from April to June. They have also had an impact on decreasing economic activity in the second quarter of 2020. There was an increased realisation of government stimulus, especially in the form of social assistance, spending on other goods and services as well as transfers to regions and villages. A number of indicators show improvement, such as community mobility, non-food and online business activity and public income.

Looking ahead, economic growth is predicted to pick up on the back of the improving global economy and accelerated budget realisation for the central and local governments, progress on the credit restructuring program, and the continuation of BI monetary and macroprudential stimulus. Overall, Indonesia's economic growth will start to be positive in the fourth quarter of 2020 and is estimated to reach 4.8 to 5.8 % in 2021.

The rupiah was under pressure and reached a low of IDR 16 575 per US dollar on 23 March. With the stabilisation steps taken by BI and intensive communication to investors and domestic and foreign market players, the rupiah exchange rate has strengthened significantly again, reaching IDR 14 165 per dollar, representing an appreciation of 17%. Going forward, BI sees the rupiah exchange rate remaining stable with potential to strengthen further. This is in line with its fundamentally undervalued level, supported by low and controlled inflation, a low current account deficit, the strong attraction of domestic financial assets and a declining risk premium for Indonesia.

(SOURCE: THEJAKARTAPOST.COM WITH THE TITLE 'ECONOMIC STABILITY MAINTAINED AND RECOVERY PROCESS UNDERWAY')

1.3 Special topics for 2020

I. COVID-19

The coronavirus (covid-19) in Indonesia is part of the ongoing worldwide pandemic caused by the severe acute respiratory syndrome, coronavirus 2 (SARS-CoV-2). It was confirmed to have spread to Indonesia on 2 March 2020, after a dance instructor and her mother tested positive for the virus. Both had been infected from a Japanese national.

By 9 April 2020, the pandemic had spread to all 34 provinces in the country. Jakarta, West Java and Central Java are the worst-hit provinces, together accounting more than half of the total national cases. On 13 July 2020, recoveries exceeded active cases for the first time. The largest increase in new cases in a single day occurred on 30 January 2021, when 14 518 cases were announced. At most, 12 848 recoveries and 476 fatalities were recorded within a span of 24 hours.

As of 3 February 2021, Indonesia had reported 1 111 671 cases, the highest in Southeast Asia, ahead of the Philippines. With 30 770 deaths, Indonesia ranked third in Asia and 17th in the world. Review of the data, however, indicates that the number of deaths may be much higher than what has been reported, as those who died with acute covid-19 symptoms without being confirmed or tested have not been counted in the official death figures.

Indonesia has tested 6 280 182 people against its 270 million population so far, or around 23 294 people per million. The World Health Organization (WHO) has urged the nation to perform more tests, especially on suspected patients.

Instead of implementing a nationwide lockdown, the government had approved large-scale social restrictions for some regencies and cities. Starting from late May 2020, a ‘new normal’ began to be applied, along with additional green and yellow zone regions. This policy has received much criticism and is considered a ‘disaster’ due to the still increasing number of cases.

On 13 January 2021, President Joko Widodo was vaccinated at the presidential palace, officially kicking off Indonesia's vaccination program. As of 3 February 2021, 646 026 people had received the first dose of the vaccine, and 71 621 people had been fully vaccinated.

(SOURCE: WIKIPEDIA)

Across the Company's operating units (OUs), the management teams and workers displayed considerable commitment, dedication and discipline during 2020, in carrying out their duties and responsibilities in a coronavirus-safe manner. For all three commodities, production, processing, transport and sales were able to continue unaffected throughout the year, which was a remarkable achievement. All OUs embraced the recommended health and hygiene protocols and, despite most of them being in more remote, rural settings away from large populations, an abundance of caution was taken regarding travelling, visitors and engagement with local communities. Despite all of these precautions, including a 50% rotating 'Work From Home' instruction for Medan Head Office staff, by the end of the year, the Company had recorded covid-19 infections in 53 employees and 27 family members, which resulted in three employee deaths.

II. THE OMNIBUS LAW

On 2 November 2020, the President of the Republic of Indonesia ratified and enacted Law Number 11 of 2020 on Job Creation, the Omnibus Law. This law comprehensively amends various sectoral laws with the aim of improving the investment ecosystem in Indonesia, attracting investors and creating job opportunities.

From the beginning, the Omnibus Law has attracted both criticisms and plaudits. Despite its controversial deliberation process, many, including the government, believe that the law will accelerate Indonesia's national economic growth and encourage reform of the country's regulatory system, which in turn will make Indonesia more favourable for investment in today's global economy. Opposition to the Omnibus Law has come mostly from labour groups, NGOs and students, all of whom have regularly expressed their rejection of it through a series of mass rallies.

This is by far the most ambitious and complicated piece of legislation in Indonesia, covering many sensitive areas, such as employment, that previous governments had refused to touch. There are several ways in which the Omnibus Law seeks to address problems that often become the source of regulation overlap and inconsistency. Primarily, it enables the central government to set standards and criteria for local and ministerial-level regulations. The law states that a local regulation cannot be inconsistent with the regulations above it. The simplification and synchronisation of regulations in Indonesia are much needed, considering that local regulations sometimes present a stumbling block to investment and the ease of doing business.

(SOURCE: ASSEGAF HAMZAH & PARTNERS - CLIENT UPDATE: INDONESIA 7 OCTOBER 2020)

In terms of its impacts upon the plantation sector, a number of potential ramifications are listed below:

1. Integration of licensing related to plantation activities.
2. Removal of environmental permits as the requirements for a plantation business licence.
3. Requirement for only certain plantation companies to facilitate the development of Plasma.
4. Changes to restrictions on foreign investment.
5. Restrictions on certain types of plantation company transferring their granted land area.
6. Acceleration of plantation cultivating obligations.
7. Obligation for a plantation company to have a business licence and the land title before it starts operating.
8. Requirement for certain plantation processing companies to construct a plantation area.
9. Introduction of land banks.
10. Removal of criminal sanctions for a company that operates without a plantation licence.

Business players do not need to take any immediate action in light of the above changes for the plantation industry. The Omnibus Law states that further provisions will be provided in government regulations. It is suggested that the development of this Omnibus Law and the issuance of the technical implementing regulations be monitored. More clarity is expected in the coming three months, the period within which the Omnibus Law requires all government regulations to be issued.

(SOURCE: BAKER MCKENZIE - INDONESIA: OMNIBUS LAW - IMPACTS ON PLANTATION SECTOR)

III. AGRICINAL ACQUISITION

During the second half of the year, an opportunity presented itself for the acquisition of planted land in the Bengkulu region. The assets for sale owned by PT. Agricinal consisted of a Location Permit (*Izin Lokasi*) for 2 300 hectares, of which 1 175 hectares were mature palms and 338 hectares immature palms. This prime agricultural land situated only 6.5 km from Air Bikuk estate is ideally placed to be added to the Mukomuko Agro Sejahtera portfolio and supply fresh fruit bunches (FFB) to the Bunga Tanjung palm oil mill. The estate will be called Batu Kuda, named after one of the rivers that flows through the property.

This project, considered a distressed asset, will require significant investment in terms of replanting and establishing full estate infrastructure, but the Company has the expertise and experience on the ground in this region to transform the new acquisition into a productive and profitable estate.

A critical part of the negotiations involves assurance and agreement from PT. Agricinal that the Company will only purchase the assets after the land use permit (HGU) has been successfully acquired. During the second half of the year, the process of due diligence was completed, both for the *Inti* and Plasma land and it is planned that negotiations and acquisition will take part in the first half of 2021.

IV. ELECTIONS 2020

Local elections were held in Indonesia on 9 December 2020. Voters elected nine governors, 224 regents, and 37 mayors across the country. All the elections were held on the same day. Over 100 million people were expected to be eligible to vote.

This election schedule planned by the General Elections Commission (KPU) and the government was opposed by several activists. They were of the opinion that by forcing a major event during a pandemic, they were breaching several laws, related to health quarantining and the outbreak of a communicable disease, and were raising the risk of covid-19 contagion among the people. There were more than 1 500 health protocol violations during the campaigns; 70 000 ballot officers tested reactive from covid-19 rapid tests and could not immediately be replaced.

(SOURCE: WIKIPEDIA)

As always, the elections posed numerous challenges to the teams on the ground, but the Company's policy of maintaining political neutrality was adhered to, and the program of building relationships with new office holders has begun.

V. EXPORT LEVY ON PALM PRODUCTS

On 3 December 2020, a new matrix for the export levy on palm products was published by the Indonesian government, to be applied as from 10 December 2020. This increased export levy should ensure that the current biodiesel program of the Indonesian government can be further financed.

These unilateral levies on the production of palm products, including crude palm oil (CPO), will be borne entirely by Indonesian producers, of which smallholders are a very important part. The levies also have a significant impact on the 'ex-mill gate' net sales prices for both the export and local sales of palm products for SIPEF, as local pricing also takes into account the applicable export levies and taxes. Under the current interpretation of the published rates, the new export levy will also be combined with the current export tax rates.

Until 10 December 2020, the following export levies and taxes for CPO were applicable on the basis of a CPO reference price that was unilaterally determined by the Indonesian government on the basis of international and local market prices.

EXPORT LEVY	(IN USD)
CPO price below USD 570 per tonne	0
CPO price between USD 570 and USD 620 per tonne	USD 25 per tonne
CPO price above USD 620 per tonne	USD 55 per tonne

EXPORT TAX	(IN USD)
CPO reference price	Export tax
<750	0
751-800	3
801-850	18
851-900	33
901-950	52
951-1 000	74
1 001-1 050	93

The published new export levy as of 10 December 2020 is as follows for CPO:

EXPORT LEVY - 10 DECEMBER 2020	(IN USD)
CPO reference price	New export levy
670	55
670-695	60
695-720	75
720-745	90
745-770	105
770-795	120
795-820	135
820-845	150
845-870	165
870-895	180
895-920	195
920-945	210
945-970	225
970-995	240
>995	255

In concrete terms, this means that from 10 December, and based on the same reference price for sales of palm oil from Indonesia, a combined export levy and tax of USD 213 per tonne (= USD 180 per tonne + USD 33 per tonne) is being charged, an increase of USD 125 per tonne.

These recent developments will therefore have a negative impact on the future profit potential and on the cash generation of the SIPEF group. After December 2020, taking into account the previously applied reference price, an additional impact of approximately USD 2 million on the consolidated results after tax is expected.

As it is currently unclear to what extent the pricing of CPO and other palm products will adapt to these new developments in the coming months, it is impossible to quantify the impact for the financial year 2021, but the levies will relate to the own production of approximately 230 000 tonnes of CPO and 48 000 tonnes of palm kernels.

VI. RUBBER TO OIL PALM CONVERSIONS

The continuing fragile financial position of the Company rubber estates has been impacted by ongoing low commodity prices, world supply of rubber exceeding demand and the emergence of the debilitating disease leaf blight caused by the fungal pathogen *Pestalotiopsis,* negatively impacting rubber yields by up to 30%. In response, a decision was taken by management during the year to plan for the gradual conversion to oil palm of Bandar Pinang rubber estate in North Sumatra and Sei Jerinjing rubber estate in Bengkulu.

Even though this work only entails a crop conversion on HGU land, the RSPO requirements for the New Planting Procedures (NPP) associated with oil palm need to be followed in full. Based on these requirements and to dovetail with the planned completion of the South Sumatra developments, it has been agreed to start the rubber conversions in 2023 and 2024, respectively. In the meantime, the felling of immature areas as well as non-productive old trees has started, and other cost saving measures have been implemented to maximise the efficiency and financial returns of the rubber in the interim period. Plans for the third rubber estate, MASE, in Palembang remain more uncertain, but it is hoped that the asset can be placed on the market and sold. The geographical isolation of the estate means that there is no nearby Company-owned palm oil mill to receive and process the fruit, so a conversion to oil palm does not make sense here.

1.4. Country agricultural production

With millions of hectares of arable land across over 17 000 islands, Indonesia's agriculture sector has long been an integral part of the economy. While its contribution to GDP may have declined in recent years – a result of economic diversification – it remains hugely important, employing roughly one-third of the workforce. Although major companies dominate the industry from a revenue standpoint, small-scale farmers who often operate in hard-to-reach rural areas comprise the backbone of the sector.

Infrastructure issues are a hindrance to agricultural growth, but the re-election of President Joko Widodo in 2019 is expected to lead to a focus on overcoming the issue and to contribute to improved nationwide connectivity. In the meantime, technological advancements, often driven by entrepreneurs looking to fill market gaps, are presenting solutions to challenges that Indonesia's farmers have faced for decades, which include a lack of access to the advanced technologies that could make operations more financially viable.

Indonesian agricultural exports grew 15.8% in 2020 compared to the previous year, the agriculture minister, Syahrul Yasin Limpo, told parliament in late January 2021. Farm exports for the year reached USD 32.23 billion compared to USD 27.83 billion in 2019, he said, adding that, in 2020, palm oil output was 48.30 million tonnes; sugar output 2.13 million tonnes and natural rubber output 2.88 million tonnes.

2. SIPEF operations in Indonesia

2.1 North Sumatra

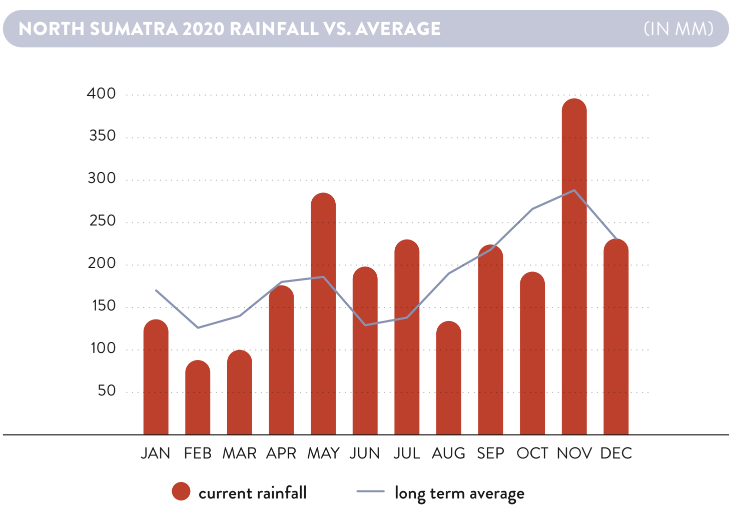
5 396
Workers

39%
Total planted land area

26 360
Hectares across 10 estates

149
Staff members

With management responsibility for 8 oil palm estates, 3 palm oil mills, 2 rubber estates and 2 rubber factories, North Sumatra represents over half of the fresh fruit bunch (FFB) production of the total Indonesian operations. The 10 estates of North Sumatra cover 26 360 hectares or 39% of the total planted land area in oil palm and rubber, employing 149 staff and 5 396 workers in all operations.



2.1.1 Rainfall

The actual rainfall, 2 391 mm for the year versus the long-term average for all 10 estates across North Sumatra of 2 263 mm, shows a surplus of 6%. This compares positively with the 2019 drought-affected results of 2 041 mm, corresponding to a surplus of 17% this year.

In general, for the mineral estates, the first quarter of the year was dry, continuing on from the drought conditions experienced in 2019. During the second to fourth quarters, higher than normal falls were experienced (both in terms of volume and rainy days) with year-end rainfall being ahead of average.

The organic soils estates showed a different pattern, and by year end, annual falls were below average. Overall, for North Sumatra, the average bunch weights of fruit did not recover as quickly as had been hoped, negatively impacting crop production for the year.

2.1.2 Oil palm estates

COMPANIES	PALM PLANTATIONS	MATURE HA	IMMATURE HA	FFB (TONNES) 2019	FFB (TONNES) 2020	YIELD 2020 FFB/HA (TONNES)
PT KERASAAN	KERASAAN	2 215	0	54 422	54 804	24.74
PT EASTERN SUMATRA	BUKIT MARADJA	2 716	205	56 844	64 451	23.73
PT TOLAN TIGA	PERLABIAN	3 838	375	104 063	93 225	24.29
	TOLAN	3 614	0	96 887	86 277	23.87
PT CITRA SAWIT MANDIRI	CITRA SAWIT MANDIRI	1 740	6	39 152	40 753	23.42
PT TOTON USAHA MANDIRI	TOTON USAHA MANDIRI	1 135	0	25 494	25 643	22.59
PT UMBUL MAS WISESA	UMBUL MAS WISESA NORTH	2 601	0	53 735	55 806	21.45
	UMBUL MAS WISESA SOUTH	4 462	0	81 154	84 783	19.00
TOTAL		**22 321**	**587**	**511 751**	**505 742**	**22.66**

Overall FFB yields in 2020 dropped by 1% compared with the previous year at 505 742 tonnes from 511 751 tonnes. During the year, the knock-on effects of the 2019 drought were seen, with the mineral estates performing at approximately 8% below management expectations, as recovery in fruit average bunch weights took longer than had been hoped. In the estates rich in humus soils, production was some 9% below management expectations, as working through the complexities of oil palm nutrition and adjusting fertiliser recommendations in close conjunction with Company research partners, Verdant Bioscience Pte Ltd (VBS), continued. Despite the challenges posed by the covid-19 pandemic, management resources in terms of harvester numbers, control of harvesting intervals and ripeness standards, maintaining access and efficient transport of crop from the field to the mills were well managed, helping to mitigate some of the negative influences on crop production. The regional management office (RMO) team must take full credit for their dedication, patience and common sense during what was an extremely challenging year.

I. CITRA SAWIT MANDIRI

Citra Sawit Mandiri (CSM) is located two hours' drive to the north of the Umbul Mas Wisesa (UMW) complex and comprises 1 746 hectares, of which 1 740 hectares are mature and 6 hectares immature. Due to the legacy issues linked to the development and planting dates on this organic soil estate, as well as the ongoing process of attaining the cultivation licence *Hak Guna Usaha* (HGU), CSM is not currently certified to the standards of RSPO. This file is being managed in close consultation with the RSPO, as there is a requirement for the historical development procedures to be reviewed as part of the Remediation and Compensation Procedures (RaCP), which is a lengthy process estimated to take up to two years

to be completed. In parallel with the RSPO processes, the Company continues to work towards attaining the HGU, which is expected to be achieved during 2021. In the meantime, the FFB from this productive estate is sold to a third-party mill. Once the HGU and RSPO certification have been achieved, there is the possibility, in conjunction with the local government, of upgrading an existing road linking the estate to the UMW palm oil mill, which will significantly boost the profitability of CSM for the future.

II. WORKERS

Despite the covid-19 pandemic, the labour situation remained stable in the North Sumatra region, with no significant industrial relation problems faced by the estates. In 2020, the regional minimum wage increased by 8.5%, putting upward pressure on costs and driving the increased focus on efficiency and reducing labour numbers. Labour availability across the oil palm and rubber estates remains good. Relationships between the Company and the Workers' Union remain constructive and amicable, supported by monthly meetings to enable issues to be resolved in a timely way; salary and other remuneration negotiations were successfully carried out in the first quarter of the year.

The decision to gradually convert the rubber estate of Bandar Pinang (BPE) to an oil palm estate resulted in a contraction of the labour force. Indonesian law prohibits transfers of workers from one company to another and, as such, the excess workers reluctantly had to be made redundant. After socialisation, engagement and counselling, the first group of redundant employees, comprising general workers and tappers, was legally released in October, followed by another group in December, totalling 95 people. The next retrenchment exercise scheduled for October 2021 will see another 55 workers being let go, making the total number of workers laid off to 150. All of these workers receive the full retrenchment benefits and entitlements due to them, as prescribed by law.

Every estate continues to operate a successful workers' co-operative, where the co-ops manage and administer supermarket style shops as well as source and provide seasonal labour (known locally as free labour or FL). Each year, profits from the co-op, following an annual general meeting (AGM) and audit, are distributed as a dividend to the members who are comprised of Company workers.

In line with Company policies, 33% of all workers' houses received full repairs and maintenance during the year, and this was further supported by maintenance to schools, mosques, churches, community halls and other ancillary buildings. This is to ensure that Company workers and their families enjoy safe, comfortable and secure housing and facilities.

In terms of security, a proactive approach was taken by the Company to arrest the main perpetrators of ongoing, low level FFB theft incidents in Perlabian estate (PLE) by removing the masterminds involved. This was achieved by enhancing the Safeguarding Solutions Indonesia (SSI) personnel, co-ordinating with authorities and engaging with surrounding communities, which resulted in the arrest and conviction of several culprits. With this combined tactical approach, the estate hectares recorded a large drop in FFB theft in the plantations this year, and there are plans to eradicate the menace completely next year by following up on identified action points. North Sumatra currently contracts 297 SSI security personnel, who are well-trained and available for rotation or deployment should any challenges or risks evolve. The security situation in all other operating units (OUs) remains largely under control.

III. FERTILISER

The manuring program for all estates was completed by year end in line with recommendations. Availability of adequate manpower, resources and storage capacity, well-maintained field access, and timely delivery of fertilisers enabled the estates to complete their programs ahead of schedule. This was despite some restrictions to the timing of applications during heavy rainfall periods in the fourth quarter. A total of 22 488 tonnes of various fertilisers was applied compared with 21 992 tonnes last year. The fertiliser recommendations for all areas are provided by VBS, based on the nutrient analysis of leaf and rachis samples, as well as soil properties and nutrient status, to provide the optimum economic response to applications of fertiliser. This is the single most expensive input in estate upkeep costs.

Application of compost continued on Bukit Maradja estate (BME), covering an area of 1 551 hectares, of which 1 446 hectares were mature and the balance of 105 hectares were immature. Application was carried out at a rate of 15 tonnes per hectare, coupled with an additional dosage of 1 kg per palm of urea and 1 kg per palm of rock phosphate.

On PLE, an area of 670 hectares was earmarked for empty fruit bunch (EFB) application this year at 40 tonnes per hectare. These areas also incorporated an additional dosage of 1 kg per palm of urea and 1 kg per palm of rock phosphate.

IV. PESTS AND DISEASES

The main risks of pest attacks to Company palms in North Sumatra come from leaf-eating insects (nettle caterpillars and bagworms), boring insects (rhinoceros beetle and termites), rats and monkeys. The year of 2020 remained relatively free of major pest attack across the region, with minor occurrences of nettle caterpillar and bagworm detected by regular census operations, which were in turn managed in line with the Company's Integrated Pest Management (IPM) policies.

The 300 hectares endemic area in Kerasaan estate (KRE) impacted by nettle caterpillars has been brought under control this year, largely due to timely control using the trunk injection method preceded by accurate census work. This has also been supplemented by planting more beneficial plants on a wide scale and the mass rearing and release of predator insects. Besides the trunk injection method, power spraying is also carried out for shorter palms using a bio-organic ingredient.

In terms of diseases, the biggest risk to the older estates remains that of basal stem rot (BSR) caused by the fungus *Ganoderma boninense*. This debilitating disease is fatal once the palm is infected, and in the worst affected areas, up to eight palms per hectare per year are being lost. In recent years, the Company has taken an aggressive approach to this disease. Intensive land preparation techniques before and during replant are undertaken, combined with the rapid establishment of the cover crop, *Mucuna bracteata*, followed by a one-year fallow period in an attempt to break or at least interrupt the fungus' life-cycle.

'*Gano*'-tolerant planting material was planted in the most susceptible estates from 2014-2016 to ascertain the effectiveness of claims by the plant breeders. Now that these palms are mature, the presence of *Ganoderma* as well as FFB yields are being tracked very closely, although it remains too early to derive any conclusive results. Antagonistic and beneficial fungi such as *Trichoderma* are also being used as part of the armoury against this virulent fungus and VBS remains committed to ongoing research programs to help mitigate and nullify this disease.

With the decision to gradually convert rubber to oil palm on BPE, programs for treatment of white root disease have been stopped. Normal census and treatment regimens continue to be followed at MASE, Palembang. The biggest single negative impact on rubber production across Company estates, as well as the country, remains leaf blight caused by the fungus, *Pestalotiopsis*. At this stage, there is no known cure or treatment and yield losses of up to 30% are experienced.

Fire Risk – The risk of fire remains a major concern and priority on the more humus soil estates. Regular patrols are conducted to avoid any incidences of fire outbreak within the estate and also approximately 100 metres away from the estate boundary. Should an indication of smoke be observed, the fire-fighting team is swiftly mobilised and deployed to the scene to manage the situation. Vigilance from the fire tower is intensified, particularly during any dry spell. All estates are equipped with firefighting equipment as mandated by the Government. The Company also receives 'hot spot' notifications from satellite coverage as part of its RSPO commitments, and any incidents are investigated, with reports sent to both local authorities as well as the RSPO.

V. REPLANTING

As reported last year, following on from low commodity prices in 2019, it was decided to postpone the oil palm replants during 2020, to allow the Company to focus more limited resources on the ongoing development in South Sumatra. With improved palm oil prices experienced in 2020 and the need to replace older, poorer performing palms in some of the established estates, it was decided to restart the replanting program in 2021. As a result, seeds were taken into the nurseries during the year and felling of old palms took place during the last quarter of the year, as part of the standard operating procedure (SOP) of maintaining a one-year fallow period for North Sumatra replants. Land preparation and planting of the leguminous ground cover, *Mucuna bracteata*, was carried out as follows: BME (168 hectares), KRE (102 hectares) and PLE (320 hectares), a total of 590 hectares.

The postponement of the rubber replants in Bandar Pinang (BPE) and MAS Palembang (MASE) estates in 2019 was also extended into 2020, due to the ongoing low rubber commodity prices. At Bandar Pinang, the decision on the rubber to oil palm conversion meant that felling of all immature trees as well as low performing, older trees was carried out during the second half of the year. It made a total of 251 hectares completed, this land being planted with *Mucuna bracteata* ahead of planting to oil palm, which is due to start in 2024. At MASE the normal tree felling and land preparation operations continued during the last quarter of the year, with 223 hectares of work completed and planning for replanting to recommence in 2021.

2.1.3 Rubber estates

COMPANIES	RUBBER PLANTATIONS	MATURE HA	IMMATURE HA	RUBBER (TONNES) 2019	RUBBER (TONNES) 2020	YIELD 2020 RUBBER/HA (TONNES)
PT BANDAR SUMATRA	BANDAR PINANG	767	0	972	918	1.196
PT MELANIA	MAS PALEMBANG	2 011	674	2 379	2 695	1.340
TOTAL		**2 778**	**674**	**3 351**	**3 613**	**1.300**

Overall rubber production in 2020 rose by 8% compared with the previous year, at 3 613 tonnes from 3 351 tonnes dry rubber. The major factor in this increase in production is the improved yields at MASE, assisted by marginally lower incidence of the leaf blight disease, which has caused reduced defoliation and resulted in improved latex production. Apart from the normal wintering season, the canopy coverage was also slightly better this year compared with last year. In addition, for BPE, as the Company moves towards converting the existing rubber areas to oil palm, many areas that were not yielding economically were abandoned and not worth tapping. Areas that were coming into maturity this year were also not tapped and, along with all immature trees, were uprooted and the area cleared, which resulted in lower production compared to budget.

2.1.4 Palm oil mills

PALM OIL MILL	BUKIT MARADJA			PERLABIAN			UMBUL MAS WISESA		
CAPACITY (TONNES FFB/H)	30			55			40		
	2019	2020	Variance (%)	2019	2020	Variance (%)	2019	2020	Variance (%)
Actual throughput	30	27	-10.0	53	54	+1.9	41	40	-2.4
FFB processed (TONNES)	111 901	121 660	+8.7	200 950	179 502	-10.7	161 033	166 814	+3.6
Oil extraction rate (%)	23.91	23.37	-2.2	21.84	21.97	+0.6	23.75	23.11	-2.7
Kernel extraction rate (%)	5.08	4.91	-3.3	5.68	5.79	+1.9	3.76	4.06	+8.0

I. BUKIT MARADJA PALM OIL MILL (BMPOM)
BMPOM receives the fruit from BME and KRE. In 2020, there was an 8.7% increase in FFB processed compared with 2019, but an overall decrease in oil extraction rate (OER) of 2.2% and a decrease in kernel extraction rate (KER) of 3.3%. Heavy rains during the last quarter affected the OER, dragging the average result for the year down.

A total of 22 146 tonnes of compost was produced in 2020 compared with 22 345 tonnes in 2019, covering an application area of 1 551 hectares in 2020, at an application rate of 15 tonnes per hectare within the mature areas. 2020 has very much been a year of continuous improvement in the composting systems and practices at the site, in close co-ordination with the site's technology providers, Compost Advice and Analysis (CAA). The plan remains to replace the inorganic fertiliser requirements for BME and, based on the results of the leaf analysis work carried out by VBS, a reduction in the application of inorganic fertiliser was continued in 2020. It is expected that an additional benefit of the compost application will be an enrichment of the soil quality, and it is hoped that a subsequent yield improvement of up to 2 tonnes FFB per hectare will be achieved.

II. PERLABIAN PALM OIL MILL (PLPOM)

PLPOM receives the fruit from Perlabian (PLE) and Tolan estates (TLE) and, in 2020, there was a 10.7% decrease in FFB processed compared with 2019, and increases in OER and KER of 0.6% and 1.9%. The engineering department upgraded the boiler water treatment system in 2020 with a reverse osmosis water treatment plant, which will improve the quality of the boiler water and, in return, reduce wear and corrosion in the boilers.

Fruit from the old Marihat 'Dumpy' plantings with OERs of around 18% are still affecting the OER at PLPOM, whereas the fruit from the other planting materials was achieving and exceeding OERs of 23%, as expected. As the 'Dumpy' material constituted approximately 16% of the supply base in 2020, it is still causing issues with lower OERs, but the target is still to replace the 'Dumpy' planting material as a priority. The bioreactor methane capture system has operated well during the year, with the methane currently either being used in the boiler or flared.

III. UMBUL MAS WISESA PALM OIL MILL (UMWPOM)

UMWPOM receives the fruit from Umbul Mas Wisesa South (UMWS), Umbul Mas Wisesa North (UMWN) and Toton Usaha Mandiri (TUM) estates together with RSPO certified smallholders, and in 2020, there was a 3.6% increase in FFB processed compared with 2019 and a decrease in OER of 2.7% and an increase in KER of 8.0%. This decrease in oil extraction rate was very much related to lower oil content in the fruit.

The bioreactor methane capture plant operated well during the year. One of the key compliance issues of the HGU for UMW is the Company's commitment to buy smallholder fruit. The Company continued to work with its smallholder supply base during 2020. This has created the opportunity of continuing to process their fruit from the certified estate supply base as well as providing ongoing support, training and extension services to the surrounding communities. It has meant that all fruit processed by the UMW mill is RSPO certified and the palm products have been declared as identity preserved, attracting the premiums enjoyed by the other mills in the Group.

As part of the search for continuous improvement, the engineering department is constructing a torrefied biomass pellet plant to convert the EFB, which were previously considered a waste product, into a green and sustainable fuel source for sale on the international market. The pellet plant is due to be commissioned in February 2021, with full production expected in April 2021, and will generate revenue from the sale of the pellets for biomass and coal-fired power plants.

2.1.5 Rubber factories

RUBBER FACTORY	BANDAR PINANG			MAS PALEMBANG		
CAPACITY (TONNES RUBBER/H)	1.50			1.50		
	2019	2020	Variance (%)	2019	2020	Variance (%)
Actual throughput	1.24	1.42	+14.5	1.56	1.48	-5.1
Rubber processed (TONNES)	1 402	1 260	-10.1	1 852	2 038	+10.0

I. BANDAR PINANG RUBBER FACTORY (BPRF)

BPRF, which still processes the latex and second grade rubber from both Bandar Pinang (BPE) and Timbang Deli estates (TDE), performed below management expectations in 2020, with production of Ribbed Smoked Sheets (RSS) at 1 260 tonnes compared with 1 402 tonnes in 2019, or a 10.1% decrease. RSS production was lower than management expectations, largely due to defoliation of the rubber trees by *Pestalotiopsis*, as well as the removal of immature trees coming into maturity and older poorer performing trees as part of the planned rubber to oil palm conversion.

II. MAS RUBBER FACTORY (MASRF)

MASRF, which still processes the latex from MAS estate, performed below management expectations in 2020, but better than results achieved last year, with production of RSS at 2 038 tonnes compared with 1 852 tonnes in 2019, or a 10.0% increase. RSS production was lower than management expectations due to defoliation of the rubber trees by *Pestalotiopsis*, but this in turn was not as severe as in 2019.

2.2 Bengkulu

4 336
Workers

33%
Total planted land area

22 450
Hectares across 13 estates

143
Staff members

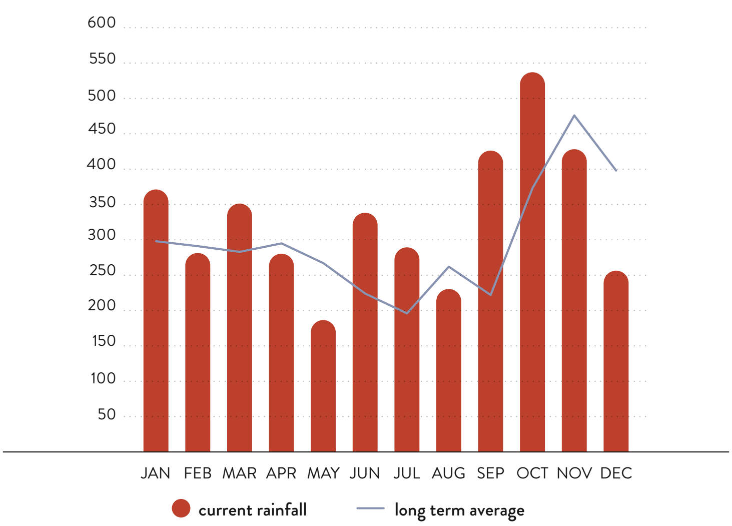
With management responsibility for 12 oil palm estates, 2 palm oil mills, a palm oil bulking station, 1 rubber estate and 1 crumb rubber factory, Bengkulu represents over a third of the FFB production of the total Indonesian operations. The 13 estates of Bengkulu cover 22 450 hectares or 33% of the total planted land area in oil palm and rubber, employing 143 staff and 4 336 workers.

2.2.1 Rainfall

The 2020 rainfall averaged out at 3 974 mm for the year versus the long-term average across the Bengkulu region of 3 585 mm, showing a surplus of 11%. This is in stark difference from the results of 2019, where the region averaged 2 840 mm, a huge surplus of 40% for this year.

After the long drought experienced in the second half of last year, the weather pattern across the whole Bengkulu region this year has been much more conducive to palm growth and development, and supportive of production. As expected, a dip in yields occurred during the third quarter, as a stress reaction by the palms to last year's drought, but more unexpectedly, this dip also lasted through the fourth quarter. With the

BENGKULU 2020 RAINFALL VS. AVERAGE (IN MM)



exception of Bunga Tanjung (BTE) and Air Bikuk (ABKE), all estates are showing healthy surpluses for rainfall versus the long-term average and, in most cases, increased rainy days too, which also benefit palm growth. However, the rain intensity increased towards year end as the monsoon season, impacted by the developing La Niña weather pattern, brought excessive rain. This caused floods and damage to estate infrastructure, especially the roads, bridges and culverts in some of the OUs. Another negative impact of the high rainfall towards the end of the year was lowering palm OER, which fell below 2019 annual average levels at both mills in the region.

2.2.2 Oil palm estates

COMPANIES	PALM PLANTATIONS	MATURE HA	IMMATURE HA	FFB (TONNES) 2019	FFB (TONNES) 2020	YIELD 2020 FFB/HA (TONNES)
PT AGRO MUKO	SEI KIANG	1 942	0	28 709	30 838	15.88
	TALANG PETAI	1 905	370	35 351	33 151	17.40
	TANAH REKAH	2 212	832	53 970	50 131	22.67
	MUKOMUKO	3 277	394	68 293	80 611	24.60
	SEI BETUNG	1 292	0	29 643	30 017	23.23
	BUNGA TANJUNG	2 312	0	42 297	43 079	18.63
	AIR BIKUK	933	281	10 608	13 650	14.63
	AIR BULUH	2 171	0	46 512	51 696	23.81
PT MUKOMUKO AGRO SEJAHTERA	AIR MANJUNTO	882	99	10 654	12 534	14.22
	MALIN DEMAN	632	0	13 194	14 964	23.69
	SEI TERAMANG	115	220	2 346	1 241	10.80
	BATU KUDA*	1 219	0	0	633	0.52
TOTAL		**18 891**	**2 196**	**341 577**	**362 545**	**19.19**

*Note: Management of new acquisition Batu Kuda estate was effective September 2020.

Overall FFB yields in 2020 increased by 6.14% compared with the previous year, at 362 545 tonnes up from 341 577 tonnes. Despite the expected stress reaction from the palms to last year's drought, consistent rainfall throughout most of the year enabled the Bengkulu region to mount a recovery in yields. The young mature palms have continued to perform very well and this underlines the importance of maintaining the replanting program, where funds permit. Older palms yielding 18 tonnes FFB per hectare were replaced with newer, more vigorous and productive planting material, yielding over 28 tonnes FFB per hectare by the fourth year of maturity. The Bengkulu management team also deserves high praise for their handling of the covid-19 pandemic, which enabled upkeep, harvesting and all downstream procedures to carry on normally. The response from staff and workers to management's requests and instructions was extremely professional.

I. WORKERS

Worker availability in Bengkulu continues to be more challenging than in North Sumatra, due to the more remote locations and challenging terrain, and the significant areas of taller palms here which are physically and technically more difficult to harvest. As part of the strategy to manage these challenges, the methodology for setting standard daily productivity targets, as well as achieving premium payments for increased productivity, were introduced last year. They have been well-received by the tall palm harvesters, allowing them to increase their daily take-home pay with minimal impacts on the cost of production, as daily tasks have also increased.

One advantage of having several OUs under one company (PT) is that, as plans for the conversion of SJE from rubber to oil palm took place during the second half of the year, excess workers who wanted to remain with the Company could be transferred to other estates. This was carried out following full discussions, consent and agreement from the workers. A total of 65 workers were transferred to oil palm estates across the job functions of upkeep, ablation, harvesting and general duties, where they will all receive full training and support to adapt to the new crop and different work practices.

The relationship with the Workers' Union remains constructive in Bengkulu and regular meetings between the Company and the Union are held. The concept of the workers' co-operatives providing supermarket shops and FLs for short-term contracts and seasonal work was introduced here in 2018, and has continued successfully across Bengkulu throughout 2020. In 2019, a total of USD 88 650 was distributed as dividends to the membership of 3 277. The co-operative's financial records and performance for 2020 are currently undergoing the routine audit, and the annual general meeting will be held in March 2021, at which time the profits and dividend payments will be declared.

As with the rest of the Company, security services have been outsourced from SSI, a third-party security service provider, since April 2018. During 2020, SSI became fully established across all OUs and provides stringent control over security matters. Despite some of the challenges posed by the local elections and provocation concerning the ongoing HGU renewal processes, the overall security situation for Bengkulu has been quiet and well-managed. There are 258 personnel providing security coverage for Company estates, emplacements and engineering infrastructure.

II. FERTILISER

The manuring program for all estates was completed by year end in line with recommendations. Availability of adequate manpower and storage capacity, improved field access, and timely delivery of fertilisers enabled the estates to complete on time, despite the pressures of increased rainfall during the second half of the year. A total of 15 253 tonnes of various fertilisers was applied, compared with 16 781 tonnes last year. The fertiliser recommendations for all areas are provided by VBS based on the nutrient analysis of leaf and rachis samples, as well as soil properties and nutrient status. This is to provide the optimum economic response to applications of fertiliser, which is the single most expensive input in estate upkeep costs.

A total of 2 712 hectares were mulched with EFB during 2020, consisting of both mature (at 40 tonnes per hectare) and immature (at 25 tonnes per hectare) oil palms. The bulk of the EFB produced was applied in the immature fields to boost root development and promote vigorous palm growth for improved early yield production.

III. PESTS AND DISEASES

Unlike North Sumatra, there is generally very little impact on the Bengkulu estates from pests or diseases, although vigilance must be maintained as periodic attacks from the rhino beetle (*Oryctes*) in some of the replants are experienced.

In recent times, there has been an increase in local rat populations, and, in response, 185 barn owl boxes (BOB) have been built and placed in mature and immature fields as a biological control over the rat populations. The occupancy rate is 50% of the total BOB erected in the fields. Use of chemical baiting is expected to be gradually reduced in coming years, once the population of owls builds up.

The Company IPM program is also followed here, whereby beneficial plants such *Cassia cobanensis*, *Turnera subulata* and *Antigonon leptopus* are established in oil palm fields to attract predators and parasitoids, to naturally suppress pests of oil palm such as bagworms and nettle caterpillars, and to minimise the use of chemical treatments.

IV. REPLANTING

With a generally older age profile of palms across the Bengkulu Region, it is the Company's intention to pursue the replanting initiative of 4-5% of the planted area per year. This is to leverage returns by replacing the older, lower yielding palms, which are tall and more challenging to harvest, with modern, high yielding planting materials, which also give improved OER.

However, following the depressed palm oil prices in 2019, management decided to postpone the replant program in 2020 to focus financial resources on the developments in South Sumatra. The only exception was the ongoing rehabilitation of the Sei Teramang acquisition, where 114 hectares of replanting was completed during the year. The opportunity was taken during the replanting exercise to improve the palm spacing to minimise etiolation, and improve field accessibility by the realignment and repositioning of the existing road system to enhance operational efficiencies and future mechanisation initiatives. It is planned to restart the replanting program in 2021, with 946 hectares scheduled across four estates throughout the year.

V. HAK GUNA USAHA (HGU) RENEWAL

An ongoing challenge on the Bengkulu landscape remains the renewal of the existing land cultivation permits, known locally as the HGUs which is the legal right to work on land. This process is directly controlled by the Indonesian state. A HGU is granted for a period up to a maximum of 35 years and may be extended for a maximum period of 25 years. The process is being spearheaded by the Company legal and corporate affairs department, with some of applications currently being considered at ministerial level and others following the normal renewal process. With travel restrictions in place during the covid-19 pandemic, some of the administrative processes have been delayed, but this is not considered to be a problem.

The requirement of companies to show a 20% Plasma commitment, even for HGU renewals, has posed many challenges and resulted in some innovative responses from the teams on the ground. For the Bengkulu region, there are four concepts now in place, namely:

a. Existing village community gardens (KMD) – These village schemes that currently form part of the Bengkulu supply base qualify as part of the Plasma requirement.
b. New planting/replanting – Interested communities or individuals will form partnerships with the Company, which will assist in developing or replanting their land.
c. Purchase of fruit – The Company will partner with existing smallholders and enter into a fruit purchasing arrangement, in return for their agreement to add their land area to its registered Plasma supply base.
d. Provision of seedlings – The Company will provide discounted oil palm seedlings to communities who wish to develop their own land, in return for their agreement to add their land area to its registered supply base.

VI. MIGRATION TO PERUSAHAAN LISTRIK NEGARA (PLN) ELECTRICITY

The migration from diesel generators to the national grid (PLN), as a source of electricity for most of the Bengkulu region's estates, has reduced the annual diesel usage tremendously. Households have been connected to the PLN grid and workers purchase their electricity via tokens, with an allowance provided by the Company. The savings in diesel far outweigh the cost of the allowances, and the PLN power supply has been regular with only minimal interruptions. In real terms, the Bengkulu region has saved 1.41 litres of diesel per tonne FFB for the year compared with 2019, equating to over 500 000 litres.

2.2.3 Rubber estate

COMPANY	RUBBER PLANTATION	MATURE HA	IMMATURE HA	RUBBER (TONNES) 2019	RUBBER (TONNES) 2020	YIELD 2020 RUBBER/HA (TONNES)
PT AGRO MUKO	SEI JERINJING	1 363	0	2 143	1 686	1.237

Overall rubber production fell by 21% compared with last year, at 1 686 tonnes dry rubber down from 2 143 tonnes dry rubber. The widespread and severe infection of leaf blight across the estate during the year was the main factor that affected production. Re-infection of new leaves was also noted, and this prolonged the period of infection; hence, the stimulation program could not be effectively undertaken to boost production.

As part of the decision to plan for the conversion of the estate from rubber to oil palm, management decided to cease tapping operations in older rubber areas of 279 hectares, as the yields were very poor, making the production cost per kilogram very expensive and uneconomical to carry on with further exploitation. This, together with the felling and uprooting of all immature trees, including those due to come into maturity during the year, also had a negative impact on crop production.

2.2.4 Palm oil mills

PALM OIL MILL	MUKOMUKO			BUNGA TANJUNG		
CAPACITY (TONNES FFB/H)	60			30		
	2019	2020	Variance (%)	2019	2020	Variance (%)
Actual throughput	56	59	+5.3	30	30	+/-0
FFB processed (TONNES)	231 041	242 611	+5.0	123 852	134 445	+8.6
Oil extraction rate (%)	24.42	23.48	-3.9	23.53	22.50	-4.4
Kernel extraction rate (%)	4.69	4.52	-3.6	5.04	5.05	+0.2

I. MUKOMUKO PALM OIL MILL (MMPOM)

MMPOM receives the fruit from Mukomuko (MME), Sei Betung (SBE), Tanah Rekah (TRE), Talang Petai (TPE) and Sei Kiang (SKGE) estates. In 2020, a 5.0% increase in FFB processed compared with 2019 was seen, an overall decrease in OER of 3.9% and a decrease in KER of 3.6%. The heavier rainfall, particularly during the last four months of the year, negatively impacted crop quality and pulled the average performance down. Capital and maintenance programs were well managed and completed as per schedule.

The biogas plant continued to function well during the year, with methane being used as a fuel source in the rubber dryers at Mukomuko crumb rubber factory (MMCRF), and also in the biogas generator to supply electricity to PLN and as required for internal use. During 2020, the biogas generator produced a total of 3 227 427 kilowatt hours of electricity, of which 1 048 740 kilowatt hours were exported to PLN and 2 178 687 kilowatt hours were used internally, which reduced the reliance on fossil fuels.

II. BUNGA TANJUNG PALM OIL MILL (BTPOM)

BBTPOM receives the fruit from Bunga Tanjung (BTE) and Air Bikuk (ABKE) and Air Buluh (ABE) estates and, in 2020, an 8.6% increase in FFB received compared with 2019 was seen, an overall decrease in OER of 4.4% and increase in KER of 0.2%. As with the MMPOM, this mill also suffered the negative impacts on crop quality from the heavy rainfall towards the end of the year, but as an additional contributing factor, the supply base for this mill is largely from older planting materials from the tall palm areas of BTE and ABE. Both these estates contribute approximately 70% of the total crop processed at BTPOM. This further underscores the importance of adhering to the planned replanting program.

The mill is rated at a throughput of 60 tonnes FFB per hour, but is operating at half capacity, achieving 30 tonnes FFB per hour in 2020, which is in line with the throughput of 2019. This is a historical issue where, at the time of construction, the Company was obliged to build a mill of this size to theoretically cater for smallholder fruit, a requirement which dissolved with the advent of a number of independent mills in the area.

It is expected that the recently purchased Batu Kuda estate (BKE) will eventually supply its FFB to Bunga Tanjung palm oil mill, once RSPO certification is achieved.

Mill processing performance was well controlled during the year, with oil losses well within acceptable parameters and repair and maintenance programs following in line with schedule.

This mill does not currently have a methane capture plant, as the reduced fruit throughput does not support the investment in the necessary infrastructure, but it is a possibility for the future once additional fruit through the mill can be secured.

2.2.5 Rubber factory

CRUMB RUBBER FACTORY	MUKOMUKO		
CAPACITY (TONNES RUBBER/H)	0.50		
	2019	2020	Variance (%)
Actual throughput	0.51	0.48	-5.9
Rubber processed (TONNES)	2 669	2 349	-12.0

I. MUKOMUKO CRUMB RUBBER FACTORY (MMCRF)

MMCRF, which processes the latex and second grade rubber from Sei Jerinjing (SJE) as well as the second-grade rubber from MASE in Palembang, had a challenging year in 2020. This was due to lower production caused by defoliation of the rubber trees by leaf blight, as well as the reduced production from SJE, as part of the measures taken in preparation of the rubber to oil palm conversion. The factory produced a total of 2 349 tonnes rubber in 2020 against 2 669 tonnes in 2019, a 12% decrease.

2.3 South Sumatra

28%
Total planted land area

3 420
Workers

158
Staff members

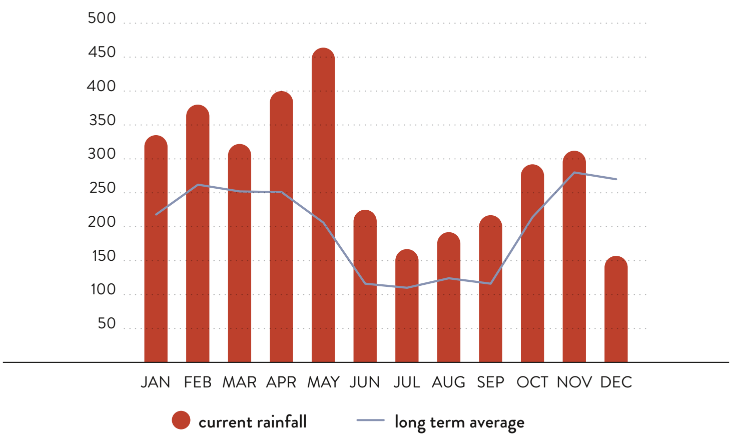
18 790
Hectares across 10 estates

With management responsibility for 10 oil palm estates and 1 palm oil mill, the new development and rehabilitation projects of South Sumatra currently represent a growing percentage of the FFB production of the total Indonesian operations. The 10 estates of South Sumatra cover 18 790 hectares or 28% of the total oil palm and rubber planted land area, employing 158 staff and 3 420 workers.

2.3.1 Rainfall

The 2020 rainfall averaged out at 3 464 mm versus the long-term average across the South Sumatra region of 2 418 mm for the year, corresponding to a surplus of 48%. When compared with the drought year of 2019 when 2 237 mm fell, it is a surplus of 55%, such a dramatically different result from last year.

SOUTH SUMATRA 2020 RAINFALL VS. AVERAGE (IN MM)



The 2019 drought caused considerable stress to the younger palms and negatively impacted average bunch weights for the fruit, as well as delaying the ripening of the maturing 2017 planted palms during 2020. Crop production was significantly impacted during the first three quarters, despite the good rainfall, but the fourth quarter saw a strong recovery, which bodes well for 2021.

2.3.2 Oil Palm Estates

COMPANIES	PALM PLANTATIONS	MATURE HA	IMMATURE HA	FFB (TONNES) 2019	FFB (TONNES) 2020	YIELD 2020 FFB/HA (TONNES)
PT AGRO MUARA RUPIT	AMR West	888	2 059	1 915	3 916	4.41
	AMR East	1 490	1 023	3 692	6 962	4.67
	AMR South	0	0	0	0	0.00
	AMR 3	0	0	0	0	0.00
PT AGRO RAWAS ULU	ARU West	702	326	2 344	4 143	5.91
	ARU East	844	580	5 852	10 043	11.90
PT AGRO KATI LAMA	AKL North	1 212	293	4 936	8 805	7.26
	AKL South	2 161	323	14 261	19 575	9.06
	AKL East	0	0	0	0	0.00
PT DENDYMARKER INDAH LESTARI	Sei Liam	1 472	1 500	13 708	13 049	8.86
	Sei Mandang	764	3 154	22 231	14 993	19.62
TOTAL		9 532	9 258	68 939	81 486	8.55
ADJUSTMENT OF REPORTED PRODUCTION					1 081	
TOTAL PRODUCTION					82 567	

Overall total FFB production in 2020 rose by 18% compared with the previous year at 81 486 tonnes, up from 68 939 tonnes. The combined effect of an increasing mature area continues to be seen, as young palms start yielding (9 532 hectares mature in 2019 up from 8 331 hectares last year), as well as an increasing yield profile in the growing young mature palms. The younger palms fell short of management expectations this year as they dealt with the drought stress experienced in 2019. The advantage of removing older, less productive palms from Sei Mandang estate (SME) at Dendymarker Indah Lestari (DIL) as the replant continues there, is also being seen.

2.3.3 New development (Musi Rawas Estates)

I. LAND COMPENSATION

Land compensation activities continued across all the Musi Rawas estates during 2020, despite the numerous challenges posed by the covid-19 pandemic. The teams continued to carry out their job responsibilities in a safe and cautious manner, and by year end had achieved an impressive 1 031 hectares of compensation, bringing the total to date up to 15 064 hectares.

One significant obstacle to development during the year was within the three newly acquired *Izin Lokasi* of AKL-East, AMR-South and AMR-3, a total available land area of 8 594 hectares, where it is hoped that a minimum of 4 298 hectares will be developed. These potential developments have had to be re-assessed through the changing New Planting Procedure (NPP) rules of the RSPO, involving re-engagement of third-party, independent consultants to do further studies on high carbon stock (HCS) vegetation, land use change, community engagement and interpretation of 'Go/No Go' areas. Whilst these studies are ongoing, the Company is prohibited from conducting any land preparation. Although land compensation is permissible, local landowners have been reluctant to sell, knowing that the Company is not yet able to develop it, and they will therefore hold out for higher land prices. Some compensation was carried out (58 hectares) in the new areas during the year, but this fell well short of management expectations and plans. It is hoped that all of the necessary approvals will be secured by the middle of 2021, at which time land compensation, clearing and development can take place.

II. PLANTING

Planting operations continued strongly during the year, with all of the heavy equipment contractors remaining supportive and committed to working in a covid-safe way. Across the three original projects, a total of 1 719 hectares were planted during 2020, comprising 1 416 hectares of *Inti* and 303 hectares of Plasma. This brings the project totals to 13 516 hectares planted to date, comprising 11 900 hectares of *Inti* and 1 616 hectares of Plasma.

The planting efforts for the Musi Rawas and DIL projects were well supported by the two large nurseries at AKL North and ARU East. Seed deliveries continued in 2019 and throughout 2020, allowing a regular supply of well grown seedlings to be available to the field. As at December 2020, both nurseries have combined stocks of 1 000 000 seedlings growing, enough to plant over 5 000 hectares. The Company is well prepared once the green light from the RSPO on the new projects is received.

III. UPKEEP AND INFRASTRUCTURE

As the projects make the transition from new developments into more settled, productive estates, there is growing pressure to invest in and provide the necessary infrastructure to support staff and workers in carrying out their daily activities, and ensuring that fruit can be effectively harvested from the field and transported to the mill. Unfortunately, due to low palm oil prices in 2019, the available funds for non-planting capital expenditure were restricted in 2020, and the year saw progress with a small number of projects associated with bridges, culverts, fire watch towers (as part of the ongoing program for legal compliance), four workers' houses and a 'long house'. Thankfully, with stronger prices experienced in 2020, plans for a more ambitious building program have been approved for 2021.

IV. HUMAN RESOURCE MANAGEMENT

The year of 2020 saw a small number of grievances raised by external parties regarding their views on the Company's handling and management of contract workers. At all times, the Company has been fully compliant with Indonesian law and, despite the numerous challenges and pressures of maintaining a trained workforce within a project setting, 100% of harvesters across all of the projects were converted to permanent staff during the year. The Company prides itself on its ongoing community engagement and corporate social responsibility. Union membership is growing, and workers' co-operatives are being established on the projects, following the successful models across North Sumatra and Bengkulu.

The status of progress with the Musi Rawas new development projects as at the end of December 2020 is summarised below:

DESCRIPTION (HECTARE)	ORIGINAL PROJECTS				NEW PROJECTS				GRAND TOTAL
	AKL	ARU	AMR	SUB TOTAL	AMR 3	AMR S	AKL E	SUB TOTAL	
Izin Lokasi original	10 500	9 000	12 309	**31 809**	1 303	4 201	3 173	**8 677**	**40 486**
Izin Lokasi revised	6 590	5 712	12 305	**24 607**	1 303	4 201	3 090	**8 594**	**33 201**
OWN (INTI)									
Compensated area [1]	4 509	3 235	6 896	**14 639**	33	247	144	**424**	**15 064**
Identified area for development	-13	-15	811	**784**	510	1 503	1 144	**3 157**	**3 940**
Potential area for development	4 496	3 220	7 707	**15 423**	543	1 750	1 288	**3 581**	**19 004**
THIRD PARTIES (PLASMA)									
Incorporated area [2]	575	529	1 256	**2 360**	0	0	0	**0**	**2 360**
Identified area for development	324	115	285	**724**	109	351	257	**717**	**1 441**
Potential area for development	899	644	1 541	**3 084**	109	351	257	**717**	**3 801**
TOTAL POTENTIAL AREA	**5 395**	**3 864**	**9 284**	**18 507**	**652**	**2 101**	**1 545**	**4 298**	**22 805**
TOTAL ACQUIRED AREA [1] + [2]	**5 084**	**3 764**	**8 152**	**17 000**	**33**	**247**	**144**	**424**	**17 424**
PLANTED/CLEARED									
Own Planted	3 989	2 452	5 459	**11 900**	0	0	0	**0**	**11 900**
Third parties planted	602	481	533	**1 616**	0	0	0	**0**	**1 616**
Land cleared - not planted	70	24	405	**499**	0	0	0	**0**	**499**
TOTAL PLANTED/CLEARED	**4 661**	**2 956**	**6 398**	**14 014**	**0**	**0**	**0**	**0**	**14 014**
% Secured area vs. acquired	92%	79%	78%	**82%**	0%	0%	0%	**0%**	**80%**
% Secured area vs. potential	86%	77%	69%	**76%**	0%	0%	0%	**0%**	**0%**
HEADCOUNT									
Estate + RMO staff	49	20	38	**107**	0	5	5	**10**	**117**
Estate + RMO workers	1 057	480	1 002	**2 539**	0	3	6	**9**	**2 548**
TOTAL EMPLOYEES	**1 106**	**500**	**1 040**	**2 646**	**0**	**8**	**11**	**19**	**2 665**

Note: For AKL and ARU (Original Projects), the land compensation hectares exceeded the initial potential areas identified.

2.3.4 Rehabilitation at Dendymarker Indah Lestari (DIL)

Following the 2017 acquisition of this distressed asset, the ongoing rehabilitation program continued during 2020. This was as the Company strived to impose normal Tolan Tiga management standards across the estates and to pursue the program of replanting, in line with industry best management practices on these predominantly organic soils estates.

On SME, additional funds were made available for the Company to push on with the replanting program. A further 1 366 hectares were replanted during the year to add to the 1 788 completed previously, bringing the total area replanted on the estate to 3 154 hectares. This was an exceptional effort by the teams on the ground, especially against the backdrop of the covid-19 pandemic. It leaves another 764 hectares to be done in 2021 to complete the full replant of the estate. With the improved drainage, modern, productive planting materials and re-invigorated access, it is expected that these areas will become high producing contributors to Company profitability.

On Sei Liam estate (SLE), the situation was much more testing during the year, as work continued on securing rights to an area of approximately 2 000 hectares to the north-east of the estate. Whilst this area is within the HGU, it was heavily encroached upon during the previous owner's tenure, and a process of land compensation within the HGU, known locally as '*Tali Asih*', has to take place. These areas are subject to a multitude of claims, disputes and distorted ownership records, further complicated by local provocateurs using the situation for political gain and posturing. As always, the Company takes a firm and consistent approach to try to resolve these issues, involving all of the local stakeholders, and this is yielding slow but steady results. During 2020, a total of 433 hectares was compensated, adding to the 682 hectares previously achieved and bringing the total to 1 115 hectares. It is expected that another 500 hectares can be secured in the north-eastern section of the estate next year and simultaneously replanting can be begun in the older sections of the estate.

The final element of the rehabilitation is the restructuring and replanting of Plasma on Sei Rupit estate (SRE). This has been a complex and emotive issue, involving hundreds of individuals from the nine surrounding villages and representing the 2 781 planted hectares. A time-consuming but vital process of community engagement, which started in 2019, continued during the year to ensure that full free, prior and informed consent (FPIC) was achieved. Research and verification of land ownership, drafting of memoranda of understanding (MOUs) and the roles and responsibilities of both the Company and Plasma members were confirmed in the first quarter of the year. Felling and drainage work started at the beginning of May, with the first palms being planted at the beginning of July. The work accelerated during the rest of the year with the teams achieving the management target of 553 hectares planted by the end of the year. This is expected to continue with the full replanting of the Plasma estate over the next five years.

2.3.5 Palm oil mill

PALM OIL MILL	DENDYMARKER
CAPACITY (TONNES FFB/H)	20

	2019	2020	Variance (%)
Actual Throughput	20	20	+/-0
FFB Processed (TONNES)	73 784	81 525	+10.5
Oil Extraction Rate (%)	20.67	21.46	+3.8
Kernel Extraction Rate (%)	4.07	3.84	-5.7

I. DENDYMARKER PALM OIL MILL (DMPOM)

DMPOM receives the fruit from SLE, SME, SRE, Agro Muara Rupit (AMR), Agro Rawas Ulu East (ARU E), Agro Rawas Ulu West (ARU W), Agro Kati Lama South (AKL S) and Agro Kati Lama North (AKL N) estates. In 2020, there was an increase of 10.5% in FFB processed compared with 2019, an overall increase in OER of 3.8% and a decrease in KER of 5.7%. The increasing proportion of higher quality fruit from the Musi Rawas estates, coupled with the decreasing volumes of aged fruit from the tall palms of SME, have been the main contributors towards the gains in the OER year on year.

The engineering department worked hard during the year to complete capital works aimed at improving the throughput and efficiency of the mill, and also the expansion of the mill from 20 tonnes FFB per hour to 60 tonnes FFB per hour. The majority of the expansion work will be completed in 2021 with a scheduled completion date of 31st March 2022.

2.4 West Java

1 962
Workers

2%
Total planted land area

14
Staff members

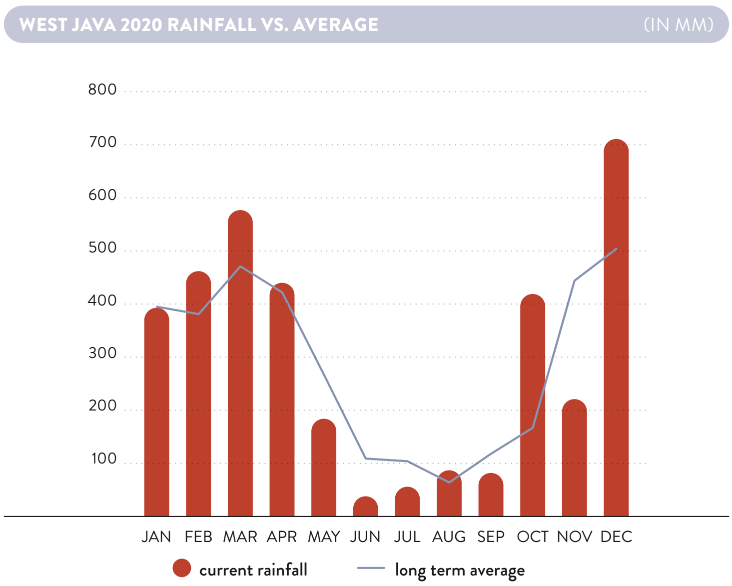
1 786
Hectares across 1 estate

With management responsibility for 1 tea estate and 1 tea factory, the activities in Java currently represent a very small percentage of the Indonesian operations' overall production. The tea estate in Java covers 1 786 hectares or 2% of the total planted land area, employing 14 staff and 1 962 workers.

2.4.1 Rainfall

The 2020 rainfall was 3 670 mm versus the long-term average for Cibuni of 3 446 mm per year, a surplus of 6.5%. This massive increase of 46% compares very favourably with the drought year of 2019, when 2 519 mm fell.

Rainfall on the estate for the whole year was reasonably well aligned with the normal monthly long-term averages. The tea crop generally requires 2 mm of rain per day and five hours of sunshine to be at its most productive, and the sunshine hours data was also in line with long-term averages, further supporting tea growth.



2.4.2 Tea estate

TEA PLANTATION	MATURE HA	IMMATURE HA	TEA (TONNES) 2019	TEA (TONNES) 2020	YIELD 2020 TEA/HA (TONNES)
CIBUNI	1 744	43	2 331	2 664	1.528

Overall tea production rose by 14% compared with last year at 2 664 tonnes, up from 2 331 tonnes. The conducive climatic conditions during 2020 supported and promoted optimal tea growth and that, combined with management controls over plucker numbers, plucking intervals, pruning and quality parameters, meant that the better results were achieved. Production would have been higher but for the impact of a very wet December, which saw 30 days of rain, impacting plucking and crop recovery.

I. WORKERS

Java is Indonesia's most populated island and the area most prone to the transmission of covid-19. Despite the relative isolation of the estate up in the mountains, the management team must be commended on their vigilance and management during the pandemic, taking the necessary precautions to keep the estate and factory workers and all their families safe.

Hand-plucking of tea remains a labour-intensive enterprise and at year-end, the estate and factory employed 1 976 people (staff and workers). Plucker numbers were generally maintained during the year, which saw 55 of the longer-term pluckers retire. The estate continued with its program of intensive training and focus on plucking quality to drive productivity, and this was against a Government defined wage increase of 8.2%. The collective agreement between the Company and the Labour Union expired in December 2020, but the union agreed to defer negotiations and extend the expired agreement for one year, due to the covid-19 situation. Salaries for all permanent and contract workers were paid directly to their BRI bank accounts, providing increased security and transparency for all employees.

The Cibuni Workers' Co-operative continued to provide credit facilities for basic essential commodities such as rice, sugar, cooking oil, eggs, wheat, salt, coffee, milk, noodles, cookies, soap, textiles, etc. to all workers. The Co-operative's profit for 2020 was IDR 158 181 856 or 12% above the 2019 results.

With the incumbent estate manager approaching retirement, Company management decided to engage an experienced expatriate senior manager to review the tea estate and factory practices and procedures, with the goal of finding improvements in yields, efficiency and profitability. Despite the challenges posed by the pandemic, an international recruitment campaign was conducted during the year and an Indian tea planter with 24 years' experience in India, Uganda and Rwanda was appointed and arrived in Indonesia, together with his family, in November.

II. FERTILISER

The estate applied 1 004 tonnes of fertiliser against a full recommendation of 1 009 tonnes, a deficit of 0.5%. The more normal weather pattern during the year meant that fertiliser applications were able to closely follow the program, and there were no issues reported that hindered application.

III. PESTS AND DISEASES

With the travel restrictions imposed by the pandemic, Cibuni was not able to engage the services of Dr Suzanne Neave, a visiting consultant from CAB International (CABI), managed through Company research partner VBS. Her work has proven to be an invaluable resource to help the estate teams develop an IPM program from the wide and varied pests and diseases that infect the tea crop each year. The fundamentals of the IPM strategy are combining cultural, physical, biological and chemical controls together in a targeted way, that is applied with a greater understanding of the life-cycle of each pest and disease. By following these principles, a progressive reduction was seen in the hectarage of pests and diseases treated (-21% from 2018 to 2020), as well as a reduction in chemical usage of 17% for the same period.

IV. REPLANTING

The economic lifespan of tea is much longer than oil palm or rubber, with replanting taking place 80 years or more after planting. As a result, the hectares per year being replanted are much smaller than with the other commodities and, in 2020, some 12.0 hectares were replanted, which was a carry-over from the 2019 program.

V. SMALLHOLDERS

As with all commodities in Indonesia, the tea estate is tasked with finding a Plasma component equivalent to 20% of the HGU hectarage to ensure a successful renewal of the HGU. To date, the estate has secured 200 hectares of the target 411 hectares. Efforts continue to increase smallholder numbers to achieve the target area.

The estate purchased 440 tonnes green leaf from smallholder farmers in 2020. However, the quality of the green leaf procured was not satisfactory. Efforts are being made to improve the quality of smallholder green leaf by providing training in quality identification, plucking and storage.

2.4.3 Cibuni Tea Factory

TEA FACTORY	THROUGHPUT		TONNES TEA		
	RATED	ACTUAL	2019	2020	VARIANCE (%)
CITF	0.86	0.86	2 331	2 762	+18.5

The factory processed 13 563 tonnes of green leaf to produce 2 664 tonnes of made tea in 2020. This compares to 11 210 tonnes of green leaf to produce 2 331 tonnes of made tea in 2019 or a 14.3% increase compared with 2019. Since August this year, the tea factory has processed 440 tonnes of green leaf from smallholders to produce 98 tonnes made tea.

2.5 Medan Head Office and service departments

I. HEAD OFFICE AND MANAGEMENT TEAM

During 2020, the executive team in Indonesia continued to be led by the president director, Adam James, who has occupied the position since 2011. He is supported by the senior executive management team consisting of directors and heads of department, collectively known as the executive committee (ExCom). Due to the impacts of the covid-19 pandemic, the ExCom met monthly via video link to review progress across a range of performance indicators and to guide Company strategy in response to social, environmental, business and legal influences and challenges. The ExCom meeting also forms the basis of communications across the large geographical spread of the Indonesian operations and the varying number of departments and disciplines. Another impact of the pandemic was the introduction of an alternating 50% work-from-home program for the support staff at Head Office in Medan. Whilst the directors and department heads came into work each day, half of the remaining 80 support staff attended the office each day to promote social distancing and reduce the transmission risk of covid-19.

2020 saw stability in the directors' positions with all Company directors, regional directors and senior staff remaining in Indonesia to help guide the Company through the pandemic, providing assurance, instruction and direction to ensure that all OUs continued to function safely, productively and sustainably. Despite the challenges posed by the pandemic, the Company also took the opportunity during the year to recruit a number of expatriate staff to further strengthen the management team, as well as for the purpose of succession planning as follows:

A. Estate manager, SBE, Bengkulu - Changes to the immigration regulations mean that expatriates can now occupy the position of manager. The manager transferred from Hargy Oil Palms Ltd in February 2020.

B. Senior field manager, Bengkulu region - As part of the succession planning for staff due to transfer to Musi Rawas, he arrived in October 2020, bringing with him experience from Malaysia, Indonesia and Africa.

C. Senior field manager, Cibuni tea estate - As part of management's plans to search for improvements in yields, practices and profitability, he arrived in November 2020, bringing with him experience from India and Africa.

D. General manager IT – Following the resignation of the IT manager, he arrived in December 2020, bringing with him a wide range of European experience.

E. Senior technical manager, South Sumatra – With the continuing expansions in South Sumatra, there is a requirement for both the expansion of the DILPOM and construction of two new mills in the coming years. He brings with him project experience from Malaysia and Indonesia. He is due to arrive in the course of February 2021.

F. Engineering manager – Part of the Company strategy to introduce young expatriates into the business, this manager is also due to arrive in February 2021 and will be based in the Bengkulu region.

II. HUMAN RESOURCES DEPARTMENT

The Company-wide executive team comprised 567 staff by the end of December 2020, a decrease of 6% over the 2019 figure of 601, despite the Company's continuing growth. This was a result of halting the cadet intake due to the covid-19 pandemic. Gender representation remains one of the key focus areas for all Company Indonesian operations, and 2020 saw 84 of the executive positions filled by women (15%). Of the 567 executive staff, 17 are expatriates and the balance 550 Indonesian nationals.

Motivation, Company spirit and team building remain important pillars of SIPEF's business in Indonesia; however, 2020 presented circumstances that sorely tested these ideals, not only for Tolan Tiga but for businesses across the world. The normal annual managers' meeting, Company picnic, regional social gatherings or *arisans*, golf and tennis tournaments, and the annual dinner were all cancelled due to the pandemic. Site visits from the Medan Head Office teams and planned visits by the managing director, as well as the board of directors from Antwerp, were also all cancelled during the year. Many of staff spent months on site without seeing their families, to ensure that Company operations continued unaffected. This bears testament to the Company's enduring corporate culture.

The planned recruitment of 45 new employees for the rolling two-year **cadet training program** was cancelled in 2020, due to travel restrictions imposed by the pandemic. The 2019 intake of 43 cadets continued with their training, although following a modified curriculum in terms of field rotations. The success of this program, which has been running since 2011, has meant that the Company is well placed to make internal appointments and promotions from a core of well-trained and experienced young men and women, who are familiar with the Tolan Tiga management practices.

III. MEDICAL DEPARTMENT

The provision of appropriate medical care to all employees and their dependents remains a key concern, with this year more important than most. At the end of December 2020, some 35 417 people (Company workers and their dependents) were registered as participants in the national health and insurance scheme, known locally as BPJS. Company medical clinics have been registered as part of the BPJS framework, and this consists of a network of 25 polyclinics, 22 visiting doctors and 53 paramedics (28 midwives and 25 nurses).

The Company doctor, who has had a pivotal role in guiding the Company through the minefield of regulations, recommendations and behaviours associated with covid-19, deserves high praise and special commendation for his efforts in 2020.

32 000

SIPEF will take the necessary steps to have all employees and their dependents vaccinated as soon as possible

He operates out of an office and small clinic within the Medan Head Office, also advises the ExCom regarding statistics on reportable diseases, sick pay and all associated health issues. During 2020, physical medical check-ups on site for high-risk employees were not conducted due to the pandemic; however, treatment of workers and their families continued with appropriate safety protocols in place.

IV. QUALITY DEPARTMENT

The quality department, which was established in 2016, has the responsibility of leading and guiding the Company's quality management system using the ISO 9001 framework. Certification was achieved in May 2018, and this was followed by successful surveillance audits in 2019 and 2020, with certification being maintained. The 2020 audits were conducted via video link between the external auditors and each operating unit and, whilst somewhat unconventional, the integrity of the system was well checked and audited.

A network of internal assessors throughout the Company ensures compliance and the raising of 'Improvement Tickets' to document changes and advancements made in the quality management. The benefits across the organisation for following the simple maxim of 'write what we do and do what we write' will continue to yield a level of standardisation and introspection which will drive continuous improvement.

V. INTERNAL AUDIT DEPARTMENT

The **internal audit department** continues to perform its essential role of providing independent assurance that the Company's risk management, governance and internal control processes are operating effectively. Starting in 2019, permanent teams of internal auditors were established across the three regions, where they have been able to give full-time, regular and targeted attention to checks and audits on the sites.

The head of the audit department based at Medan Head Office reports directly to the president director. Results of routine audits, as well as registered grievances and whistle-blower investigations, are presented and discussed at senior executive level in Indonesia, known as the audit committee, on a quarterly basis. The recommendations by management following the audit findings are documented and result in corrective or punitive action, retraining or, in the case of criminal activity, the involvement of local law enforcement officials. The results of the audit committee meetings are also shared with the Company's Head Office in Belgium.

During 2020, the internal audit department also took on the responsibility of managing the receipt, documentation and facilitation of responses to grievances received via the Company website and other formal means. This important function ensures that the Company is able to acknowledge and reply to issues raised by any stakeholders or interested parties in a timely and professional manner.

VI. SMALLHOLDERS DEPARTMENT

In response to the 20% Plasma requirement for both new developments and existing HGUs at the time of their renewal, a separate **smallholders department** was established during 2019 to centralise, coordinate and guide this evolving process. Each region has established a smallholder team, and several concepts are being devised to enable participation by local communities in Company business in a mutually beneficial manner, within the requirements of the country's legal framework as well as RSPO commitments.

Much of 2020 has been spent identifying potential Plasma areas and MOU commitments with the involvement of Government authorities and the Company departments responsible for legal and corporate affairs, environmental issues, estates (especially with GIS capabilities), engineering, IT and finance. The different potential Plasma models make the agronomic, data and financial management very complex and, to this end, the Company has been working closely with its business software providers, Lintramax, to provide solutions. It is planned to roll out the smallholder management module in early 2021.

VII. LEGAL AND CORPORATE AFFAIRS DEPARTMENT

The legal and corporate affairs (LCA) department under the committed, knowledgeable and experienced leadership of a director, has a hugely important and influential role in the Company's activities. The department has a wide-ranging portfolio, from managing legal compliance for all licences and permits, having responsibility for interpreting and implementing all new regulations handed down by national and local governments, managing the complexities of land registration and land compensation, as well as fielding all criminal and legal cases, whilst at all times maintaining relationships with government, police, army and a wide-range of interested stakeholders.

The ongoing process of managing the HGU renewals for the Bengkulu region as well as preparing for the next set of HGU renewal files for North Sumatra has taken up much LCA time this year. The legal complexities of due diligence for the new Agricinal acquisition, as well as interpreting the difficult and often unclear regulations relating to Plasma requirements, have also placed strain on the legal team, but which they have managed admirably.

VIII. INFORMATION TECHNOLOGY DEPARTMENT

With the increasing importance of **information technology** (IT) in business, and the need to stay connected across different countries and time zones, the IT team in Medan continued to retain regular contact and communications with the Head Office IT team in Antwerp.

2020 saw the resignation of the incumbent Indonesian IT manager and, as part of the plan to bring more synergy between Indonesia and Europe, an expatriate general manager IT was recruited, who arrived on site in December 2020.

Advances in software, hardware, data security and back-up provision have been made during the year, and there are numerous ongoing projects across the fields of business intelligence, revitalising the Company website, human resource management and workshop/mill maintenance software packages, as well as improvements to the business software program, Lintramax.

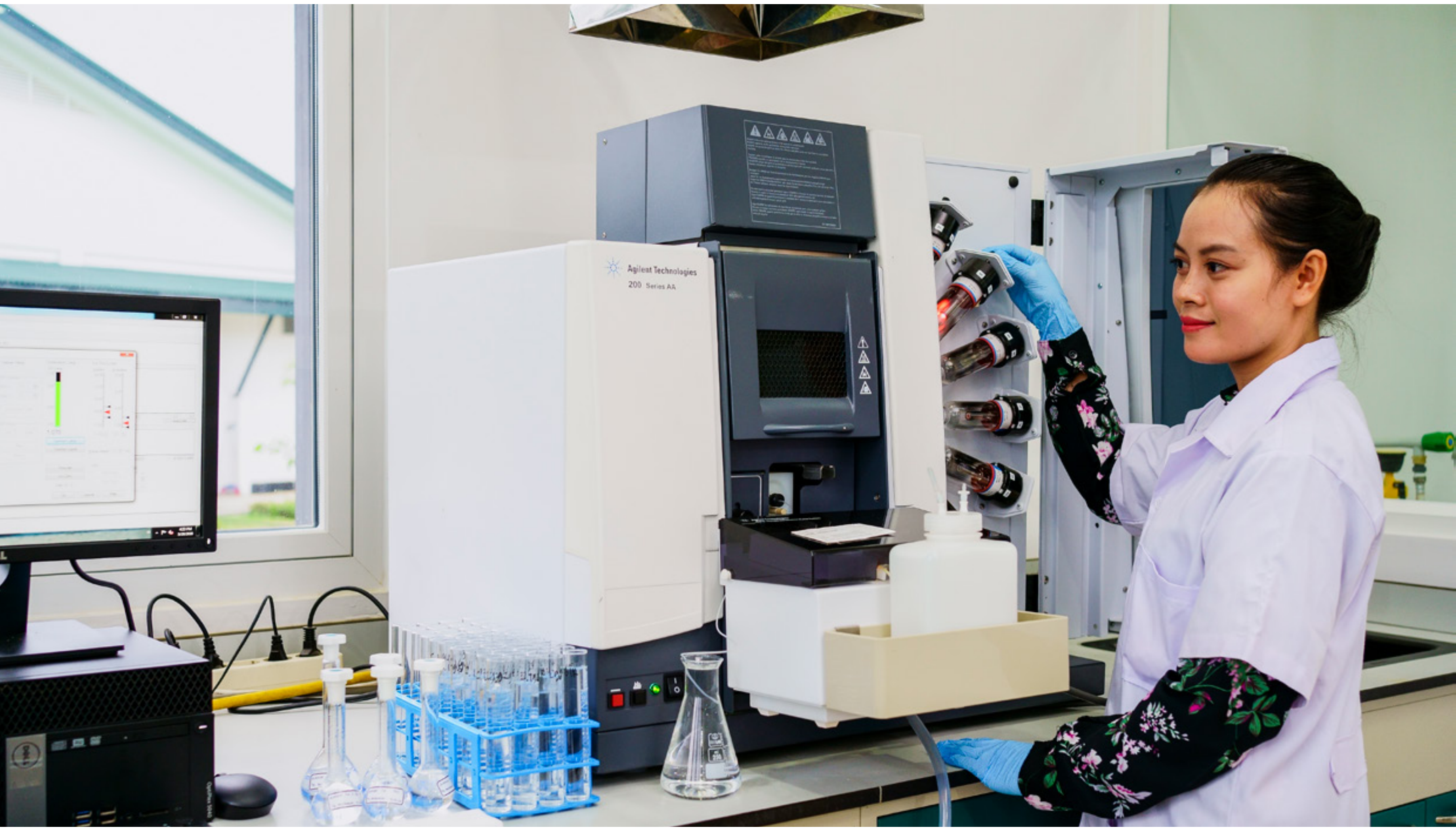
Verdant Bioscience Pte Ltd (VBS)

Verdant Bioscience Pte Ltd (VBS) is a joint venture company, established in October 2013, with the primary objective of developing high yielding F1 hybrid oil palms, together with other supporting technologies. These underpin the potential for significant yield and productivity enhancements in the global palm oil industry. SIPEF invested from the outset of VBS in this company, not only to secure access to these high yielding oil palm varieties, but also to be actively investing in a company with the real potential to deliver very significant worldwide sustainability benefits. Increasing yields per unit area is considered the only real solution to meeting the world's ever growing demand for vegetable oil, without increasing oil palm planted areas. This would remove the risk of any further rainforest and biological diversity loss. Oil palm is already the world's highest yielding vegetable oil, but there is still the physiological potential to at least double yields per hectare, which is the reason of existence of VBS. Such a potential yield increase would be unique for a crop of oil palm's global economic significance.

The VBS operating company, PT Timbang Deli Indonesia, continued to produce and sell oil palm seed for the Indonesian market in 2020, although the sales and marketing functions were made more difficult as a result of the pandemic. Nonetheless, the science continued to advance, despite covid-19, albeit with stringent health protocols imposed within the business. The seed palms (clones and seedlings) to produce this commercial seed were imported from the New Britain Palm Oil Development Ltd renowned Dami Oil Palm Research Station, Papua New Guinea. VBS is the first Indonesian seed producer to market semi-clonal seed, using clones produced by a tissue culture process as female seed palms. The production of semi-clonal seed allows VBS to produce selected elite crosses, branded as Verdant Select, in commercial quantities, which have been extensively tested by Dami in both Papua New Guinea and Indonesia. Other seed producers are currently producing many hundreds of different crosses for commercial sale, resulting in significant variation in both yield and growth performance.

Despite the challenges of working during a pandemic the F1 hybrid programme made good progress and candidate F1 hybrid crosses were nursery planted for field planting in 2021. Further testing of new F1 hybrid crosses will now continue each year with parents from different genetic backgrounds. There were also achievements in increasing the frequency of F1 hybrid parents from targeted genetic backgrounds.

As a significant VBS shareholder, SIPEF has partnered with the company to test their candidate oil palm commercial varieties on its Sumatran estates. These trials include selection for not only higher yields but also important commercial secondary traits such as disease resistance, and selecting new commercial materials for specific environmental conditions (rainfall or soils for example).



Verdant's agronomists and crop protection staff continued to work with SIPEF estate management staff to provide recommendations for realising the potential of existing plantation assets, primarily by increasing yields per hectare. Longer-term fertiliser trials were established on representative soils in each SIPEF region, so that fertiliser recommendations may be further refined for the specific growing conditions, based on the results from objective science.

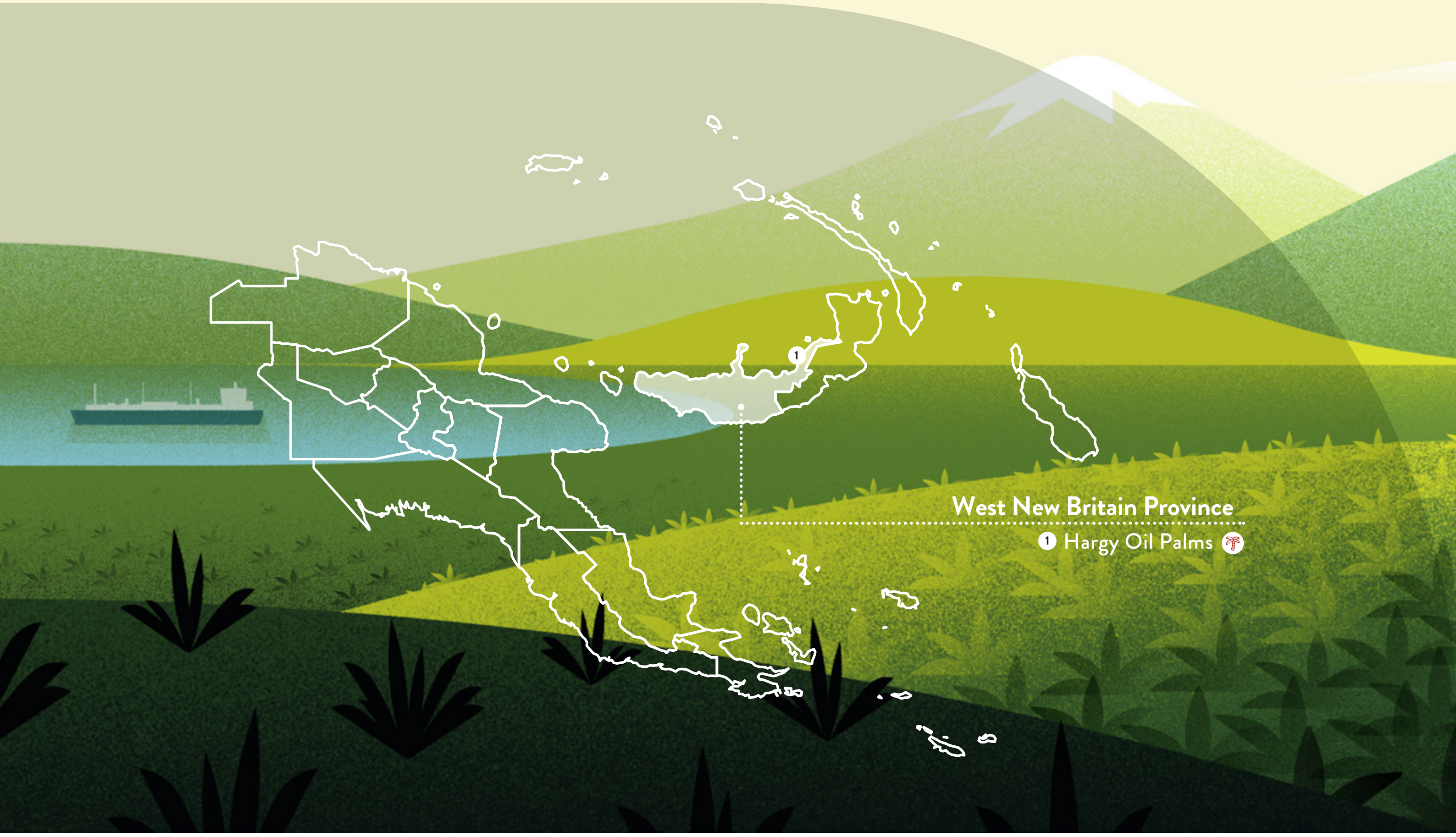
VBS also works with the PT Tolan Tiga Indonesia group estate management team to develop effective integrated pest and disease management strategies, to prevent and control commercial losses in oil palm, rubber and tea. The emphasis is therefore on biological control with only minimal use of pesticides, and to ensure these pesticides only target the pests and diseases causing the losses. For sustainable solutions to crop protection issues, it is essential that the ecology of the estate is maintained, and broad-spectrum pesticides are not blanket sprayed.

During the course of the year there were fully consensual changes in shareholding within Verdant Bioscience. Sime Darby Plantation Berhad sold their shares in the company, and by year end these had been taken up by, firstly, Ackermans & van Haaren, a reference shareholder of the SIPEF group, and, secondly, a reputable and sustainable listed Indonesian plantation group, PT Dharma Satya Nusantara Tbk (DSNG) via their subsidiary PT Agro Pratama (AP). At year end the shareholding of VBS was as follows: Ackermans & van Haaren 42%, SIPEF 38% (unchanged), BioSing 10% (unchanged) and DSNG/AP 10%. At the same time, AP acquired a 5% shareholding in PT Timbang Deli Indonesia, which is the minimum participation that must be held by a local shareholder in an Indonesian plantation company.

Papua New Guinea

Papua New Guinea is the eighth largest palm oil producing country world-wide with 0.59 million tonnes in 2020.
Compared with its geographically smaller neighbours in the Pacific, Papua New Guinea has a GDP that is one of the least affected, but still in the negative. Inflation continues its downward trend with 4.7% in 2018, 3.6% in 2019 and an estimate of around 3.3% for 2020.

Hargy Oil Palms Ltd is currently managing three groups of plantations, each with its own mill and associated smallholder supply base. All three are located north from Bialla township, along the north-west coast of the island of New-Britain.



16%

The operations in Papua New Guinea represent 16% of the total (own) planted area of SIPEF

23%

Hargy Oil Palms Ltd generated 23% palm oil gross margin in 2020 (4% in 2019)

43.8%

Smallholders contribute 43.8% of the total FFB supply to HOPL mills

+14.9%

CPO production compared to 2019, still recovering from the three volcanic eruptions

20%

Hargy Oil Palms Ltd represents close to 20% of the Papua New Guinea's certified palm oil production

28 324HA

Total planted hectares

- 48% own estates
- 52% smallholders

ESTATES

28 324 planted hectares
13 689 hectares own
14 635 hectares smallholders

MILLS

479 628 tonnes of FFB processed
3 palm oil extraction mills
24.63% average OER
1.96% average PKOER

PALM OIL

100% RSPO certified palm oil production
118 123 tonnes palm oil
9 396 tonnes palm kernel oil

1. Country introduction

1.1 Basic facts and figures

PAPUA NEW GUINEA	
Capital city	Port Moresby
Total area (+ world ranking)	Third largest island country with 462 840 km² and 54th largest country by total area *-- "Island Countries of the World". WorldAtlas.com. Archived from the original on 7 December 2017. Retrieved 10 August 2019.*
Border countries	Shares a land border with Indonesia to the west (824 km) and maritime borders with Australia to the south, the Federated States of Micronesia to the north, the Solomon Islands and New Caledonia (France) to the east.
Population	9.0 million
Growth rate	1.95%
Urban population rate	13.1% (2020) *-- https://www.worldometers.info/world-population/papua-new-guinea-population/*
Life expectancy (M/F)	Male: 63 years / Female: 67 years (2019) -- https://www.who.int/
Age structure	0-14 years: 35.1% / 15-24 years: 19.6% / 25-54 years: 36% / 55-64 years: 5.6% / 65 years and over: 3.7% *-- https://www.populationpyramid.net/papua-new-guinea/2020/*
Major languages	English, Tok Pisin and Hiri Motu
Major religions	Christian (95.6%) *-- 2011 PNG Census*
Main natural resources	Liquefied natural gas (LNG), oil, gold, copper ore, nickel, cobalt, timber, palm oil, coffee, cocoa, copra, spices (turmeric, vanilla, ginger and cardamom), crayfish, prawns, tuna, sea cucumber
Currency	Kina (PGK)
2020 inflation rate versus USD	3.3% *-- https://www.adb.org/countries/papua-new-guinea/economy*
GDP growth 2020	-2.9%
GDP	USD 23 billion *-- World Bank Group. PNG Facing Economic Headwinds. Jan 2020* Agriculture: 22.1% / Industry: 42.9% / Services: 35.0% *"The World Factbook". CIA.gov. Central Intelligence Agency. 2017 est.*
Elections	
State/Provincial, past	2017/2017
State/Provincial, next	2022/2022
Local Level Government, past	2019
Local Level Government, next	2022
Current Papua New Guinea Prime Minister	Since 30 May 2019 – current: The Honourable James Marape

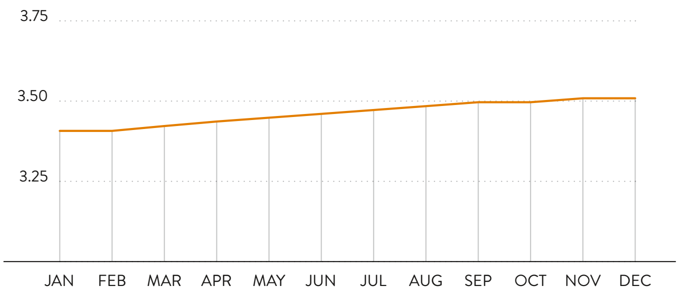
The eighth Prime Minister of Papua New Guinea, The Honourable James Marape, was nominated, elected and sworn into office by the National Parliament on 30 May 2019. This was facilitated through a vote of no confidence against the former Prime Minister Peter O'Neill. In 2020, however, Prime Minister James Marape faced a serious challenge as a vote of no confidence was raised against him just days outside the 18-month grace period. It took decisive intervention of the nation's independent judiciary to not only pave the way for a possible end to the current impasse, but also lay down with clarity some rules that might minimise the risk of such a crisis arising again.

1.2 Economic and financial overview

After an impressive economic growth upswing in 2019 the Papua New Guinean economy was scarred once the news of a global pandemic broke in 2020. Real gross domestic product (GDP) of 2020 by early estimates is -2.9% (+5.6% in 2019). This rate is in trend with all Pacific nations; Australia estimated a growth of -3.5%, New Zealand -4.3%. Compared to its geographically smaller neighbours in the Pacific, Papua New Guinea has one of the least affected GDPs. Inflation continues its downward trend from 4.7% in 2018, 3.9% in 2019 and the estimate for 2020 was around 3.3%.

There are early signs of possible tightening of liquidity and interest rates in the near future. Whilst there has been little change in interest rates as at the end of 2020, weekly Treasury bill auctions have been undersubscribed, an indication domestic investors are possibly near their limits for Government debt and may only invest additional funds if yields improve from their current levels.

EXCHANGE RATE: KINA (PGK) VS. US DOLLAR IN 2020



The Papua New Guinean economy has been challenged, absorbing the shock of falling oil and gas investment. The economy did not immediately go into recession because of falling investments, which were more than offset by increased gas production and exports. However, a shortage of foreign currency and low business confidence, due to uncertainty over the next round of major resource projects, weighed on private investment, a driver of Papua New Guinea's growth.

The recently announced 2021 budget expects to fund PGK 2.0 billion of its total deficit of PGK 6.6 billion domestically. This additional funding requirement by the Government is likely to put upward pressure on interest rates in an already saturated domestic debt market. Although the legality of the budget is likely to be challenged, having been passed in a highly contested parliament, a semblance of a plan for 2021 public finances is welcome, given the long-term effects of the pandemic on both the global and domestic economy. The 2021 budget reveals Papua New Guinea's highest expenditure target yet of PGK 19.6 billion, and lower government revenue at PGK 12.9 billion, giving the largest planned deficit of PGK 6.6 billion.

1.3 Special topics for 2020

In the second quarter of 2020 the pandemic had arrived on a global scale. Papua New Guinea responded, taking the threat of the pandemic seriously, applying an all-of-government approach in strengthening the country's health system, and introducing strict border control measures, both internationally and domestically. By responding early and closing borders, Papua New Guinea remained covid-free for a long period of time. Around July 2020, there was a sudden peak in covid-19 cases, primarily in the Western Province and the National Capital District, which sparked an escalation in wider provincial responsibilities and the management of localised cases. This coincided with the introduction of the "*Niupela Pasin*" (the new 'normal'), that focused on longer term control and management of the virus, whilst maintaining some normality within the communities. At the end of 2020, the country had 780 confirmed cases, of which nine deaths were reported. From the 780 cases, there were 140 confirmed cases in West New Britain Province (WNBP). The province went into lockdown at the end of the year as a cluster started to form at

In 2020, HOPL focused on rehabilitation and recovery. However, ash on the palmtops, between the palm fronds and fruit bunches, resulted in a challenging work environment and a lot more wear on pruning equipment.

Kimbe, the provincial capital. At the onset of the pandemic, Hargy Oil Palms Ltd (HOPL), responded to all directives issued both from a provincial and national government level, through the introduction of measures that mitigated the risk of contraction and ultimately provided a degree of protection for all employees and their families company-wide. In doing so, HOPL also supported local level governments to achieve their objectives of keeping the virus away from its local communities. Throughout 2020, HOPL successfully kept covid-19 away from the Company community. Operations were not significantly affected nor was the headcount reduced. HOPL is proud of this achievement.

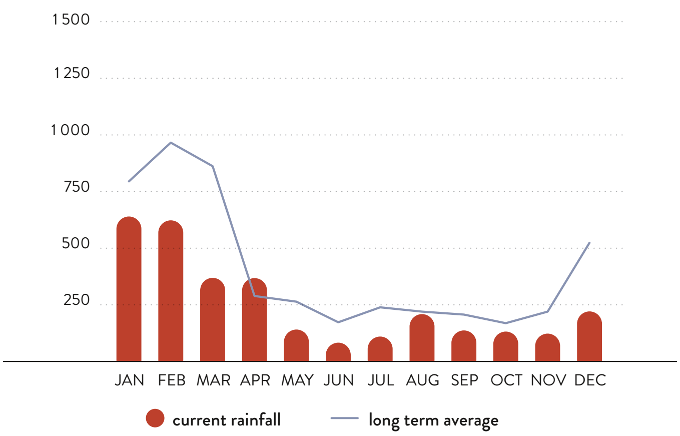
During 2020, the Papua New Guinean government delivered the 2018 promised investment of PGK 208 million in road infrastructure. This translated into 12 new bridges along the New Britain Highway. Many of the log bridges or Bailey bridges were replaced with full concrete bridges. This upgrade impacts positively on HOPL operations, lessening the risk of environmentally impacted transportation impediments as well as lowering the risk to vehicles and drivers.

In 2019, HOPL experienced a difficult third quarter and fourth quarter, which had a negative impact on the full year result as a consequence of three consecutive volcanic eruptions from Mount Ulawun. In 2020, HOPL focused on rehabilitation and recovery. However, ash on the palmtops, between the palm fronds and fruit bunches, resulted in a challenging work environment and a lot more wear on pruning equipment. The volcanic ash on the palms in combination with constant tool sharpening caused slow progress for the harvesters and pruners. At the end of 2020, a remaining 600 hectares needed to be hard pruned from the total of 2 445 damaged hectares.

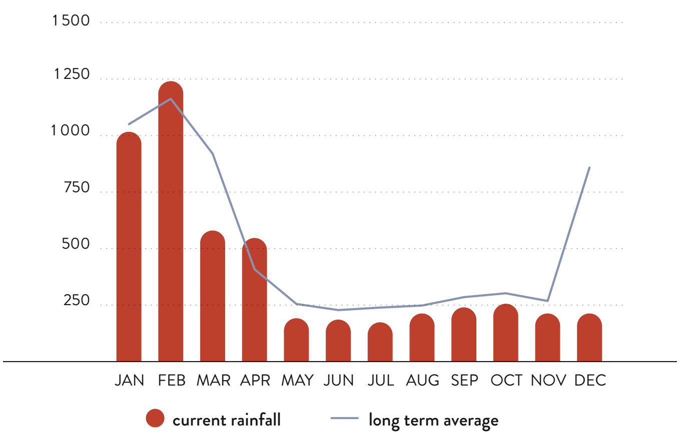
2. SIPEF operations in Papua New Guinea

HOPL has been operating in WNBP, Papua New Guinea for a period of forty-two years. During 2020, the Company produced a total of 479 406 tonnes of fresh fruit bunches (FFB), of which 269 616 tonnes were from own plantations and 209 790 tonnes from smallholders. This was a production increase of 8.9% compared to the 2019 tonnages, mainly attributed to the recovery of the volcanic eruption affected areas and a reduced wet season at Hargy and Navo estates, which started in January 2020 and finished at the end of February, but normally continues to the end of April. From March, less rainfall than usual was experienced, and overall rain days reduced from 234 in 2019 down to 224 in 2020. This, with better control of harvest day rounds, positively impacted harvesting and helped improve the FFB quality. The remainder of the year, HOPL experienced average rainfall, except for a particularly drier than usual December, which meant a delay in the usual start of the wet season for 2021.

HARGY ESTATE - AVERAGE RAINFALL (IN MM)



NAVO ESTATE - AVERAGE RAINFALL (IN MM)



The main risk pests for oil palm planted in WNBP are caused by two species of long-horned grasshoppers, also known as *Sexava (Segestes decoratus and Segestes defoliaria)*, and the stick insect *Eurycantha calcarata*. The latter is less frequent in HOPL operations. These pests are voracious leaf eaters and can inflict mild to severe levels of defoliation in plantations and smallholder blocks, if not properly controlled. HOPL works in conjunction with the Papua New Guinea Oil Palm Research Association (PNGOPRA), which recommends treatment, if damage levels exceed thresholds.

During 2020, there were no significant events or issues in conjunction with industrial relations matters. HOPL completed the close of 2020 with 4 575 workers, made up of 3 550 males and 1 025 females, a decrease of 117 employees compared to the 2019 figure.

From March, less rainfall than usual was experienced, and overall rain days reduced from 234 in 2019 down to 224 in 2020. This, with better control of harvest day rounds, positively impacted harvesting and helped improve the FFB quality.

2.1 Estates

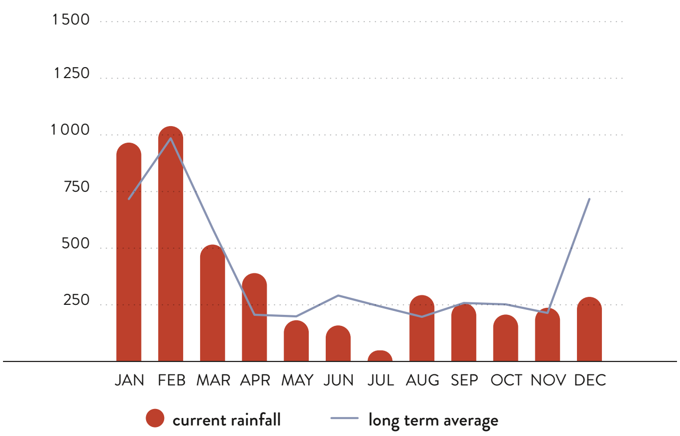
HOPL is currently managing three estates (groups of plantations), each with its own mill and associated smallholder supply base, that represent a total of 28 324 planted hectares of oil palm.

The overall estates' planted area is currently 13 689 hectares, of which 944 hectares are immature plantings. This is part of HOPL's ongoing replanting program to replace tall and low-yield performing palms with new high-yield planting materials, and maintain an average palm age of between 10 and 13 years. HOPL's current average palm age is 10.3 years. Nursery rehabilitation commenced at the start of 2020. Seedlings for the 2021 replanting program only started to be established from August, due to delays in the supply chain.

WNBP normally experiences its peak rainfall from December to March. Rainfall for the first quarter was on average 0.9 times as much as the last five years' average. For the last quarter of 2020, only 54% rainfall was recorded compared to the long-term average. Full year rainfall comes down to 0.8 times as much as in the last five years. Hargy estate recorded 3 156 mm for the year, Navo estate 5 072 mm and Pandi estate 4 580 mm, all data captured by HOPL weather stations.

A major benefit to having a drier than normal year is the quality of road standards throughout the same period. The Company's road fleet succeeded in keeping all plantation roads open, which resulted in no crop lost due to inaccessibility.

PANDI ESTATE - AVERAGE RAINFALL (IN MM)



Even with a short wet season, as was the case in 2020, it was not possible to prevent bridges collapsing or washing away. Tropical rains should never be underestimated and are a constant threat to operations. Several wet crossings and bridges on the national highway were closed for a few days as water levels increased, affecting general access and normal work operations. Replacement and repairs were required, which at times delayed transport of FFB to the mills.

As mentioned earlier, HOPL was lucky to have received reduced overall rainfall in 2020. This translated into a positive outcome for the management of the plantations. Harvesting rounds were under control from just after the first quarter after recovering from the short wet season, and remained that way for the rest of the year. The mild weather also meant field conditions were kept up to standard and work programs were completed in a timely matter.

Plantations recorded an average yield per hectare of 21.2 tonnes compared to 20.9 tonnes in 2019 and 27.6 tonnes in 2018. The reduction compared with 2018 is mainly due to lower yields from Navo estate, whose palms are still recovering from the biological effects of the Mount Ulawun eruptions in 2019. Navo estate averaged 14.7 tonnes per hectare compared to Hargy with 28.4 tonnes and Pandi with 27.0 tonnes.

OWN ESTATES AND SMALLHOLDERS	MATURE HA	IMMATURE HA	FFB (TONNE) 2019	FFB (TONNE) 2020	YIELD 2020 FFB/HA (TONNE)	OIL YIELD 2020 (CPO+CPKO)/HA (TONNE)
OWN ESTATES	12 744	944	255 514	269 615	21.2	5.6
SMALLHOLDERS	13 982	653	184 875	209 791	15.0	4.0
HOPL TOTAL	**26 727**	**1 598**	**440 389**	**479 406**	**17.9**	**4.8**

2.1.1 HARGY ESTATE

Hargy estate currently consists of two plantations, Hargy and Barema. Hargy plantation is 2 622 hectares, the closest to Bialla town and HOPL's Head Office. Hargy constitutes three divisions, and Barema two. After having a productive year in 2019, the FFB production at Hargy plantation increased again in 2020, 51.4% compared to 2019, due to young immature palms coming into peak production. Hargy plantation is a diversified plantation covering palms of all ages. A replanting program began in 2015 and was supposed to be completed in 2020. However, due to the interruption in seedling supply from the nursery because of the eruption events, the replant was partially postponed and will be finalised in 2021.

HARGY ESTATE	MATURE HA	IMMATURE HA	FFB (TONNE) 2019	FFB (TONNE) 2020	YIELD 2020 FFB/HA (TONNE)
HARGY PLANTATION	1 907	715	33 036	50 025	26.2
BAREMA PLANTATION	1 888	0	50 297	56 585	30.0
TOTAL	**3 796**	**715**	**83 333**	**106 610**	**28.1**

In 2020, HOPL signed a Memorandum of Agreement with a local landowner for an Agricultural Sublease Agreement for a period of 25 years, to redevelop the land at the Company's cost. Ivule estate stretches over 80 hectares with palms planted in 2000. It will soon be up for replanting to maximise production.

Barema is around 20 kilometres north of Bialla town and stretches over 1 888 hectares. One side of the plantation is situated right next to the sea. This causes flooding on the lower parts of the plantation during intense rainfall periods. Flooding also happens when the nearby Lobo River bursts its banks. The four-year replanting program was finalised in 2009, and the plantation is now in its prime production years.

Barema plantation production increased after having a difficult year in 2019, with 12.5% compared to last year. The plantation increased its road and bridge infrastructure at the end of the year, preparing itself for the expected La Niña due at the start of 2021.

The production in Hargy estate definitely benefited from the very short wet season and generally mild rainfall throughout the year. Rainfall for 2020 was 1 772 mm lower than the long period average.

2.1.2 NAVO ESTATE

Over 45 kilometres north from Bialla, Navo estate is made up of 6 594 hectares, of which 135 are immature plantings. The estate comprises three plantations, Atata, Kiba and Ibana, respectively consisting of four, two and two divisions. Navo is still recovering from the effects of the three volcanic eruptions in 2019.

Whilst all areas of Navo were affected to varying degrees by the eruptions, Ibana plantation was struck the hardest, with a total of 2 445 hectares significantly impacted compared to 600 hectares at Kiba and 382 hectares at Atata.

The recovery of the palms is a slow but steady process, as rehabilitation pruning is extremely hard and requires skilled cutters. Navo faced a drain of skilled cutters as they became demotivated by the challenges faced in the rehabilitation pruning, even though piece rates were made more attractive. Adding to the challenging work, sickles and chisels have to be sharpened after every palm and wear out quickly, along with the sharpening stones. Whilst seeking larger quantities of these tools than normal, HOPL subsequently encountered issues within the supply chain, because foreign suppliers were having production issues due to covid-19 regulations.

NAVO ESTATE	MATURE HA	IMMATURE HA	FFB (TONNE) 2019	FFB (TONNE) 2020	YIELD 2020 FFB/HA (TONNE)
IBANA PLANTATION	2 796	0	43 090	28 343	10.1
ATATA PLANTATION	1 867	0	34 320	32 393	17.3
KIBA PLANTATION	1 795	135	40 896	34 871	19.4
TOTAL	**6 459**	**135**	**118 306**	**95 607**	**14.8**

The biological stress effects on the palm, as a result of the ash fall of the volcanic eruptions, remains an ongoing concern and is expected to impact bunch production till at least the end of 2022. Due to the ash, the fruit in the trees is rotting or underdeveloping. This immediately impacts bunch weight and fruit quality. The oil extraction rate (OER) on these bunches is also lower than normal quality bunches. As this kind of event has never occurred before, and as there is very little scientific publication on this subject, predicting medium-term crop accurately remains difficult. Physically, the palms appear to be recovering well, though the start of a male phase was evident at the end of the year.

Atata, Kiba and Ibana benefited from the ongoing investment in HOPL, with new vehicles and new housing in the Ibana and Atata compounds. The three divisions saw the replacement of all the older tractors to John Deere, ensuring that now these plantations are all operating with the same brand of tractors, and expecting benefits in the repair and maintenance costs of the tractor fleet in the mid- to long-term. Atata also went well prepared into the start of the wet season with investments in road infrastructure.

Rainfall for 2020 in Navo estate was 1 128 mm less than the long period average, but still over 5 000 mm.

HOPL has its seedling nursery positioned at the heart of Navo estate. It is a two-stage nursery, which manages to deliver developed seedlings within ten months. The seeds are only sourced from Dami's high yielding 'Super Family' planting material. The nursery also suffered significant damage after all three eruptions in 2019, and a decision was made to stop the planting operations, as most seedlings had been destroyed. This set back the whole replanting program for HOPL in 2019 and 2020. The few undamaged seedlings of the 2019 nursery were used to plant a total of 63 hectares of the own estates and 68 hectares of smallholders' in 2020. The nursery was brought back into operation in 2020 and seedlings are being produced for the 2021 plantation and smallholder replanting programs. HOPL is constantly reassessing the situation and is forecasting to catch up with its original replanting program.

2.1.3 PANDI-ESTATE

Pandi estate can be found 70 km north of Bialla. It consists of 2 584 hectares grouped into one plantation, Bakada, which comprises three divisions, of which 2 489 hectares are declared mature. Pandi, the most remote and recent of HOPL's plantations differs in that it has only one large compound to accommodate all its employees and dependents.

Pandi continued its upward production trend, producing 67 398 tonnes of FFB at 27.1 tonnes per hectare, which is a 25.1% increase compared to 2019 production. The major contributor was proper management and having all fields up to standard. A minor side note to this success was a new planted area of 95 hectares coming soon into production in Gamupa, one of Bakada's divisions.

As Pandi estate is amidst a lot of smallholders, it means the plantation is surrounded by blocks the Company does not have much control over. Multiple smallholder blocks with *Sexava* infestations were observed during the year, and this was countered by preventive treatments on the plantations. HOPL is assisting the community in tackling this constant threat and raising awareness of protective actions.

Rainfall for 2020 at Pandi estate was 4 580 mm, slightly under (287 mm) the long-term average annual rainfall of 4 867 mm. Quarter one was particularly wet, however, for the remainder of the year rainfall did not have a high impact on Bakada's FFB production.

PANDI ESTATE	MATURE HA	IMMATURE HA	FFB (TONNE) 2019	FFB (TONNE) 2020	YIELD 2020 FFB/HA (TONNE)
BAKADA PLANTATION	2 489	95	53 875	67 398	27.1
TOTAL	**2 489**	**95**	**53 875**	**67 398**	**27.1**

OIL PLANTATIONS	MATURE HA	IMMATURE HA	FFB (TONNE) 2019	FFB (TONNE) 2020	YIELD 2020 FFB/HA (TONNE)
SMALLHOLDERS DIVISION 1	5 380	184	89 347	90 848	16.9
SMALLHOLDERS DIVISION 2	5 396	455	67 389	91 213	16.9
SMALLHOLDERS DIVISION 3	3 206	15	28 138	27 730	8.6
TOTAL	**13 982**	**653**	**184 875**	**209 791**	**15.0**

2.1.4 SMALLHOLDERS

HOPL processes the crop of approximately 3 700 individual growers producing on 14 636 planted hectares. In 2020, they contributed 43.8% of HOPL's total FFB supply. Production was 209 791 tonnes, up 13.5% compared to 2019. The main contributor to this success was an attractive FFB purchase price, as this calculation is based on the monthly palm oil price. Unfortunately, during the second half of 2020 smallholders experienced a drop in crop production due to reduced available crop on the trees.

The main focus of the HOPL Small Holder Agricultural Advisory Services (SHAAS) team in 2020 was on crop quality and best management practices. Over 200 awareness sessions were organised, involving more than 5 000 growers and family members. Unfortunately, the team had to cease these awareness sessions due to covid-19 restrictions coming into effect later in the year. The team also made growers aware of the importance of picking up loose fruits, which drop out of the bunches while they are still on the tree, indicating the bunch is ready to be harvested. As they are the ripest fruit of the bunch, the oil extraction of these fruits is particularly high.

One of the main scopes of the SHAAS team is to ward over the Roundtable on Sustainable Palm Oil (RSPO) regulations for smallholders delivering FFB to HOPL. The team puts in a continuous effort in inspecting grower blocks in respect of multiple RSPO requirements such as upkeep, housing facilities, safety, land ownership etc. In 2020, the team succeeded in inspecting 65% of all smallholders.

Smallholders constantly have *Sexava* infestations, which significantly reduce leaf area and therefore yield, if not treated early. Treatment is one of the main responsibilities of the SHAAS team. In 2020, all *Sexava* infested blocks were treated, representing a total of 1 000 hectares. No other major pest or disease outbreaks have been reported at this time. Only a small number of palms had to be removed on an ad hoc basis due to *Ganoderma*.

SHAAS provides and delivers urea fertiliser to the smallholder blocks. In 2020, a total of 1 009 tonnes of urea was distributed and applied. As fertiliser is considered one the highest cost inputs in running a plantation, not all smallholders are willing to accept the fertiliser loan the Company is offering them. As a result, only 55% of the smallholder base engaged in their fertiliser program. As fertiliser is essential in improving the yield of the palms, the SHAAS team is constantly spreading awareness of its benefits.

2.2 Mills

In comparison with 2019 shipments, free fatty acids (FFA) have been much better controlled. The FFA consolidated premiums exceeded the penalties throughout 2020. The FFA of crude palm kernel oil (CPKO) was especially well managed. The management of the FFA for crude palm oil (CPO) is steadily improving but is always significantly impacted during the wet season (from December to April).

Due to more consistent harvesting rounds and a drier than usual wet season, plantations were able to send higher quality fruit to the mills. HOPL benefited with improved oil extraction rates (OER) and generally lower FFAs compared to last year.

2.2.1 HARGY MILL

Hargy Palm Oil Mill (HPOM) was the first operational mill for HOPL. It was originally commissioned in 1980 and has the capacity to process up to 45 tonnes FFB per hour. HPOM succeeded in consistently achieving an OER of over 23%. Full year 2020 figures for extraction were OER 23.74% and palm kernel oil extraction rate (PKOER) 1.93%. The OER percentage is 0.9 of a percentage point higher compared to last year, and PKOER is 0.1 of a percentage point below last year's performance.

HPOM processes fruit from 7 287 mature hectares, which is a combination of both Hargy plantation and smallholder blocks. Smallholder FFB processed by the mill constituted 65% of total FFB in 2020. The mill produced a total of 36 292 tonnes of oil (33 569 CPO and 2 723 CPKO).

PALM OIL MILL	HARGY			NAVO		
CAPACITY (TONNES FFB/H)	45	45		45	50	
	2019	2020	Variance (%)	2019	2020	Variance (%)
ACTUAL TONNES PER HOUR	41.10	45.32	+10.3	50.60	48.88	-3.4
FFB PROCESSED (TONNES)	122 810	141 386	+15.1	170 420	158 002	-7.3
OWN	33 380	50 538	+51.4	142 369	130 272	-8.5
SMALLHOLDERS	89 430	90 848	+1.6	28 051	27 730	-1.1
CPO (TONNES)	27 944	33 569	+20.1	39 841	38 999	-2.1
PK (TONNES)	6 385	7 093	+11.1	7 969	8 302	+4.2
PKO (TONNES)	2 532	2 723	+7.5	-	-	-
OER (%)	22.75	23.74	+4.4	23.38	24.68	+5.6
KER (%)	5.20	5.02	-3.5	4.68	5.25	+12.4
PKOER (%)	2.06	1.93	-6.6	-	-	-

* A minor deviation may appear versus total Group production figures because of a small amount of non-processed FFB at the last production day in December 2020.

The excellent extraction rates HPOM was able to maintain throughout 2020 were helped by the increased volume of FFB it had to process. The higher volume of FFB meant the mill had to process for a longer period of time. By constantly processing, sterilisers and heating tanks do not cool down. The investments of 2019 in an effort to scale up the extraction rates were successful.

2.2.2 BAREMA MILL

Barema Palm Oil Mill (BPOM) was commissioned in 2014. This mill operational design includes two tilting sterilisers with a total 45 tonnes per hour milling capacity. BPOM also incorporates a kernel crushing plant rated at 120 tonnes per hour, enabling the processing of palm kernels produced by both BPOM and Navo Palm Oil Mill. BPOM processed for crushing and extraction a total of 9 311 tonnes of palm kernels versus 7 430 tonnes last year.

BPOM managed an OER of 25.27% versus 23.87% in 2019, and a PKO extraction rate of 1.97% versus 1.93% last year. A contributing factor to the higher extraction rates was the improved fruit quality delivered, which in turn was facilitated by the less than normal rainfall.

BPOM installed an Empty Fruit Bunch (EFB) press in 2020, which further improved its OER. The EFB coming out of the mills is distributed as organic fertiliser on the plantations, adding organic matter to the soils and enhancing inorganic fertiliser uptake.

Smallholder FFB processed by the mill constituted 50% of its total FFB in 2020, which is four points less than 2019, but total volume was 35% more. This was because of higher production from smallholders in the area and less crop diverted from the own Navo estate. BPOM has an FFB supply base of 3 683 mature hectares of own estates and 5 396 mature hectares of smallholders.

	BAREMA			HOPL TOTAL*		
	45	45		135	140	
	2019	2020	Variance (%)	**2019**	**2020**	**Variance (%)**
	42.43	44.61	+5.1	**134.13**	**138.81**	**+3.5**
	146 856	180 240	+22.7	**440 086**	**479 628**	**+9.0**
	79 420	89 812	+12.1	**255 168**	**269 837**	**+5.7**
	67 436	91 213	+35.3	**184 918**	**209 791**	**+13.5**
	35 050	45 555	+30.0	**102 835**	**118 123**	**+14.9**
	7 430	9 311	+25.3	**21 784**	**24 706**	**+13.4**
	6 133	6 673	+8.8	**8 665**	**9 396**	**+8.4**
	23.87	25.27	+5.9	**23.37**	**24.63**	**+5.4**
	5.06	5.17	+2.1	**4.95**	**5.15**	**+4.1**
	1.93	1.97	+2.1	**1.97**	**1.96**	**-0.5**

2.2.3 NAVO MILL

Navo Palm Oil Mill (NPOM) was originally commissioned in 2002 with a milling capacity of 45 tonnes per hour. Currently, the milling capacity has been increased to 50 tonnes per hour through the upgrading of the press machinery. Full year 2020 figures for extraction were an OER of 24.68% versus 23.38% in 2019, and a kernel extraction rate (KER) of 5.25% versus 4.68% in 2019. In 2020, NPOM processed 158 002 tonnes of FFB and produced a total of 38 999 tonnes of CPO. NPOM's 2020 performance confirms that it is processing again at its pre-eruption extraction rates.

Smallholder FFB constituted 18% of total FFB in 2020 processed by the mill. NPOM has an FFB supply base of 7 154 mature hectares of own estates and 3 206 mature hectares of smallholders.

Due to the subsequent short-term effects of the volcanic eruptions and the ash damage to palms, the planned upgrade of NPOM to 60 tonnes per hour capacity over a three-year phasing period, aimed at commissioning in 2021, has now been deferred to 2025. This capacity increase was initially needed, as expected yield projections before the volcanic eruptions were showing the requirement for additional milling capacity. As a result of the upgrade delay, the major repair work for existing mill machinery has been split up over three years 2019-2021 and will ensure NPOM has smooth milling operations until upgrading mill project works commence.

3. Head Office and service departments

2020 was a dynamic year in terms of management. The general manager succession, which had occurred in 2019, was not a success, but the dedicated ExCom team managed the business well, until David Mather took over on 1 November 2020. Due to his prior association with the palm oil industry and with Papua New Guinea, the Company is confident that he will lead HOPL successfully to the next level.

The general law and order situation in Bialla and Kimbe has shown little change. A targeted Police operation (Make Westside Safe again 2020) commenced in July 2020, soon after a visit to the province by the Papua New Guinea Police Minister in response to the deteriorating situation in WNBP. A Police Mobile Squad (MS) was deployed to assist the local police and quickly gained control, making significant improvements in the containment of criminal activities both in Kimbe and Bialla. However, soon after the MS departed WNBP the situation deteriorated again. The Royal Papua New Guinea Constabulary does, however, continue to provide support through the deployment of the MS during peak crime periods. Their presence does have a positive impact and is appreciated by the community and business houses alike.

HOPL's security officers continue to play a leading role in curbing law and order incidents in the Company lease areas and the Company compounds. They also provide assistance to both, the Bialla and Navo Police.

The **compliance department** includes the evolution, implementation, maintenance and relentless improvement of the RSPO, and the environmental management system (EMS) and ISO 14001:2015 standards. In an extra effort to shield the plantations from covid-19, auditors and consultants were not allowed on the Group's site for the majority of the year. Most audits or consultant visits have been postponed to a later time when the global environment allows it. RSPO came on site at the start of December to perform their yearly external surveillance audit on the Principles and Criteria (P&C) within the RSPO Papua New Guinea and Solomon Islands National Interpretation, which was actually driven remotely by the certifying body BSI based in Indonesia, but asked for the support of three national facilitator consultants.

From this audit, four major non-conformances and three minor non-conformances were raised. The major non-conformances raised concerned safety, waste management, greenhouse gas (GHG) emissions and smallholder chemical handling requirements. All non-conformances have to be resolved by the end of March for the RSPO recertification of 2021. The HOPL team is fully confident that it will reach this target, as the responses to the non-conformances were sent with the relevant departments and staff, ten days after the closing meeting, in order to satisfactorily close them out and retain the RSPO P&C certification.

Due to the strict guidelines pertaining to land titles for smallholder growers in Papua New Guinea, HOPL, through the **community affairs department** lands section, has been active in conducting awareness activities to ensure titles to their blocks are formally and legally recognised. This includes support from extension officers to disseminate information related to land transfer applications, title replacements, deceased estates, tender applications and other information which the block holders require. Evidently, population pressure from the current Land Settlement Scheme (LSS) blocks is now becoming an issue, with a heavy burden on initial family members to sustain their livelihoods and that of their extended families.

The **geographic information system (GIS) team** is responsible for all mapping and boundary demarcation within HOPL. This includes palm census information for both plantation and smallholder departments, the conservation area, buffer zone mapping and plantation replant requirements. HOPL acquired a satellite dataset in 2017, enabling all HOPL plantation blocks and road networks to be digitalised. This is currently much more convenient and cost effective, compared to the manual field work that a ground census. New updates in relation to plantation blocks and associated hectarage are now captured utilising the high precision Trimble GPS receivers. At the time of replanting, GIS assistance is provided through locating lease boundary pegs and identifying conservation buffers, so as to avoid any overplanting and non-conformance with RSPO. These are all requirements under the New Planting Procedure (NPP) of RSPO.

The **community engagement team** in 2020 was also restricted in their activities to smaller group gatherings due to covid-19. Small group trainings were rolled out focusing on financial literacy, family farming and life skills training for women and unemployed youth, to encourage starting up alternative small and medium enterprises to sustain their livelihoods and food security. As part of post Family Farm Training a trial vegetable project was set up at Tiauru where cabbages and bulb onions were nursed. This trial project was successful and now the team has set up two more nursery greenhouses at Gibolo and Matililiu with different varieties. A percentage of the income derived from vegetable sales goes back to the family group to purchase more seedlings and continue the project. The community engagement team formed a partnership with the local business community and local level government (LLG) office to address sanitation in Bialla township by providing recycled oil drums for rubbish collection outside shop fronts and the local market.

The team is also working with the community to address law and order issues in the community by supporting local level sports days to encourage youths to participate in sports activities. Other projects being undertaken by the department working in conjunction with the WNBP government are the roll out of community centres; remedial works on the proposed police barracks site in tow; an upgrade of the Bialla Police station Armoury; and New Ulamona Observatory and Ulamona Health Clinic buildings, with the assistance of the HOPL construction department.

The **construction department** continues the use of the quality of life questionnaire (QLQ) design system which is working very well. Houses are built to a high standard, totally in-house within the construction factory, and moved in sections on the back of side-lifter trucks to the steel foundation pegs. Apart from building 33 new houses in 2020, the construction department succeeded in repairing and maintaining all of the Company's more than 1 300 houses.

The **combined human resources (HR) departments** of HR, training, health, welfare and corporate services continued to support the Company throughout 2020, with a focus on delivering a higher level of customer service whilst supporting covid-19 impediments. Despite the impact of the global pandemic and the mitigating measures put in place locally to reduce the risks, all HR departments adjusted to changes as and when required, to ensure that the core functions of the departments remained focused.

All employees received a companywide pay increase of 2.5% in April 2020. National Superannuation Fund (Nasfund) memberships continued to grow, and for the second year running HOPL received the Nasfund Employer Award for compliance to regulations and to process.

Following some ongoing civil unrest in Kimbe, the decision was made to bring forward the opening of the **Hargy International High School** for Grades 7 to 10. The school will open in time for the start of the 2021 school year. Grades 11 and 12 will remain supported offsite by an external school for the next 1-2 years.

The Training Program restarted in June 2020 after a short break due to covid-19. Appropriate covid-19 measures were introduced to all training programs. In 2020, more than 5 000 training opportunities were delivered across a variety of training programs.

The **health department** made the necessary covid-19 adjustments for patient screening prior to consultation. Working closely with the Provincial Health Authority it led the Company's compliance with both provincial and national government pandemic protocols and policies. The Company established standard operating procedures (SOPs) in which to manage suspect cases in the event of a local outbreak, as well as repurposed a multi-use building at the compound nearby Bialla into a covid-19 screening and isolation centre. To date, HOPL has, fortunately, not had a confirmed locally transmitted covid-19 case.

Simple non-life-threatening ailments including coughs, cold, diarrhoea etc. remain the most common complaints reported by the clinics. Malaria continues to be the single biggest serious and potentially life-threatening concern along with tuberculosis. HOPL continued to provide awareness on both these diseases throughout 2020.

Maternity ward Bialla Health Centre

Background

For the past 43 years, SIPEF, through Hargy Oil Palms Ltd (HOPL) has operated within the West New Britain Province of Papua New Guinea. Surrounded by approximately 32 villages and nearly 3 700 smallholders, coupled with the HOPL employee community and small business and government houses in Bialla, it is estimated that the population in the area sits at approximately 50 000 people. In many ways, the livelihood and existence of many of the families in this region are reliant upon HOPL's presence and the relationship of the latter with the community.

SIPEF, of which almost a 100% of the plantations and products is RSPO certified, has also adopted the Sustainable Development Goals (SDGs) of the United Nations as its reference model. Where RSPO concentrates on palm oil activities, the SDGs set out targets for all companies without distinction. Through HOPL, the Group has contributed actively to reach the United Nations Sustainability Development Goals (UNSDG) for this particular region of Papua New Guinea.

So, it was agreed that a project inspired by the UNSDG Goal 3: Good Health and Well-Being would be identified and funded through donor funding support with SIPEF coordination and HOPL local management.

Intent

In 2019, SIPEF celebrated its **100-year anniversary** of operations and being listed on the Brussels stock market. On the occasion of the celebration, the Company initiated a fundraising project for a maternity ward renovation and upgrade in the local community in which SIPEF (HOPL) operates. The board of directors' intent was to support the local inhabitants by funding a facility that would enable women to access a much improved, higher quality maternal and birthing ward in order to give birth safely.

Thanks to the generosity of the donors, a total of EUR 38 300 was raised and contributed to the project to upgrade the Bialla Health Centre (BHC) Maternity Ward.

The Existing Facility

The health infrastructure in some remote areas of Papua New Guinea is lacking, Bialla, West New Britain Province being no exception. Largely due to minimal public funding support, basic medical facilities are generally poor. Medical equipment is either obsolete, unserviceable or simply absent, and buildings are run down and require substantial public investment for maintenance and renovations.

The BHC is the community health facility in the local region, providing basic medical and health care services along with a maternity ward. It is the primary health care facility for pregnant women from the community, including HOPL.

The maternity ward was under-equipped and under-resourced, and lacked basic services such as running water for sterilisation, hygiene and keeping the facility clean. The facility was run-down, had no working toilets or showers, and did not have adequate sanitation to safely deliver a

baby. The midwifery staff worked with limited medical equipment, posing the potential risk of haemorrhages, infections and pre-eclampsia or eclampsia for the mothers. Complicated deliveries were referred directly to Kimbe General Hospital, which is a 150 km journey in the back of a basic ambulance taking over three hours. Specialist doctors and special post-natal care are only available in Kimbe General Hospital.

As a consequence of the three volcanic eruptions of Mount Ulawun in 2019, one of the local maternity wards was closed and all expectant mothers were referred to BHC to give birth. This has increased the number of births at this facility to 700 per year.

A partnership with the health authorities

The HOPL project and construction team has worked closely with the West New Britain Provincial Health Authorities (WNB PHA) to repurpose an existing building with the aim of converting it into a functional maternity ward. The design phase to create floor plans started at the beginning of 2020 with the visit of provincial health authorities to the site to define the medical requirements.

Planning the project

In consultation with the WNB PHA, the HOPL team designed the maternity ward ensuring it met the required legislative guidelines, and provided a significant and notable improvement on the existing facility, enabling a safe and accessible facility for women to give birth. The project focused on two areas, detailed as follows:

1. BUILDING UPGRADE:

- → Building extension to increase the size of the labour and post-natal room
- → Specific vinyl hospital flooring
- → Clinic double doors and aluminium sliding windows (replacing louvre windows)
- → Water access for all rooms
- → Shower/toilet for mothers in labour (with a hot water boiler)
- → Air conditioning and refrigerators for the medications

2. MEDICAL UPGRADE:

- → Bigger labour room to allow three delivery beds and equipment
- → Medical equipment for complicated deliveries
- → Special care nursery for premature or infected babies
- → Baby bath station
- → Prenatal scan room/medical imaging
- → Utility room for sterilisation (autoclave)

Budget

The project aligns with the set budget and whatever funding remains will be utilised to purchase medical equipment to bring the maternity ward to functionality. Additionally, requests have been made through suppliers in Australia to source used but still serviceable medical equipment. Covid-19 has impacted this plan, but it is still being followed through.

Conclusion

At the time of writing, the facility is 90% complete with only minor issues remaining, as well as some supply of medical equipment outstanding. It is expected that the building will be completely in a position to be handed over to the community for use in March 2021, pending equipment supply.

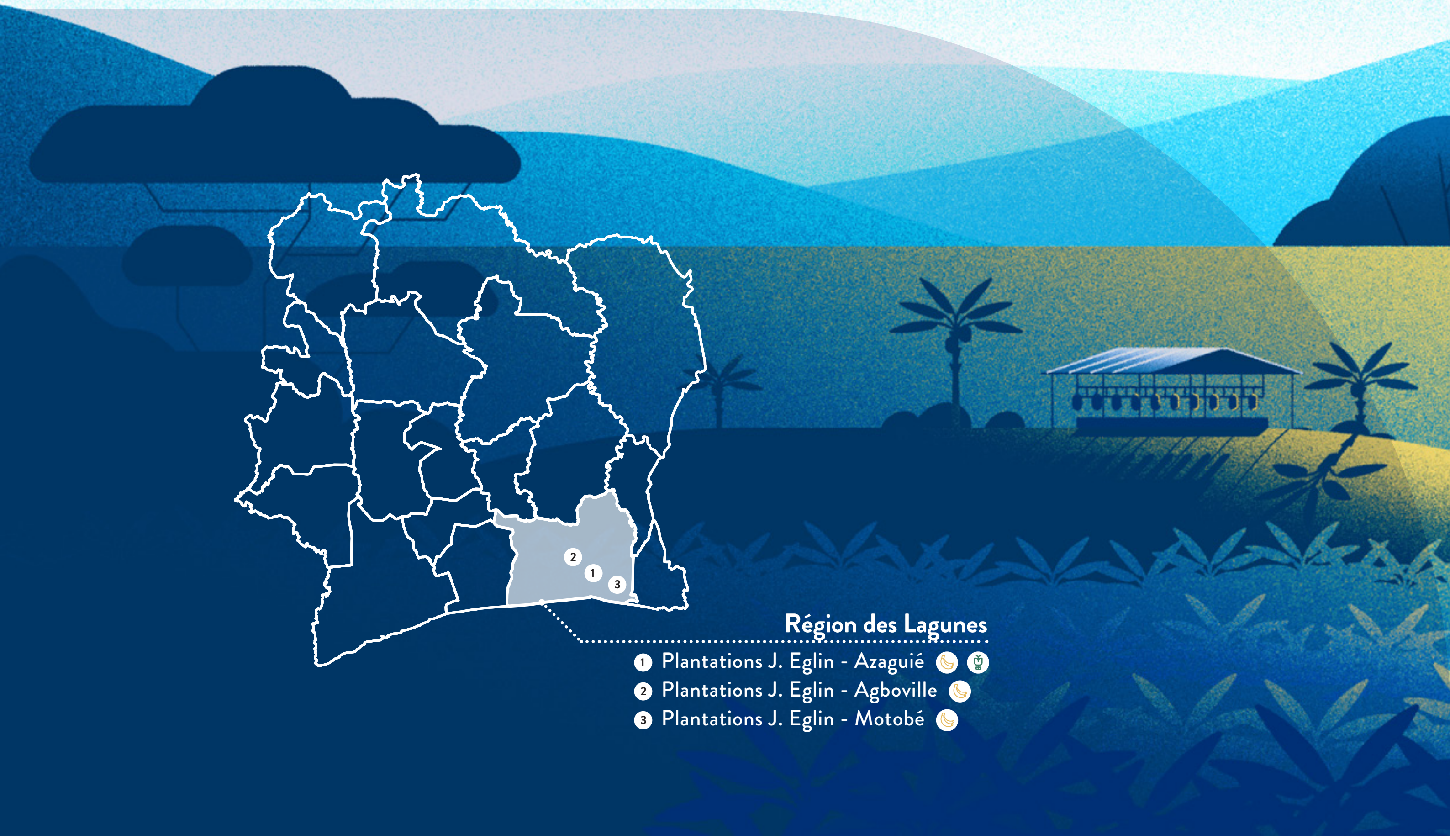
The provincial health authorities, through HOPL, have expressed their immense gratitude to the donors who generously provided funding for this project. Funding normally provided at national and provincial government levels has been largely redirected to support the fight against the global pandemic. Thanks to the donors, this project could continue through these difficult times and will provide a higher level of health care for expectant mothers and new-born babies for years to come. This is extremely important and a ray of light in what has been a difficult period for Papua New Guinea.

Likewise, the management of HOPL would also like to thank the donors for their generosity in ultimately providing the women and their newborns in this region access to vital health care. This maternity ward will positively impact the lives of those in this region and provide a wonderful environment in which new life can see the light of day in healthy and medically sound conditions.

Ivory Coast

Ivory Coast remains a major exporter of cacao, palm oil, rubber and bananas. It has taken the clear lead of the African ACP countries in exporting bananas to Europe. Ivory Coast is a regional economic power that generates more than a third of the gross domestic product (GDP) of the West African Economic and Monetary Union (UEMOA) and 60% of its agricultural exports.

Plantations J. Eglin is operating on three different plantation sites, all located at a maximum distance of 80 km from the port of Abidjan, from where all the banana reefer containers are shipped.



7%

Plantations J. Eglin comprises only 1% of the total planted area of the SIPEF group, but contributes a total of 7% to the Group's total gross margin (12.6% in 2019)

87.1%

of the SIPEF bananas are sold on the EU market

+4.9%

bananas exported to the EU

-4.8%

bananas exported to the regional markets

818 HA

Total planted hectares

- 95% bananas
- 5% horticulture

BANANAS

780 planted hectares
3 production sites
4 packing stations
31 158 tonnes own production

HORTICULTURE

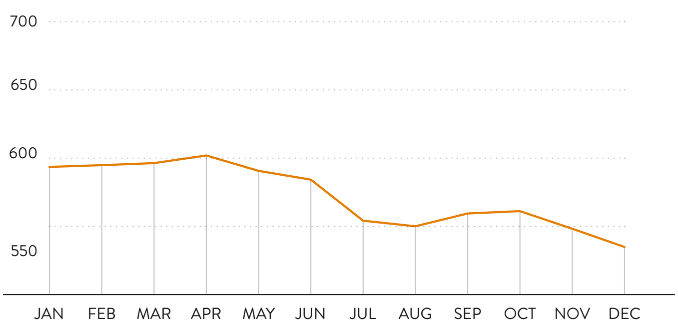
38 planted hectares
345 299 units of pineapple flowers
1 736 100 units of ornamental leaves
80 610 units of lotus

1. Country introduction

IVORY COAST	
Capital city	Legislative: Yamoussoukro (since 1983) / Administrative - Economical: Abidjan
Total area	322 462 km^2
Border countries	North-northwest by Mali, 532 km / Northeast by Burkina Faso, 584 km / East by Ghana, 668 km Southwest by Liberia, 716 km / West-northwest by Guinea, 610 km / South by the Atlantic Ocean, 515 km
Population[1]	26.4 million (in November 2020)
Growth rate	2.6%
Urban Population Rate	50.8% (WB 2018)
Life expectancy (M/V)	57.2 years
Age structure	Population under 15 years of age (UN 2020): 41.5%
Major language(s)	Official language French, more than 60 other languages are commonly spoken
Major religion(s)	The most commonly practised religions in Ivory Coast according to the 2014 census are Islam at 42.9% and Christianity at 33.9% (including Catholicism at 17.2% and Evangelical Protestantism at 11.8%). Alongside these large movements, 19.1% of the population are unaffiliated.
Main natural resources	Cacao, coffee, timber, oil, cotton, cashew nuts, bananas, pineapples, palm oil, rubber
Currency	Currency: XOF (franc Communauté Financière Africaine)
2020 inflation rate versus USD	1.2%
GDP	The GDP per head of population increased from USD 1 237 (XOF 729 587) in 2012 to USD 1 704 (XOF 1 005 219) in 2019 and USD 2 281 in 2020 (IMF, October 2020) The nominal GDP in 2020 (IMF, October 2020) was USD 61.5 billion
GDP	Agriculture: 22% / Industry: 28% / Services: 50%
Past / next elections	The presidential elections were held in October 2020, when Alassane Ouattara was re-elected. There were incidents after the election, but the situation is calm and a national dialogue has been opened with the opposition.

[1] Source: Chiffres clés - CÔTE D'IVOIRE | Direction générale du Trésor (economie.gouv.fr)

EXCHANGE RATE: XOF VS. US DOLLAR IN 2020



Ivory Coast is a regional economic power that generates more than a third of the gross domestic product (GDP), estimated at USD 61.5 billion in October 2020, of the West African Economic and Monetary Union (UEMOA) and 60% of its agricultural exports. Its population is estimated at 26.4 million (21% of the total population of the UEMOA), including 4.5 million foreign nationals. The Ivorian economy has been on a path of sustained growth since 2012, at 8% per year on average, making it one of the world's top five most dynamic countries. It experienced multiple crises in 2017, including the virtual halving of the world cacao price, the rise in oil prices, social movements and riots. But this did not affect its development, and it has posted annual growth of around 7.0-7.5% since then. Ivory Coast is showing signs of structural transformation, such as the emergence of local commodity processing and export diversification. Private consumption and primarily public, but increasingly private, investment are the main drivers of growth. Furthermore, the Ivorian economy has also experienced an upturn after the period of low investment in the first decade of the millennium. This has enabled the infrastructure deficit to be reduced. As a result, around 50% of the UEMOA road network is located in Ivory Coast.

Ivory Coast remains the world's leading producer of cacao, with a market share in excess of 40%. It has become the world's leading producer of cashew nuts, accounting for around 20% of global production, but its agricultural sector generates just 22% of GDP. The secondary sector, which generates almost 23% of GDP, is mainly made up of oil refining, energy, cash crops and construction. The main industries in the tertiary sector, which is predominant and generates around 55% of GDP, are telecommunications, port and air transport, distribution and finance. The Ivorian economy's good performance and resilience are also due to the monetary stability provided by membership of the UEMOA, which, among other things, means that inflation is kept well below the 3% UEMOA maximum (0.8% in 2019 and 1.2% in 2020).

In 2020, growth shrunk to 1.8% due to the impact of the covid-19 pandemic. The International Monetary Fund (IMF) expects growth to bounce back strongly to 8.7% from 2021.

In 2020, growth shrunk to 1.8% due to the impact of the covid-19 pandemic. The International Monetary Fund (IMF) expects growth to bounce back strongly to 8.7% from 2021, at which point Ivory Coast would have the most dynamic economy in Sub-Saharan Africa. Growth is expected to remain robust in the medium to long term, although it will gradually ease up.

However, the good economic performance does not hide the fact that the country continues to be marked by persistent major socioeconomic and geographic disparities. With life expectancy barely over 57 years, 4 years below the Sub-Saharan average, Ivory Coast is ranked 165th of 189 countries in the most recent United Nations Development Programme (UNDP) Human Development Index (HDI).

Major geographical disparities persist between the economic and financial capital Abidjan and the rest of the country. Abidjan is home to less than a quarter of Ivory Coast's population but accounts for 80% of economic activity in the country. Furthermore, the informal economy remains strong, accounting for 30-40% of GDP and employing more than 90% of the nation's workforce. The country needs to work on driving more inclusive growth.

The budget forecasts for 2020 were knocked off course by the impacts of covid-19 on public expenditure and revenue mobilisation. The government adopted measures to protect public health and support the economy, with rollouts in 2020 and 2021. A loss of domestic revenue along with a rise in budget expenses was anticipated in 2020, automatically leading to a high budget deficit of 5.2% of GDP.

A brighter business climate remains key to maintaining sustained growth in the medium to long term. There have been advancements in many areas since 2011, not least in terms of law, the codes regulating investments, mining, electricity, telecommunications and others, and institutions, including the establishment of a business court and a one-stop shop for business formalities. In the years 2018 and 2019, Ivory Coast rose 17 and 12 places respectively in the 'Ease of Doing Business index', rising to 110th in the global ranking of 190 countries. That said, many obstacles remain, particularly in terms of governance and the security of land rights. The emergence of a local private sector also continues to be impeded by the difficulty of accessing funding. However, on the whole the indicators of the Ivorian banking sector are heading in the right direction. The regional authorities must make efforts to work on banking inclusion. A low 22% of the population of Ivory Coast holds a bank account, but a little over 70% have access to financial services, including the use of digital money and microfinance.

2. SIPEF operations in Ivory Coast

2.1 Banana plantations

The operations continue to be concentrated at the same sites and in the same areas of historical production, where there have been no major developments. The total area planted with bananas at 31 December 2020 was 780 hectares, which is virtually unchanged compared with the previous year. Plantations J. Eglin still has the ambition of optimising the banana plantations by maintaining regular replanting cycles and introducing fallow periods, which is reducing the use of pesticides, as well as remediating the soil and regenerating its microorganisms. The current strategy is to plant healthy vegetable matter in healthy soil, with plantations of in vitro banana plants every seven years on average, plus a fallow year.

That means that the plantations, on which Plantations J. Eglin have been producing for several decades, maintain or even improve their productivity, based on sustainable agriculture and parasite control only when it is needed. Sustainable techniques like erosion control and controlled management of cover crops are additional examples of environmentally friendly cultivation practices.

A *Fusarium*-type disease currently known as 'Tropical Race 4' (TR4) has been causing major irreversible damage in the large tropical banana plantations for several years now. Africa has not been spared, but no trace of TR4 has been found in Ivory Coast up until now. Strict rules on the origin of plant material and certain sanitary procedures have already been introduced in the country. In practice, suppliers of plant material must provide assurances that the tissue culture plants are TR4-free and disinfection baths have been set up at the nurseries. These rules help limit the risk of this disease spreading.

Global banana exports from Plantations J. Eglin fell by 5.1% from 32 849 tonnes in 2019 to 31 158 tonnes in 2020. This is mainly due to the lower overall weight of bunches in the fields, with variations in weather having affected production cycles. Furthermore, exports to Senegal were suspended for several weeks because of border closures at the beginning of the covid-19 pandemic.

Fortunately, the pandemic has had only a superficial impact on the banana business, as Ivory Coast and West Africa in general have been spared or at worst impacted to a limited degree up until now. That said, managing operations and logistics for perishable products like bananas has become more challenging, due to the introduction of relatively burdensome phytosanitary and administrative procedures.

Some improvements made at the beginning of the year to meet certain challenges have generated good results, particularly reducing waste at the packing stations, while, of course, maintaining export quality in line with the demands of the market and customers. Waste rate is now fully under control, although quality still needs to be safeguarded. This is not always easy when dealing with sensitive produce like bananas.

Plantations J. Eglin obtained Fairtrade certification on schedule at the end of the year for the Azaguié and Agboville production sites. They join Motobé, which was the first of the sites to secure Fairtrade certification in 2019. That means that all bananas are Fairtrade certified, which generates more opportunities to increase sales.

PLANTATIONS	PLANTED AREA (HA)	PRODUCTION 2019 (TONNES)	PRODUCTION 2020 (TONNES)	YIELD 2020 TONNES/HA
AZAGUIÉ 1	138	4 976	5 152	37.3
AZAGUIÉ 2	197	9 928	8 447	42.8
AGBOVILLE	228	8 836	8 988	39.4
MOTOBÉ	216	9 109	8 571	39.6
TOTAL	**780**	**32 849**	**31 158**	**39.9**

2.1.1 AZAGUIÉ 1 EN 2

Azaguié is the zone with more land than anywhere else, with large areas dedicated to bananas. In total, there are 335 planted hectares split over Azaguié 1 (138 ha) and Azaguié 2 (197 ha). The horticulture operations are also consolidated at Azaguié, as are the central offices and the general and financial management of Plantations J. Eglin.

On the two sectors of Azaguié 1 and 2 the variety planted is Grand Nain. This very demanding variety provides satisfactory yields and quality. Both sites are fully irrigated, with a very efficient primary underground and secondary overhead network equipped with 100% electric pumping stations. The water for irrigation comes from artificial dams that filled with runoff from the hills during the rainy season.

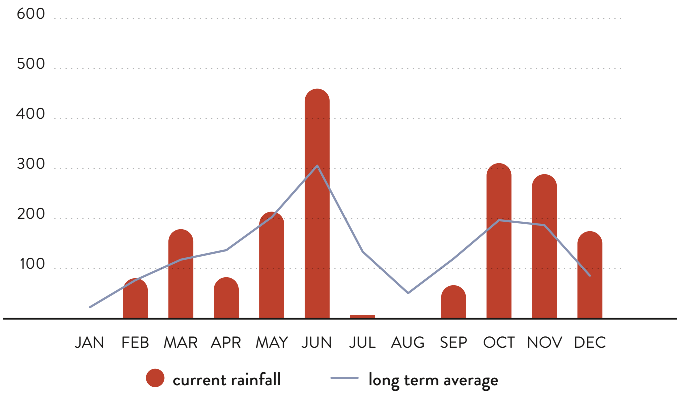
Each of these two sectors has its own packing station, with a daily capacity in line with the respective surface area. Farm tractors with trailers are used to harvest and transport banana bunches on horizontal trays.

Azaguié 1 exported 5 152 tonnes, compared with 4 976 tonnes the previous year, an increase of 3%. That means that the same yield over a slightly larger area was maintained. The land optimisation strategy is continued in this sector, where it would be relatively easy to increase capacity without affecting the capacity of the packing station.

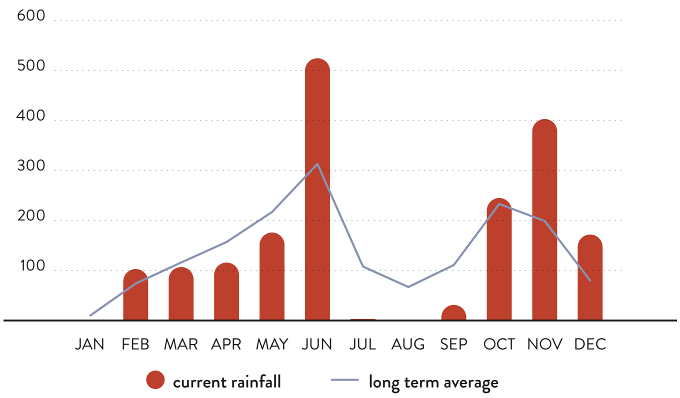
In this zone a series of tests were launched for the phytosanitary treatment of the plantation. This site uses drones flying at low altitude to limit the impact of product drift during the aerial application by helicopter to treat *Black Sigatoka* in banana plantations. These tests have now been concluded, with excellent spreading quality achieved. However, what still needs to be checked is that this method can be reproduced on a larger scale.

Azaguié 2 exported 8 447 tonnes, compared with 9 928 tonnes the previous year, a decrease of 15%. This reduction in volume was coupled with an appreciable reduction in the planted area (-3%), as the fallow programs were launched at the end of the first six years of cultivation at this site. After the plot has been furrowed, it is left fallow for one year, planting only cover plants that are not vectors of nematodes (parasites of the banana plant) and that enrich the soil with humus. Azaguié 2 has now entered a normal crop renewal cycle with fallow periods, which will continue for the years to come, the same as at the other banana production sectors of Plantation J. Eglin. The company is thinking about trying a crop rotation cycle in the near future, alternating between bananas and pineapples, which are produced in the neighbouring horticulture sector. The fallow areas could be used to grow pineapple flowers while maintaining the banana irrigation network, which would thus be optimised. It is a project to be followed.

RAINFALL AZAGUIÉ 1 (IN MM)



RAINFALL AZAGUIÉ 2 (IN MM)

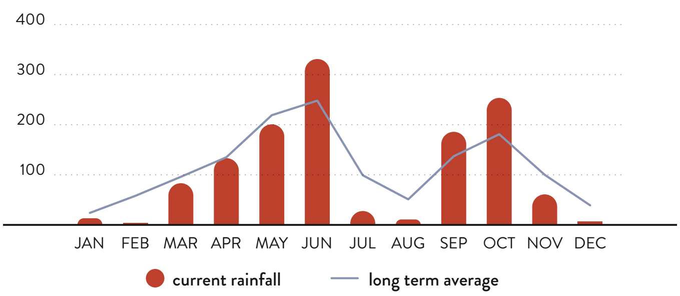


2.1.2 AGBOVILLE

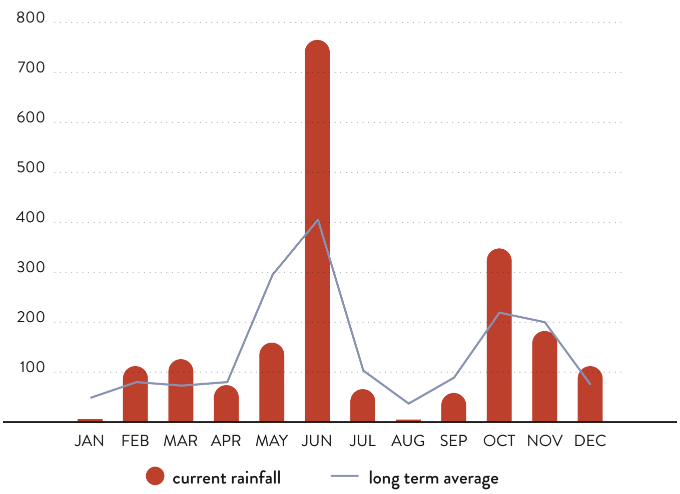
Agboville maintains relatively good production and yields with a well-structured renewal of the less productive plots. It is therefore a well-established site with a steady performance. Grand Nain is the only variety grown and the whole area is equipped with a very extensive, and therefore complex, but highly effective irrigation network. There is a single central irrigation station, which runs solely on electricity, and is supplied by a reservoir and the Gorké River that runs through the plantation. The packing station, also at the centre of the plantation, handles fruit, which is brought partly by tractors with specially designed trailers and partly by the cableway. The cableway is simpler and more efficient than using tractors and trailers, but does require completely flat surfaces, which is not the case throughout Agboville. This means that only 30% of the area is covered by the cableway.

Agboville exported 8 988 tonnes, compared with 8 836 tonnes the previous year, an increase of 2%. This means that yields have risen slightly, but some technical optimisations still have to be implemented, such as making the planted areas more dense, by increasing the number of plants per hectare, which naturally decreases year after year, to produce more bunches per hectare.

RAINFALL AGBOVILLE (IN MM)



RAINFALL MOTOBÉ (IN MM)



2.1.3 MOTOBÉ

Motobé is the most straightforward and homogeneous site. The terrain is totally flat and easy to manage, but drainage is the limiting factor. Drainage of the excess water during the rainy season is essential and the network of drain ditches and collectors require constant maintenance. That is why the site is planted with the William variety, which is hardier than the Grand Nain in this regard. The great advantage of Motobé is its cableway, which was first installed almost 30 years ago. It enables the plantation workers to conveniently move fruit harvested in the field to the station, and the running and maintenance costs are low.

The irrigation network is similar to those at other sites. The difference is that the water is drawn from the Comoé River that runs alongside the plantation. The track, along which the fruit is conveyed in reefer containers from the packing station to the port of Abidjan, has to be constantly maintained with the addition of gravely laterite to raise those areas liable to flooding.

Motobé exported 8 571 tonnes, compared with 9 109 tonnes the previous year, a decrease of 6%. This is mainly because of a cycle shift, due

to the fact that the production was concentrated around the middle of the year, rather than the beginning of the year as usual. This seasonal divergence meant that the weight of bunches, and so the weight of exports, was lower than expected.

2.2 Horticulture

The horticulture activities adjoin the Azaguié 2 site. For many years, pineapple flowers have been produced over 32 hectares there, as well as ornamental foliage, varieties of *Dracaena* and *Cordylines*, over 6 hectares. Lotus flowers continue to be harvested on the dam at the Agboville site.

The covid-19 pandemic completely destabilised the operations, with air freight suspended at times, together with lockdowns of varying durations when the customers – importers, wholesalers and florists – were shut down. As a result, nine weeks of production were not harvested, exported and sold in normal conditions. However, against all expectations there was an exponential rise in demand for tropical foliage from the summer, which generally offset the shortfall in pineapple flowers and lotus.

In 2020, 345 299 units of pineapple flowers were exported, a decrease of 24% compared with 2019. Lotus exports were down 38% on the figure for the previous year, but foliage exports were boosted, with 1 736 100 units exported, an increase of 31% compared with 2019.
On a consolidated basis, the horticultural sector is performing decently, which shows the importance of crop diversification. This is a steady business that makes a positive contribution to the company.

ORNAMENTAL PLANTS (UNITS)	PINEAPPLE FLOWERS			ORNAMENTAL FOLIAGE			LOTUS		
	2019	2020	Variance (%)	2019	2020	Variance (%)	2019	2020	Variance (%)
Azaguié 2	478 409	356 409	-25.5%	1 322 758	1 736 100	31.2%	128 520	80 610	-37.3%

2.3 Packing stations

BANANAS	AZAGUIÉ 1			AZAGUIÉ 2		
CAPACITY (TONNES/DAY)	30			40		
Volumes per destination (in TONNES)	2019	2020	Variance (%)	2019	2020	Variance (%)
EU	4 063	4 444	+9.4%	7 505	7 075	-5.7%
REGIONAL	913	709	-22.4%	2 422	1 372	-43.4%
LOCAL	522	365	-30.0%	1 190	701	-41.1%
TOTAL	**5 498**	**5 518**	**+0.4%**	**11 117**	**9 148**	**-17.7%**

The four banana packing stations work to the packing and quality standards set out in the Group specifications and those of its customers. Products for the European market are packed in standard cardboard boxes or IFCO-type returnable plastic cases with banana clusters that can also be tied with tape or in bags in accordance with the wishes of retailers. All lots are identified and loaded onto pallets at the packing station, before being loaded into reefer containers.

Bananas exported to the regional market, Senegal or Mauritania, are packed in the same standard cardboard boxes with an average weight of 18.5 kg, and packed directly in bulk in reefer containers. For products exported to Europe or other parts of West Africa the cold chain starts directly at the packing station, with a maximum cut-to-cool time of 24 hours.

Fruit that looks less attractive is reserved for the local market. This is transported in hardy wooden crates. The industry is currently working to improve the appearance and packaging of fruit for the local market, which remains less lucrative.

2.4 General services and annexes

At the end of the year a new general manager, Jean-Pierre Charbon, succeeded Olivier Bierny, who took retirement. Jean-Pierre Charbon has the requisite experience and is familiar with both the country and the product. He will continue to pursue and optimise the profitability of the company production facilities. The management team at the Azaguié site is near production while remaining very close to Abidjan, the economic capital, where urban development continues at a considerable rate.

The total workforce of Plantations J. Eglin at 31 December 2020 was 1 413 people, 80% of whom work in the fields.

The European Union (EU) co-funding programme through the Banana Accompanying Measures (BAM) has been finalised, with a focus on improving the living conditions of the employees of the Group and their families. A nursery school with three classes, 180 fully equipped homes, 491 improved stoves for the kitchens and three grocery stores are the main achievements, with 59% of the funding provided by the EU. Investments with own funds are continuing in view of constant improvements to the living conditions of our people. The focus is now on hygiene, including

	AGBOVILLE			MOTOBÉ			TOTAL		
	40			40			**150**		
	2019	2020	Variance (%)	2019	2020	Variance (%)	**2019**	**2020**	**Variance (%)**
	7 649	8 055	+5.3%	7 806	7 565	-3.1%	**27 023**	**27 138**	**+0.4%**
	1 187	933	-21.4%	1 303	1 006	-22.8%	**5 825**	**4 019**	**-31.0%**
	640	872	+36.2%	610	655	+7.4%	**2 962**	**2 594**	**-12.4%**
	9 476	**9 860**	**4.0%**	**9 719**	**9 226**	**-5.1%**	**35 810**	**33 752**	**-5.7%**

recycling household waste and smartening up the villages, with play areas for children.

The programme of reforestation and promotion of forestry products saw no progress in 2020 and, considering the age of some Gmelina plots, some areas now need to be thinned out. By carrying out this work, which will be funded with the proceeds from the sale of wood, this will also give the remaining trees the opportunity to develop into a mature forest. At Azaguié in particular, the reforestation programme will be continued in some areas that cannot be converted to banana production. This will be done in association with an organisation that specialises in developing forest species and varieties. The technical and economic study is ongoing.

The three production sites have their own medical centre, headed by a medical officer, who is a member of company management. These centres are equipped to provide first aid and everyday care. Thanks to the Fairtrade fund, which is improving the income from the sales, Plantations J. Eglin is committed to replacing the ambulances used for evacuations to regional hospitals.

The grocery stores on the most remote sites work very well under a village management system. This promising model set up and initially monitored by the human resources teams of the Company, will undoubtedly be scaled up.

Europe

SIPEF

Historically, the Group is managed in strategic, financial and commercial terms by SIPEF in Belgium. In recent years, a broader framework for IT and legal affairs has been added. As a result, the staff in Belgium (currently around 25 employees) has been expanded in recent years with a core IT team of four people and a legal counsel.

Jabelmalux SA

Jabelmalux SA is the Luxembourg parent company of the latest oil palm expansions in North Sumatra (PT Umbul Mas Wisesa, PT Toton Usaha Mandiri and PT Citra Sawit Mandiri) and of one of the expansions in the Musi Rawas region in South Sumatra (PT Agro Muara Rupit).

After the successful public purchase bid that was issued in 2011, the company disappeared from the Luxembourg stock exchange. The initial offer was then continued. At the end of 2020, the SIPEF group controlled 99.9% of the company. SIPEF aims, in the future, to also acquire the remaining shares that are still in public hands.

Operational key figures

Group production (in tonnes)

FRESH FRUIT BUNCHES PRODUCED	YTD 2020	YTD 2019	% CHANGE
OWN			
INDONESIA	950 853	922 265	3.10%
Tolan Tiga group	298 757	312 216	-4.31%
Umbul Mas Wisesa group	206 984	199 535	3.73%
Agro Muko group	362 545	341 576	6.14%
South Sumatra group	82 567	68 938	19.77%
PAPUA NEW GUINEA	269 616	255 515	5.52%
Hargy Oil Palms Ltd	269 616	255 515	5.52%
TOTAL OWN	1 220 469	1 177 780	3.62%
OUTGROWERS			
INDONESIA	28 652	22 016	30.14%
Tolan Tiga group	2 408	637	278.29%
Umbul Mas Wisesa group	1 925	650	196.10%
Agro Muko group	16 386	15 673	4.55%
South Sumatra group	7 933	5 056	56.90%
PAPUA NEW GUINEA	209 791	184 875	13.48%
Hargy Oil Palms Ltd	209 791	184 875	13.48%
TOTAL OUTGROWERS	238 443	206 891	15.25%
TOTAL FFB PRODUCED	**1 458 912**	**1 384 671**	**5.36%**

FRESH FRUIT BUNCHES SOLD	YTD 2020	YTD 2019	% CHANGE
INDONESIA	52 969	41 514	27.59%
Tolan Tiga group	2	2	0.00%
Umbul Mas Wisesa group	42 095	39 152	7.52%
Agro Muko group	1 875	2 360	-20.53%
South Sumatra group	8 996	0	-
TOTAL FFB SOLD	**52 969**	**41 514**	**27.59%**

FRESH FRUIT BUNCHES PROCESSED	YTD 2020	YTD 2019	% CHANGE
INDONESIA	**926 536**	**902 767**	**2.63%**
Tolan Tiga group	301 163	312 850	-3.74%
Umbul Mas Wisesa group	166 814	161 033	3.59%
Agro Muko group	377 056	354 889	6.25%
South Sumatra group	81 504	73 994	10.15%
PAPUA NEW GUINEA	**479 407**	**440 390**	**8.86%**
Hargy Oil Palms Ltd	479 407	440 390	8.86%
TOTAL FFB PROCESSED	**1 405 943**	**1 343 157**	**4.67%**

OIL EXTRACTION RATE	YTD 2020	YTD 2019	% CHANGE
INDONESIA	**22.8%**	**23.2%**	**-1.88%**
Tolan Tiga group	22.5%	22.6%	-0.21%
Umbul Mas Wisesa group	23.1%	23.7%	-2.70%
Agro Muko group	23.1%	24.1%	-4.04%
South Sumatra group	21.5%	20.6%	4.42%
PAPUA NEW GUINEA	**24.6%**	**23.4%**	**5.52%**
Hargy Oil Palms Ltd	24.6%	23.4%	5.52%
TOTAL OIL EXTRACTION RATE	**23.4%**	**23.3%**	**0.66%**

PALM OIL	YTD 2020	YTD 2019	% CHANGE
OWN			
INDONESIA	**205 040**	**204 812**	**0.11%**
Tolan Tiga group	67 310	70 489	-4.51%
Umbul Mas Wisesa group	38 413	38 089	0.85%
Agro Muko group	83 545	82 007	1.88%
South Sumatra group	15 772	14 227	10.86%
PAPUA NEW GUINEA	**66 432**	**59 829**	**11.04%**
Hargy Oil Palms Ltd	66 432	59 829	11.04%
TOTAL OWN	**271 472**	**264 641**	**2.58%**
OUTGROWERS			
INDONESIA	**6 121**	**4 865**	**25.82%**
Tolan Tiga group	549	150	266.00%
Umbul Mas Wisesa group	132	151	-12.58%
Agro Muko group	3 671	3 541	3.67%
South Sumatra group	1 769	1 023	72.92%
PAPUA NEW GUINEA	**51 691**	**43 008**	**20.19%**
Hargy Oil Palms Ltd	51 691	43 008	20.19%
TOTAL OUTGROWERS	**57 812**	**47 873**	**20.76%**
TOTAL PALM OIL	**329 284**	**312 514**	**5.37%**

PALM KERNELS	YTD 2020	YTD 2019	% CHANGE
OWN			
INDONESIA	42 867	42 288	1.37%
Tolan Tiga group	16 255	17 064	-4.74%
Umbul Mas Wisesa group	6 754	6 024	12.12%
Agro Muko group	17 036	16 390	3.94%
South Sumatra group	2 822	2 810	0.43%
TOTAL OWN	42 867	42 288	1.37%
OUTGROWERS			
INDONESIA	1 161	938	23.82%
Tolan Tiga group	113	31	264.52%
Umbul Mas Wisesa group	22	23	-2.61%
Agro Muko group	720	688	4.65%
South Sumatra group	306	196	56.12%
TOTAL OUTGROWERS	1 161	938	23.82%
TOTAL PALM KERNELS	**44 028**	**43 226**	**1.86%**

PALM KERNEL OIL	YTD 2020	YTD 2019	% CHANGE
PAPUA NEW GUINEA	9 397	8 665	8.44%
Hargy Oil Palms Ltd - own	5 294	5 064	4.55%
Hargy Oil Palms Ltd - outgrowers	4 102	3 601	13.92%
TOTAL PALM KERNEL OIL	**9 397**	**8 665**	**8.44%**

RUBBER	YTD 2020	YTD 2019	% CHANGE
OWN			
INDONESIA	5 300	5 495	-3.55%
Tolan Tiga group	918	972	-5.51%
Melania	2 695	2 379	13.28%
Agro Muko	1 686	2 144	-21.34%
TOTAL OWN	5 300	5 495	-3.55%
OUTGROWERS			
INDONESIA	711	831	-14.44%
Tolan Tiga group	711	831	-14.44%
TOTAL OUTGROWERS	711	831	-14.44%
TOTAL RUBBER	**6 011**	**6 326**	**-4.98%**

TEA	YTD 2020	YTD 2019	% CHANGE
INDONESIA	**2 762**	**2 331**	**18.49%**
Melania - own	2 664	2 331	14.29%
Melania - outgrowers	98	0	
TOTAL TEA	**2 762**	**2 331**	**18.49%**

BANANAS	YTD 2020	YTD 2019	% CHANGE
IVORY COAST	**31 158**	**32 849**	**-5.15%**
Azaguié 1	5 152	4 976	3.53%
Azaguié 2	8 447	9 928	-14.91%
Agboville	8 988	8 836	1.72%
Motobé	8 571	9 109	-5.91%
TOTAL BANANAS	**31 158**	**32 849**	**-5.15%**

Planted area (in hectares) *

Total planted area of consolidated companies excluding PT Timbang Deli.

	2020			2019		
	MATURE	IMMATURE	PLANTED	MATURE	IMMATURE	PLANTED
OIL PALMS	63 489	12 984	76 473	59 531	14 446	73 977
INDONESIA	50 745	12 040	62 785	47 241	13 029	60 270
Tolan Tiga group	12 383	581	12 963	12 562	1 000	13 562
Umbul Mas Wisesa group	9 938	6	9 944	9 876	52	9 928
Agro Muko group	18 891	2 196	21 087	16 471	3 260	19 731
South Sumatra group	9 532	9 258	18 790	8 331	8 716	17 048
PAPUA NEW GUINEA	12 744	944	13 689	12 290	1 417	13 707
Hargy Oil Palms Ltd	12 744	944	13 689	12 290	1 417	13 707
RUBBER	4 142	674	4 816	4 269	1 384	5 653
INDONESIA	4 142	674	4 816	4 269	1 384	5 653
Tolan Tiga group	2 778	674	3 452	2 813	1 097	3 910
Agro Muko group	1 363	0	1 363	1 455	287	1 743
TEA	1 744	43	1 786	1 735	33	1 768
INDONESIA	1 744	43	1 786	1 735	33	1 768
Tolan Tiga group	1 744	43	1 786	1 735	33	1 768
BANANAS	780	0	780	796	0	796
IVORY COAST	780	0	780	796	0	796
Plantations J. Eglin SA	780	0	780	796	0	796
PINEAPPLE FLOWERS	30	8	38	21	9	31
IVORY COAST	30	8	38	21	9	31
Plantations J. Eglin SA	30	8	38	21	9	31
TOTAL	70 184	13 709	83 893	66 352	15 873	82 225

* = actual planted hectares

Planted area (in hectares) *

Total planted area of consolidated companies (share of the Group) excluding PT Timbang Deli.

	TOTAL	BENEFICIAL INTEREST - %	SHARE OF THE GROUP
OIL PALMS	76 473	93.01%	71 130
INDONESIA	62 785	91.49%	57 442
Tolan Tiga group	**12 963**	**86.95%**	**11 272**
PT Tolan Tiga	7 827	95.00%	7 436
PT Eastern Sumatra	2 921	90.25%	2 636
PT Kerasaan	2 215	54.15%	1 199
Umbul Mas Wisesa group	**9 944**	**94.90%**	**9 437**
PT Umbul Mas Wisesa	7 063	94.90%	6 703
PT Toton Usaha Mandiri	1 135	94.90%	1 077
PT Citra Sawit Mandiri	1 746	94.90%	1 657
Agro Muko group	**21 087**	**89.57%**	**18 888**
PT Agro Muko	17 921	90.25%	16 173
PT Mukomuko Agro Sejahtera	3 166	85.74%	2 715
South Sumatra group	**18 790**	**94.97%**	**17 845**
PT Agro Kati Lama	3 989	95.00%	3 790
PT Agro Muara Rupit	5 459	94.90%	5 181
PT Agro Rawas Ulu	2 452	95.00%	2 329
PT Dendymarker Indah Lestari	6 890	95.00%	6 545
PAPUA NEW GUINEA	13 689	100.00%	13 689
Hargy Oil Palms Ltd	13 689	100.00%	13 689
RUBBER	4 816	90.25%	4 346
INDONESIA	4 816	90.25%	4 346
Tolan Tiga group	3 452	90.25%	3 116
PT Bandar Sumatra	767	90.25%	693
PT Melania	2 685	90.25%	2 423
Agro Muko group	1 363	90.25%	1 230
PT Agro Muko	1 363	90.25%	1 230
TEA	1 786	90.25%	1 612
INDONESIA	1 786	90.25%	1 612
Tolan Tiga group	1 786	90.25%	1 612
PT Melania	1 786	90.25%	1 612

* = actual planted hectares

	TOTAL	BENEFICIAL INTEREST - %	SHARE OF THE GROUP
BANANAS	780	100.00%	780
IVORY COAST			
Plantations J. Eglin SA	780	100.00%	780
PINEAPPLE FLOWERS	38	100.00%	38
IVORY COAST			
Plantations J. Eglin SA	38	100.00%	38
TOTAL	**83 893**	**92.86%**	**77 907**

Age profile (in hectares)

	OIL PALMS						RUBBER TREES		
YEAR	Tolan Tiga group	Umbul Mas Wisesa group	Agro Muko group	South Sumatra group	Hargy Oil Palms	TOTAL	Tolan Tiga group	Agro Muko group	TOTAL
2020	0	0	118	3 248	63	**3 429**	0	0	**0**
2019	278	0	1 528	3 250	335	**5 391**	0	0	**0**
2018	303	6	1 080	2 759	547	**4 695**	97	0	**97**
2017	399	45	1 047	2 663	596	**4 750**	163	0	**163**
2016	328	175	397	2 492	219	**3 611**	217	0	**217**
2015	679	69	1 027	1 220	741	**3 734**	197	0	**197**
2014	709	0	977	706	1 386	**3 779**	132	75	**207**
2013	434	0	1 242	668	955	**3 300**	207	198	**405**
2012	746	202	1 504	117	1 625	**4 194**	142	197	**339**
2011	754	755	26	0	811	**2 346**	147	100	**246**
2010	625	1 529	387	0	615	**3 157**	140	150	**289**
2009	103	1 658	581	0	294	**2 635**	43	62	**105**
2008	397	1 959	332	0	239	**2 926**	108	117	**224**
2007	319	2 152	578	0	1 563	**4 612**	164	173	**337**
2006	619	367	1 097	0	928	**3 011**	143	188	**331**
2005	652	1 004	557	0	176	**2 389**	217	0	**217**
2004	133	0	781	0	159	**1 073**	172	0	**172**
2003	897	0	120	0	148	**1 165**	218	0	**218**
2002	470	0	102	0	330	**901**	152	0	**152**
2001	481	0	585	0	930	**1 996**	92	0	**92**
2000	302	0	1 129	532	312	**2 275**	197	78	**275**
1999	370	0	1 858	370	431	**3 029**	116	0	**116**
1998	467	0	2 135	734	160	**3 496**	158	0	**158**
1997	752	0	242	30	126	**1 151**	89	27	**116**
1996	793	0	163	0	0	**956**	78	0	**78**
Before 1996	955	24	1 494	0	0	**2 473**	63	0	**63**
	12 963	**9 944**	**21 087**	**18 790**	**13 689**	**76 473**	**3 452**	**1 363**	**4 816**
Average age	13.95	11.61	12.74	4.15	10.35	10.26	12.77	10.97	12.26

Risks and uncertainties

In November 2020, the audit committee reanalysed the various risks which the Group is facing.

In this process the committee identified and classified 76 risks (general, product, operational, workforce, financial, commercial, legal and political). The audit committee added a number of new risks to those identified in 2019, in response to events in 2020. Thus, the list was expanded to include risks related to the Company's reputation, due to stakeholder activism, pandemic, geopolitical turmoil, cybersecurity and ransomware, and banks or investors being reluctant to invest in SIPEF.

All of these risks were then assessed, on the basis of the likelihood that they would occur and their possible impact on the Company, and mapped. Only the specific risks that, based on the analysis, are certain, virtually certain or likely to occur in the SIPEF group, and that could have a significant or moderate negative impact on the financial situation, the operating results or the liquidity of the Group, and lead to impairments of assets, are stated hereafter.

1. Description of the specific risks

The following **specific risks** were identified:

Risks	Certain	Virtually certain	Likely
Risk connected with the spread of activities over a limited number of countries and with limited product diversification	High		
Risk connected with expansion		High	
Risk of dependence on a limited number of large customers		High	
Risk connected with land property rights and rights of use		High	
Risk of natural disasters (plantations – mills)			High
Risk of rising raw material-related input prices		Average	
Risk of not finding sufficient staff in remote areas		Average	
Risk of wage rises		Average	
Climate risk		Average	
Risk of an unexpected fall in future short-term margins		Average	
Risk connected with concern in Europe for sustainability and increased RSPO restrictions		Average	

Impact

Possibility

1.1 Risk connected with the spread of activities over a limited number of countries and with limited product diversification

The Group produces palm products, natural rubber, tea and bananas in Indonesia, Papua New Guinea and Ivory Coast. The centre of gravity of its activities is in palm product cultivation in Indonesia and Papua New Guinea, which constitutes approximately 92% of total turnover. So, if problems of any nature occur in Indonesia, and to a lesser degree in Papua New Guinea or Ivory Coast, to obstruct the cultivation or production of these products, this could have a significant negative impact on the results and the financial situation of the Group.

1.2 Risk connected with expansion

LIMITED AVAILABILITY OF SITES

The Group's expansion strategy consists, amongst others, of expansion by organic growth, by acquiring extra plots that can be planted and meet the requirements for RSPO certification. There is no certainty that the Group will be able to acquire on economically responsible terms, sufficient and agronomically suitable land which satisfies its sustainability policy. The acquisition of these areas, under ownership or through concession agreements, has become more difficult due to the limited availability of agricultural land and intense competition from other plantation companies. The limited availability of land for future expansion could have an adverse impact on the Group's growth strategy.

ACQUISITIONS, DIVESTMENTS, STRATEGIC ALLIANCES AND JOINT VENTURES

Acquisitions, divestments, strategic alliances and joint ventures are an integral part of the Group's growth strategy. However, there is no certainty that any of these transactions will be completed or will be favourable for the Group. As a result of one of these transactions, the Group, for example, could face difficulties integrating new companies in other countries into its existing activities. In spite of due diligence, unforeseen legal, regulatory, contractual, labour related and other problems may still arise to obstruct the integration advantages, quality levels and cost savings identified for the transaction in question.

1.3 Risk of dependence on a limited number of large customers

SIPEF sells approximately 96% of its palm oil, palm kernel oil and palm kernels in the certified physical goods flows of the RSPO and International Sustainability and Carbon Certification (ISCC), for respective use in the food industry or for the production of green energy. It addresses a limited number of customers with which it has built long-term relationships and who are prepared to pay a premium for quality certification. In the future, SIPEF will continue to endeavour to supply 100% of its products in certified physical goods flows that are fully traceable. The Company counts on similar efforts from palm oil consumers, but has no certainty whatsoever about this.

1.4 Risk connected with land property rights and rights of use

The retention of property rights and concession rights is essential for the Group to safeguard and develop the production in the various countries.

The Group's activities and results could therefore be seriously impacted if it does not manage to retain these rights or, in the event of concession agreements, renew them for a long term. There is also a risk for the Group as soon as the existing rights of use of land are limited.

1.5 Risk of natural disasters (plantations – mills)

Virtually all the activities of the Group are located in Indonesia and Papua New Guinea. These countries are volcanic areas where there is a great risk of natural disasters, such as earthquakes, landslides, mudflows and tsunamis. Ivory Coast, on the other hand, is sometimes affected by local tornados. All these natural disasters can have disastrous consequences for both plantations and mills. Furthermore, the plantations may have to deal with insect plagues or new plant and tree diseases, which can wipe out an entire harvest. Such disasters can have a material negative impact on the turnover and financial results of the Group.

1.6 Risk of rising raw material-related input prices

The main agricultural raw materials of the Group, such as fuel and fertiliser, are exposed to price fluctuations. These can have a significant impact on the Group's costs and can accordingly have a negative impact on the Group's operating results.

1.7 Risk of not finding sufficient staff in remote areas

The production of palm oil products, rubber, tea and bananas is very labour-intensive. The remote location of certain sites could make it difficult in the future to find staff prepared to work there.

1.8 Risk of wage rises

Labour costs, staff costs and the costs of fringe benefits could rise by a significant degree in the future in countries in which the Group operates. Such rises could be the result of protective regulations imposed by local authorities. As the Group's activities are very labour-intensive, unexpected rises could generate a great cost and put a serious strain on the Group's results.

1.9 Climate risk

The volumes produced, and turnover and margins generated, are impacted to a certain degree by weather conditions, such as precipitation, sunshine, temperature and humidity. Unfavourable weather can cause disruption to the agricultural activities and have a negative impact on agricultural production. Serious adverse weather (floods, droughts, severe storms) could result in significant damage to properties, protracted interruptions to the activities, personal injury and other damage to the operating activities of the Group.

The potential physical consequences of climate change are uncertain, and may differ depending on the region and the product.

1.10 Risk of an unexpected fall in future short-term margins

The turnover and margins generated depend to a great degree on fluctuations in market prices, primarily of palm oil and palm kernel oil. Economic factors the Group has no control over affect the supply of and demand for these products, as well as their prices. There is a risk that such fluctuations will have an adverse impact on the Group's profitability. Based on the 2021 budget, a change in the palm oil price of USD 100 CIF Rotterdam per tonne would impact the post-tax result by approximately USD 27.6 million per year, not including the impact of export duties.

1.11 Risk connected with concern in Europe for sustainability and increased RSPO restrictions

The Group's reputation is based on its RSPO certification. Bearing in mind that concern for sustainability and corporate social responsibility among consumers is rising, the European Union or the various authorities in the countries in which SIPEF operates could impose tougher rules on companies. It is uncertain whether the Group and the local producers would be able to comply with these certification requirements at any time. If the Group fails to meet these requirements, it could lose its certification, or the certification could be suspended. Such a loss or suspension could have an adverse impact on the activities, reputation and financial situation of the Group.

None of the aforementioned risks are insured, except for the risk to mills in connection with natural disasters. For this risk, insurance has been taken out to cover the potential damage to the buildings, systems, tools and products physically present in the factories.

2. Description of the general risks

As well as the specific risks, the Group also has to contend with more **general risks** associated with:

- → currency, interest rates, credit and liquidity (see Note 26 of this Annual Report);
- → social actions;
- → computer systems;
- → regulations;
- → court cases;
- → internal control;
- → tax audits;
- → environmental liability.

Regarding the risks associated with the regulations, it should be noted that there is currently a tax levy on every export of palm oil from Indonesia.

The prices of sales to Indonesian customers are also affected by this tax, since the local population is not willing to pay more than the net export price. Therefore, these levies have a major impact, both directly and indirectly, on all palm oil produced by SIPEF in Indonesia.

Due to the low palm oil prices, the minimum threshold for applying this step-by-step tax plus levy was not reached in 2019 and, therefore, this cost was not applicable. The years prior to 2019, this tax plus levy amounted to USD 42 per tonne in 2018, USD 53 per tonne in 2017, USD 51 per tonne in 2016 and USD 28 per tonne in 2015 on average.

However, in 2020, this tax plus levy averaged USD 74 per tonne. This substantial increase resulted mainly from the application of a new matrix for the export levy on palm products as from 10 December 2020. The increased export levy was issued on 3 December 2020 to finance the Indonesian government's biodiesel program.

The new export levy is combined with the pre-existing export tax rates, and both the levy and tax are recalculated monthly by the Indonesian government, based on international and local market prices. In concrete terms, this meant that from 10 December 2020, sales of palm oil from Indonesia were subject to a combined tax plus levy of USD 213 per tonne. This represented an increase of USD 125 per tonne compared to the previous system. For December 2020, this measure had a negative impact of USD 2.6 million on the Group's consolidated results after tax.

Lastly, there still may be risks that the SIPEF group currently suspects to be limited, but that ultimately could have a significant negative impact. There may also be additional risks the Group is currently not aware of.

Corporate governance statement

1. General

The 'Corporate governance statement' gives special attention to factual information with regard to good governance for a given financial year. This chapter describes any changes that were made to the policy and the relevant events regarding good governance during the past financial year 2020 and the closing period until the meeting of the board of directors of 10 February 2021. Furthermore, any deviation from the recommendations of the Belgian Corporate Governance Code 2020 during the financial year 2020 is explained in accordance with the comply or explain principle. The statement also contains the remuneration report and the diversity policy that SIPEF applies for the composition of the board of directors and the executive committee.

The good governance of SIPEF did not escape the consequences of covid-19 in 2020. The focus was on the safety of the shareholders of the Company, the directors, the members of the executive committee and all other employees and stakeholders of the SIPEF group. The activities in Indonesia, Papua New Guinea and Ivory Coast were followed remotely due to the travel restrictions imposed by the various countries. Working from home was the rule for all employees of the Group for virtually the whole year. The importance of the Group IT structure was shown more clearly than ever, and the substantial upgrades and enlargements of recent years paid off.

The board of directors and the committees held virtual meetings. The ordinary and extraordinary general meeting of 10 June 2020 was held behind closed doors. Shareholders could vote in advance or by proxy. They passed the resolutions, including the amendment of the articles of association to bring them into line with the new Companies Code (or WVV). All appropriate measures were taken to ensure that the shareholders were able to exercise their rights to vote and to ask questions as fully as possible. That said, management found it very regrettable that it was unable to meet the shareholders of the Company and respond to their questions in person in 2020. That is because interaction with stakeholders, not only shareholders but also investors and analysts, is something SIPEF finds very important. Dialogue is valuable for everyone involved, in order to better understand the importance of certain issues. Unfortunately, covid-19 made in-person interaction more difficult in 2020.

SIPEF has always formulated the Company's policy to be in line with the best practices of good governance. In 2005, the board of directors of SIPEF adopted the original version of the Corporate Governance Charter ('Charter'), which was drawn up in accordance with the Belgian Corporate Governance Code 2004. The Charter sets out the structure and powers of the Company's bodies, the obligations of the members of the board of directors, the various committees of the Company, the guidelines for how these bodies are composed and how they work. It also contains the rules of conduct that apply to the persons discharging managerial responsibilities and the staff of the Company, if they conduct transactions relating to financial instruments.

The Charter has been regularly updated since 2005, in line with changes to applicable regulations and the best practices of good governance. For example, on 22 November 2019, it was brought into line with the stipulations of the new Code of Companies and Associations (WVV) and the Belgian Corporate Governance Code 2020 (the 'Code'), which became applicable to SIPEF on 1 January 2020. The Charter was last amended on 18 November 2020 to bring it into line with the EU's Shareholder Rights Directive (SRDII) and the law of 28 April 2020 enacting this directive into Belgian law. This most recent amendment mainly concerned the provisions of the Charter regarding the remuneration policy, the remuneration report and transactions with associated parties. The amended version of the Charter is available on the website (www.sipef.com).

The rules of the Charter were supplemented on 1 January 2020 by the provisions of the Code of Conduct, which sets out the ethical rules of conduct for managers and staff of SIPEF.

The present statement should be read in the light of the aforementioned new Companies Code. If the new code was not yet applicable in specific cases during the financial year 2020, this is clearly stated in the report. For the application of the 'comply or explain' principle, the Company still uses the Corporate Governance Code 2020 as its benchmark code.
(www.corporategovernancecommittee.be).

2. Board of directors

2.1 Composition at 31 December 2020

	TERM
Baron Luc Bertrand, chairman	2020-2023
François Van Hoydonck, managing director	2019-2023
Tom Bamelis	2018-2022
Priscilla Bracht	2018-2022
Baron Jacques Delen	2020-2021
Antoine Friling	2019-2023
Regnier Haegelsteen (until 10 June 2020)	2019-2020
Gaëtan Hannecart (from 10 June 2020)	2020-2024
Sophie Lammerant-Velge	2019-2023
Petra Meekers (until 9 June 2021)	2020-2021
Nicholas Thompson	2019-2023

The board of directors consisted of 10 members on 31 December 2020.

At least half of the members of the board, that is nine out of ten, are non-executive directors. Three out of ten directors are women. The Company accordingly respects the legal gender diversity quota of one third.

Furthermore, at 31 December 2020, the following independent directors sat on the board of directors:

- → Sophie Lammerant-Velge
- → Petra Meekers
- → Nicholas Thompson

These directors fulfil all independence criteria stated in principle 3 of the Code.

The Company's shareholder structure is characterised by the presence of two reference shareholders, Ackermans & van Haaren and the Bracht group, composed of the Baron Bracht family and Cabra NV, which act in mutual consultation, on the basis of a shareholder agreement that was originally entered into in 2007 for a period of 15 years. In 2017, this agreement was amended and renewed for a further period of 15 years.

In spite of this shareholder structure, no director or group of directors has a dominant influence on the functioning of the board of directors.

Non-executive directors

Female directors

Independent directors

Luc Bertrand
chairman

François Van Hoydonck
managing director

Tom Bamelis

Priscilla Bracht

Jacques Delen

Antoine Friling

Gaëtan Hannecart

Sophie Lammerant-Velge

Petra Meekers

Nicholas Thompson

2.2 Members of the board of directors in 2020

Luc Bertrand

BORN: 14 FEBRUARY 1951

NATIONALITY: BELGIAN

Luc Bertrand qualified as a commercial engineer at the Katholieke Universiteit Leuven. He started his career as vice president and sales manager, Northern Europe at Corporate Finance Bankers Trust. He joined Ackermans & van Haaren in 1986 and chaired the executive committee from 1990 to 2016. He is currently chairman of the board of directors. His other positions include chairman of the board of directors of DEME and CFE, and director of Delen Private Bank and Bank J. Van Breda & Co. He also has a seat on the board of directors of various non-profit organisations. He has been a director of SIPEF since 1996.

François Van Hoydonck

BORN: 29 AUGUST 1959

NATIONALITY: BELGIAN

François Van Hoydonck graduated in accounting and taxation at Sint-Eligius Business School Antwerp. He joined SIPEF in 1979, specialising in the palm oil sector, other agro-industrial activities and their financial management. He was chief financial officer of the SIPEF group between 1995 and 2007. He has been managing director of SIPEF since 2007 and chairman of the executive committee since 2014.

Tom Bamelis

BORN: 20 JUNE 1966

NATIONALITY: BELGIAN

Tom Bamelis is a qualified commercial engineer from the Katholieke Universiteit Leuven and has a master's degree in financial management from the VLEKHO Business School. He began his career in 1988 as an auditor at Touche Ross (now Deloitte) in Brussels and joined the financial department at Groep Brussel Lambert as management representative in 1994. In 1999 he moved to Ackermans & van Haaren, where he is chief financial officer and a member of the executive committee. He has been a director of SIPEF since 2018.

Priscilla Bracht

BORN: 18 MAY 1977

NATIONALITY: BELGIAN

Priscilla Bracht is a licentiate in art history and archaeology from the Université Libre de Bruxelles and has studied European relations and international politics. She specialises as a director of family firms. She has been a director of SIPEF since 2004.

Jacques Delen

BORN: 17 OCTOBER 1949

NATIONALITY: BELGIAN

Jacques Delen is a qualified broker. In 1975, he took over the reins of the Antwerp-based listed company Delen & Co, which had been founded by his father in 1936. He then founded the Delen holding company, which was floated on the stock exchange in 1989 and in 1992 merged with Ackermans & van Haaren. He became a director of Ackermans & van Haaren that year and chaired the board of directors from 2011 to 2016. Under his leadership as CEO between 1975 and 2014, the listed Delen & Co grew into the Delen Private Bank, one of Belgium's biggest private banks, where he has chaired the board of directors since 2014. He has also been director of Bank J. Van Breda & Co since 1998. He has had a seat on the SIPEF board of directors since 2005.

Antoine Friling
BORN: 29 JANUARY 1958
NATIONALITY: BELGIAN
Antoine Friling is a bachelor of business administration, finance and marketing and a master of business administration - international management. He has been active in the banking industry for several years and a director of family, industrial and financial companies in Europe and South America for many years. He is chairman of PRAXIS Private Office, a family office with its registered office in Antwerp. He has been a director of SIPEF since 2007.

Gaëtan Hannecart
BORN: 27 APRIL 1964
NATIONALITY: BELGIAN
Gaëtan Hannecart is a civil engineer mechanics and production policy from the Katholieke Universiteit Leuven. He started his career at Kone Lifts in London in 1988. He was awarded a European Commission Comet scholarship in 1989 and he joined IBM Germany in Stuttgart, subsequently moving to IBM Belgium in Brussels, where he worked as an industry specialist 'manufacturing companies'. In 1994, he earned a master of business administration degree at the Harvard Business School. That same year he joined Matexi, the Belgian market leader in area and real estate development and urban renewal projects, where he is chief executive officer.

He is co-founder and director of the non-profit think and do tank Itinera Institute (sustainable economic growth for Belgium and its regions), co-founder and chairman of the non-profit YouthStart (reintegration of underprivileged young people) and chairman of the non-profit Guberna (good governance).

He is currently chairman of Financière de Tubize, the listed reference shareholder of the biopharma company UCB and director at N-Side and Groupe Louis Delhaize. Since 2020, he is a member of the SIPEF board where he represents the Bracht group.

Sophie Lammerant-Velge
BORN: 9 JULY 1956
NATIONALITY: BELGIAN
Sophie Lammerant-Velge is a licentiate in economics (ICHEC Brussels Management School), and has a master's degree in business administration (INSEAD Business School) and an executive master's degree in corporate finance (Vlerick Business School). She is co-founder and vice-chair of Family Business Net Belgium. She was a director of Family Business Net International, where she is currently a member of the nomination and sustainability committee. She is also a director of Bekaert SAK and Banque Transatlantique Belgium, where she has a seat on the audit committee. She is on the advisory committee of Spencer Stuart and Landon Investments Family Office (Barcelona). She has been active in various educational, art and philanthropic associations for many years. She has been a director of SIPEF since 2011.

Petra Meekers
BORN: 1 DECEMBER 1973
NATIONALITY: DUTCH
Petra Meekers has a biomedical sciences qualification and a bachelor's degree in biochemistry. From 2006 to 2008, she was active in the renewable energy industry as an independent consultant at BioX Sdn Bhd. She was group sustainability manager at New Britain Palm Oil until 2015, when she was appointed director of CSR and Sustainable Development at Musim Mas Holdings Ltd.

Until March 2021, she was active at Unilever Asia Pte Ltd as vice-president Sustainable Sourcing Unilever. From 2017 until 9 June 2021, she is a director of SIPEF, where she will be a member of the executive committee as from 10 June 2021.

Nicholas Thompson

BORN: 12 DECEMBER 1959

NATIONALITY: BRITISH

Nicholas Thompson has an honours degree in agricultural science (plant breeding, agronomy and soil science) from Nottingham University, a master of science in agriculture from Reading University, a certificate in rice production from the International Rice Research Institute (Philippines) and a master of business administration from Bath University. He began his career in Papua New Guinea in 1984 as assistant manager at New Britain Palm Oil Ltd (NBPOL), where he was promoted to deputy director plantations in 1991 and managing director in 1994. Under his leadership, NBPOL grew into one of the largest employers in Papua New Guinea and a renowned sustainable palm oil company, which was taken over by Sime Darby Plantations in 2015. That year he was awarded the honour of 'Commander of the Most Excellent Order of the British Empire'. He sat on the board of directors of the National Development Bank PNG, West New Britain University Centre and various palm oil industry professional organisations in Papua New Guinea. He has been a member of the SIPEF board since 2019.

2.3 Diversity policy

POLICY

The board can only deliberate and make decisions efficiently when the number of members is limited, and the appropriate diversity is present on the board.

The Company applies various criteria when appointing directors, including experience, knowledge, training, age, gender and nationality.

The board also gives special attention to the complementary competencies of its members, which are often associated with the diverse backgrounds of the directors.

The Company also endeavours to protect the interests of all stakeholders through the presence of independent directors.

SIPEF does not tolerate any form of discrimination.

APPLICATION

The background and professional experience of the members are very diversified within the board. They extend over the agricultural, financial, manufacturing and marketing industries. Sustainability being a key aspect of all activities of the SIPEF group, the Company ensures that the board is able to call on the requisite expertise in this domain from within its ranks.

Three nationalities are represented by the members of the board: Belgian, British and Dutch.

Women have sat on the SIPEF board of directors for many years. Priscilla Bracht was the first female director to be appointed in 2004. Sophie Lammerant-Velge joined the board in 2011 and, in 2017, the number of female directors increased to three, when Petra Meekers was co-opted to replace Antoine de Spoelberch.

SIPEF aspires to have a sufficient number of independent directors on the board of directors. At the end of 2020, three out of ten directors were independent.

2.4 Changes to the composition of the board of directors

ENDING AND RENEWAL OF DIRECTORSHIPS IN 2021

The directorship of Jacques Delen expires at the end of the ordinary general meeting of 9 June 2021. Jacques Delen has stood as a candidate for a new directorship of one year.

Petra Meekers will resign as director of the Company at the ordinary general meeting of 9 June 2021. This decision is a consequence of her appointment as chief operating officer Asian Pacific (COO APAC) of SIPEF and member of the executive committee, as per 10 June 2021.

APPOINTMENT OF A NEW DIRECTOR

The appointment of Yu Leng Khor as new director for a term of four years will be proposed to the general meeting of 9 June 2021. Her directorship will therefore expire at the end of the general meeting of June 2025, which will pronounce on the accounts of the financial year 2024. Yu Leng Khor also fulfils the independence criteria stated in principle 3 of the Code, as she confirmed in a letter of 9 March 2021.

2.5 Directorships at listed companies at 31 December 2020

The Code limits to five the number of directorships that a director is permitted to hold in listed companies.

The following directors have directorships at listed companies other than SIPEF:

Baron Luc Bertrand:
- → Ackermans & van Haaren
- → CFE

Baron Jacques Delen:
- → Ackermans & van Haaren

Gaëtan Hannecart:
- → Financière de Tubize

2.6 Meetings of the board in 2020 and attendance record

The SIPEF board of directors met five times in 2020 and passed three unanimous written resolutions. The weighted average attendance was 100%. The individual attendance record at the meetings was as follows:

	ATTENDANCE
Baron Luc Bertrand, chairman	5 / 5
François Van Hoydonck, managing director	5 / 5
Tom Bamelis	5 / 5
Priscilla Bracht	5 / 5
Baron Jacques Delen	5 / 5
Antoine Friling	5 / 5
Regnier Haegelsteen (until 10 June 2020)*	2 / 2
Gaëtan Hannecart (from 10 June 2020)**	3 / 3
Sophie Lammerant-Velge	5 / 5
Petra Meekers	5 / 5
Nicholas Thompson	5 / 5

* attendance calculated up to and including the day of the ordinary general meeting of 10 June 2020 and based on the meetings during his directorship

** attendance calculated from the ordinary general meeting of 10 June 2020 and based on the meetings during his directorship

The boards of directors of February and August 2020 established the annual and semi-annual financial statements. The meeting in September 2020 deliberated on the Group strategy.

As a rule, the development of the activities of the various subsidiaries is checked at each meeting, based on a report drawn up by the executive committee.

The board of directors of 11 February also approved, on proposal of the remuneration committee, the no bonus pool for Group staff for the financial year 2019, as a result of which no variable remuneration could be paid to the members of the executive committee in 2020. It also approved the proposals of the remuneration committee regarding the remuneration of the members of the executive committee.

It also gave its opinion on the interaction between the board and the executive committee, for which the managing director absented himself.

The same meeting deliberated on the annual report, including the remuneration report.

Further deliberation was also held on the renewal of the directorship of three directors, the composition of the audit and remuneration committee and the appointment of Gaëtan Hannecart as a new member of the board of directors. The board of directors also adopted the proposal of the audit committee to ask the shareholders of SIPEF to renew the contract of Deloitte as auditor of the Company for a three-year term. Lastly, the agenda of the next ordinary and extraordinary general meeting of shareholders of 10 June 2020 was discussed and approved.

On 30 April 2020, the board passed the unilateral written resolution to hold the ordinary and extraordinary general meeting of 10 June 2020 behind closed doors.

On 15 May 2020, the board resolved unilaterally, again in writing, to increase SIPEF's shareholding in Verdant Bioscience Pte Ltd (VBS) by 10% to 48%. It also passed a resolution not to exercise the right of pre-emption on a 42% shareholding in VBS for the benefit of Ackermans & van Haaren. This resolution was passed applying the conflict-of-interest procedure provided for by article 7:97 §1 of the WVV (version before the amendment of May 2020).

On 10 June, the board agreed to the gradual conversion of two of the three rubber plantations into oil palm plantations. Lastly, the directors also looked at the presentations to be made to the ordinary general meeting and the detailed agenda of the extraordinary general meeting.

The board of directors of 12 August examined the possible investment in an existing plantation in Indonesia and set the conditions for this purchase.

It also took note of the latest developments in relation to non-governmental organisations active in areas where SIPEF has operations.

During the meeting of 21 September, the board confirmed the materiality index and the Sustainable Development Goals (SDGs) to be included in the sustainability report regarding the financial year 2020. It established the Group's Responsible Purchasing Policy. It looked back on the dialogue between the Company and the shareholders, examined the usefulness of an optional relation agreement with the reference shareholders and the proper application of the Code of Conduct by staff and management.

The board also adapted its 10-year business plan. It then looked more closely at the conversion of the rubber plantations into oil palm plantations, as well as the latest developments in the banana market and the long-term strategic options for the Group after 2024.

Lastly, the board passed resolutions regarding succession planning at various levels in the SIPEF group.

On 9 November 2020, the board approved, again by unanimous written resolution, the sale by SIPEF of the 10% shareholding in VBS purchased by the Company on 15 May 2020, at the price it paid to acquire it.

On 18 November, the board set the 2020 and 2021 Group budgets. It approved the updates to the Charter, renewed the delegation of daily management to the executive committee and brought the special powers of attorney granted to certain people into line with the evolution of the staff of the Company.

It confirmed the recommendations made by the two most recent audit committees. These concerned, among other things: entry and write-off of certain assets, the update and classification of the risks of the Group, the internal Group audit and the tendering procedure for the appointment of a new auditor to replace Deloitte.

The board analysed the remuneration of the members of management. It confirmed the recommendations of the remuneration committee with regard to the adjustment and setting of the remuneration of certain members of the executive committee. Lastly, it decided to set up a new option plan for the members of the executive committee and the foreign management of the Group.

2.7 Assessment

In accordance with the Code, every three years the directors assess the scale, composition and functioning of the board of directors and the committees of the Company.
Furthermore, the non-executive directors assess the relationship between the board of directors and the executive committee once a year, in the absence of the managing director (article 2.8 of the Charter). This annual assessment of the interaction was held in February 2020. The directors in question were of the opinion that there is a sufficient degree of transparency and a good working relationship between the two bodies.

On 18 September 2018, an extraordinary meeting of the board of directors was entirely devoted to assessing the scale, composition and functioning of the board of directors and the committees. Special attention has been paid to the current composition of the board. It was found to be appropriate in terms of scale, and the essential qualifications were judged to be present to an adequate degree.

The board also made a small number of proposals with regard to how the meetings were organised.

The composition and operation of the board and its committees will be next assessed in 2021.

3. Executive committee

3.1 Composition at 31 December 2020


François Van Hoydonck


Charles De Wulf


Thomas Hildenbrand


Robbert Kessels


Johan Nelis

3.2 Members of the executive committee

At 31 December 2020, executive management comprised five people who act together as the executive committee. The committee is responsible for the daily management of the Company and is chaired by the managing director François Van Hoydonck.

The board appoints the members of the executive committee for an indefinite period of time. This ensures continuity in the functioning of the executive committee.

To anticipate future developments in the Group, Petra Meekers was appointed as a member of the committee as of 10 June 2021, in her role as chief operating officer Asian Pacific (COO APAC).

COMPOSITION EXECUTIVE COMMITTEE AT 31 DECEMBER 2020	
François Van Hoydonck, chairman	managing director
Charles De Wulf	estates department manager
Thomas Hildenbrand	fruit department manager
Robbert Kessels	chief commercial officer
Johan Nelis	chief financial officer

As a consequence of this appointment, Petra Meekers will resign as a director of SIPEF at the ordinary general meeting of 9 June 2021.

The Company does not have any intentions to make any further changes to the composition of this committee in 2021.

François Van Hoydonck
MANAGING DIRECTOR
BORN: 29 AUGUST 1959
NATIONALITY: BELGIAN
François Van Hoydonck graduated in accounting and taxation at Sint-Eligius Business School Antwerp. He joined SIPEF in 1979, specialising in the palm oil sector, other agro-industrial activities and their financial management. He was chief financial officer of the SIPEF group between 1995 and 2007. He has been managing director of SIPEF and chairman of the executive committee since 2014.

Charles De Wulf
ESTATES DEPARTMENT MANAGER
BORN: 22 AUGUST 1964
NATIONALITY: BELGIAN
Charles De Wulf holds a master's degree as an industrial engineer in tropical agronomy and also in business administration and management. He began his career as financial controller on a SIPEF group plantation in West Africa in 1989, and was active in the management of various fruit plantations in South and Central America and the Caribbean until 2003. He was an independent consultant for private and institutional customers for a decade, specialising in responsible and sustainable policy, primarily in banana cultivation. In 2013, he joined SIPEF as estates department manager. He has been a member of the executive committee since 2014.

Thomas Hildenbrand
FRUIT DEPARTMENT MANAGER
BORN: 29 DECEMBER 1962
NATIONALITY: FRENCH
Thomas Hildenbrand trained as an agronomist and was awarded a master's degree as an agricultural technician (horticulture option). He began his professional career in Switzerland in 1983, before relocating to Ivory Coast in 1984 to work for the SIPEF group at Plantations J. Eglin SA as production manager and subsequently general manager. Between 1990 and 1994, he founded and developed Société Bananière de Motobé, which is now part of Plantations J. Eglin SA, where he is currently a director.

In 1994 he transferred to SIPEF Head Office in Belgium, where he worked as a management representative. He is currently fruit department manager and a member of the executive committee.

Robbert Kessels
CHIEF COMMERCIAL OFFICER
BORN: 21 MARCH 1975
NATIONALITY: DUTCH
Robbert Kessels earned a master's degree in international business at Maastricht University. He began his career at Cargill Rotterdam as commercial trainee at the trading desk. He went on to fill various positions in Cargill's tropical oil trading department in Indonesia and Singapore over a seven-year period. In 2012, he left Cargill after more than 12 years to join SIPEF, where he was appointed marketing commodities manager in 2013. In 2014, he was appointed chief commercial officer and a member of the executive committee.

Johan Nelis
CHIEF FINANCIAL OFFICER
BORN: 20 OCTOBER 1968
NATIONALITY: BELGIAN
Johan Nelis holds a degree in applied economic sciences from the Universiteit Antwerpen and in development cooperation from the Université Libre de Bruxelles. He began his career as an auditor at Ernst & Young in Belgium (now EY) in 1992. He then worked at Fortis Group (insurance) in Belgium as an internal auditor, where he was responsible for operational and functional audits. He joined SIPEF as a financial controller in 1998. In 2007, he was appointed chief financial officer. He has been a member of the executive committee since 2014.

3.3. Diversity policy

POLICY

The diversity policy, on which basis the composition of the board of directors is determined, also applies to the executive committee. A balanced and varied composition is all the more important for the committee, which must be composed of a limited number of people with the knowledge and experience to be able to handle all aspects of the Company's activities.

When appointing the members, the Company is primarily focused on the experience, knowledge and training of the candidates to ensure sufficient complementary competences are present.

Age, gender and nationality are other criteria that are considered. They guarantee a diverse way of thinking and acting.

No form of discrimination is tolerated.

APPLICATION

Each member of the committee has his own specific competences in various fields, be they agrarian management, commercial and administrative management, finance, legal or IT. Where necessary, the members have the required experience in countries where SIPEF is active or in countries in tropical and subtropical regions.

The ages of the members vary from early forties to early sixties. The age limit is set at 65.

There are three different nationalities in the committee: French, Dutch and Belgian.

SIPEF is completely open to the integration of women at all levels of the Company. Women hold key positions both in Belgium and abroad. This was recently confirmed once again by the appointment of Petra Meekers as a member of the executive committee as from 10 June 2021.

3.4 Meetings in 2020

As a rule, the executive committee meets every Tuesday, subject to unforeseen circumstances, and whenever required in the interests of the Company.

The committee is responsible for the daily management of the Group, including all actions connected with the day-to-day operations of the Company and the other companies of the Group, as well as all actions that are not important enough for the board of directors or too urgent to justify the intervention of the board. It has the appropriate operational freedom and resources to duly perform its work.

In practice, the committee prepares all decisions of the board and ensures all decisions taken are implemented. In 2020, among other things, the committee prepared the individual and consolidated accounts and the quarterly figures of the Group, and established the short-term and long-term budgets, which were submitted to the board for approval. It followed the operational and financial developments of the Group and made related proposals to the board of directors. It reported on the organisation of the internal audit in the operational companies of the Group. It formulated proposals concerning the strategy to be followed. It deliberated on the materiality matrix and SDGs to be used by the Company for the Sustainability Report and submitted various drafts to the board of directors for approval, including the Sustainability Report and the Corporate Governance Statement. At the end of 2020, the committee studied the national and European legislative initiatives in the field of sustainability and the consequences for the Company.

3.5 Assessment

The Charter does not set out any special procedure for assessing the composition, functioning and performance of the executive committee, as laid down by the Code. In practice, these aspects are assessed throughout the year by the board of directors, based on the work of the committee and the preparations for the board.

The non-executive directors also give their opinion on the interaction between the board of directors and the executive committee annually, in the absence of the managing director. Their opinion on 11 February 2020 was that the board has a good working relationship with the executive committee and is sufficiently transparent.

Furthermore, the contribution of every member of the executive committee to the development of the activities and the results of the Group is assessed annually by the remuneration committee, together with the managing director. The chairman of the committee does not take part in the assessment of his own performance. These assessments were made during the meeting of the remuneration committee of 18 November 2020.

4. Committees of the board of directors

4.1 Audit committee

COMPOSITION AT 31 DECEMBER 2020

At 31 December 2020, the audit committee had three members, all non-executive directors. Two members are independent directors. The committee is chaired by Tom Bamelis.

	TERM
Tom Bamelis, chairman	2019-2022
Sophie Lammerant-Velge	2019-2023
Nicholas Thompson	2019-2023

The term in which members have a seat on the committee coincides with the term of their directorship.

All members of the audit committee have the necessary accounting and auditing skills, and the committee has collective expertise with regard to the activities of SIPEF.

MEETINGS IN 2020 AND ATTENDANCE RECORD

The audit committee met four times in 2020. The weighted average attendance was 100%.

	ATTENDANCE
Tom Bamelis, chairman	4/4
Sophie Lammerant-Velge	4/4
Nicholas Thompson	4/4

In February and August, the committee's primary focus was on analysing the annual and semi-annual financial statements and the press release relating to these accounts. At each of these meetings, the auditor presented the results of the audit of these statements.

In addition, the following were also explained and discussed during the various meetings:

- The update of the existing risks and their classification;
- The impact of the application of IFRS 16 - Leasing on the 2019 accounts;
- The analysis of the accounting treatment of the 2019-2020 tax expenses (effective and deferred tax);
- The entry of the purchase and sale of the 10% shareholding in VBS and the sale of a 5% shareholding in Timbang Deli.
- The financial covenant regarding the long-term loan as at 31 December 2019, as at 30 June 2020 and how this develops over the next six months;
- The application of the goodwill impairment test;
- The possible accelerated depreciation of the immature rubber plantations to be converted to oil palm plantations;
- The reports of the internal audit committees of the operating units in Indonesia and Hargy Oil Palms Ltd in Papua New Guinea;
- The reasons for not holding an internal audit at the Head Office in Belgium;
- The renewal of the contract of Deloitte as auditor of the Company as from the financial year 2020;
- The tendering procedure to be launched for the replacement of the auditor Deloitte as from the financial year 2021;
- The evaluation of the relationship between the management and the financial department of the Company and the auditor;
- The impact of covid-19 on the activities and accounts of the Group and related announcements.

The auditor attended three out of four meetings of the committee in 2020.

The internal auditors of the operational subsidiaries did not attend the meetings of the audit committee of the mother company. The managing director and CFO held virtual meetings with the local internal audit managers in Indonesia and Papua New Guinea in the course of the financial year 2020.

ASSESSMENT

The periodic assessment of the composition and functioning of the board of directors also relates to the committees of the board of directors.

4.2 Remuneration committee

COMPOSITION AT 31 DECEMBER 2020

At 31 December 2020, the remuneration committee had three members, all non-executive directors. The majority of the committee, two of the three members, are independent directors. The committee is chaired by Antoine Friling.

	TERM
Antoine Friling, chairman	2019-2023
Sophie Lammerant-Velge	2019-2023
Petra Meekers (until 9 June 2021)	2020-2021

The term in which members have a seat on the committee coincides with the term of their directorship.

The committee has the required expertise in remuneration policy.

MEETINGS IN 2020 AND ATTENDANCE RECORD

The remuneration committee met twice in 2020. The weighted average attendance was 100%.

	ATTENDANCE
Antoine Friling, chairman	2/2
Sophie Lammerant-Velge	2/2
Petra Meekers	2/2

On 11 February, the remuneration committee analysed the Group expatriate remuneration trend over recent years and, based on its findings, made recommendations concerning their variable remuneration. The committee then made recommendations concerning the 2020 bonus calculation for the Head Office. Specifically, it concluded that no individual bonus could be paid for 2019 in 2020 due to the loss the Group posted in 2019. The remuneration committee also prepared the remuneration report to the ordinary general meeting of 10 June 2020.

At the meeting of 18 November 2020, the committee deliberated the management succession plan for the Group subsidiaries and the Schoten Head Office. Against that backdrop, the board of directors proposed the enlargement of the executive committee by the addition of a chief operating officer Asian Pacific (COO APAC) to work out of the new subsidiary in Singapore in 2021.

It analysed the emoluments of the directors and the members of the various committees of the board of directors and the members of the executive committee. The committee then compared all of these remunerations with those of similar operational listed companies. Lastly, the committee proposed the 2020 share option plan for the executive committee and the foreign management of the Group.

The managing director also attended the meetings of the remuneration committee.

A representative of each of the reference shareholders, Ackermans & van Haaren and the Bracht family, was present at the February and November meetings.

ASSESSMENT

The periodic assessment of the composition and functioning of the board of directors also relates to the committees of the board of directors.

4.3 Nomination committee

COMPOSITION AT 31 DECEMBER 2020

The SIPEF nomination committee is composed of all the members of the board of directors.

The change to the composition of the nomination committee is identical to the change to the composition of the board of directors (see point 2.1.).

MEETINGS IN 2020 AND ATTENDANCE RECORD

The board met twice in 2020 in its capacity of nomination committee, on 11 February and 18 November. The weighted average attendance was 100%.

	ATTENDANCE
Baron Luc Bertrand, chairman	2/2
François Van Hoydonck, managing director	2/2
Tom Bamelis	2/2
Priscilla Bracht	2/2
Baron Jacques Delen	2/2
Antoine Friling	2/2
Regnier Haegelsteen (until 10 June 2020)*	1/1
Gaëtan Hannecart (from 10 June 2020)**	1/1
Sophie Lammerant-Velge	2/2
Petra Meekers	2/2
Nicholas Thompson	2/2

* attendance calculated up until the ordinary general meeting of 10 June 2020 and based on the meetings during his directorship

** attendance calculated from the ordinary general meeting of 10 June 2020 and based on the meetings during his directorship

The committee of 11 February decided to propose the re-election of Luc Bertrand, Jacques Delen and Petra Meekers for a term of three, one and four years respectively. The committee also nominated Gaëtan Hannecart as a new director. The committee established the composition of the audit and remuneration committee, subject to the approval of the general meeting of 10 June 2020.

On 18 November, the committee took note of the tendering procedure that the audit committee will organise for the appointment of a new auditor of the Company. Ahead of further changes to the composition of the board of directors, the committee adopted a resolution to start the search for an additional female independent director familiar with the palm oil processing industry in Asia.

4.4 Assessment of the committees of the board of directors

The board of directors regularly assesses its own composition and functioning, as well as the composition and functioning of its committees.

At the meeting of 18 September 2018, as well as the assessment of the board, the composition and functioning of the committees of the board were also on the agenda.

There were no remarks about the current composition of the committees, but there were remarks about their future composition. That is because four directors would have reached the age limit of 70 between 2019 and 2021. All members of the board, in their capacity as members of the nomination committee, were invited to re-examine the composition of the audit committee and remuneration committee based on this fact, with due consideration for the legal requirements.

Lastly, the communication between the board of directors and the committees was analysed, and concrete proposals were made on the future reports of the audit committee and the remuneration committee.

The composition and operation of the board and its committees will be next assessed in 2021.

5. Remuneration report

5.1 Introduction

The present remuneration report has been prepared in accordance with article 3:6. §3 of the Code of Companies and Associations, as amended by the law of 28 April 2020, enacting into Belgian law the EU directive encouraging long-term shareholder engagement. It provides a comprehensive overview of all aspects of the remuneration, including all benefits in whatever form that were awarded to the non-executive directors, the managing director and the other members of the executive committee during the financial year 2020.

For the first time, it contains a detailed presentation of the remuneration of every member of the executive committee, the collegiate body that is responsible for daily management.

In 2020, there were no major changes to the composition of the board of directors with an impact on the remuneration of the members of the board of directors. Furthermore, the composition of the executive committee did not change compared to the previous financial year.

In 2020, the remuneration of the executive management was characterised by the absence of any variable remuneration. As for all members of staff of the Company, this variable remuneration is based on the recurring consolidated result of the previous financial year, which was negative in 2019. However, the trend was positive in 2020 as the Group moved back into profit. Some important developments and transactions had an impact on the performance of the year. See ‘Significant events in 2020’ for more information (see Company Report page 6).

This report is prepared in accordance with the remuneration policy as it was before it was amended by the board of directors on 10 February 2021. The new policy is largely the same as the old one. If the general meeting of 9 June 2021 approves the new policy, it will apply to remuneration paid out from 1 January 2021. The detailed text of the remuneration policy is published on the Company’s website.

5.2 Total remuneration of the directors

The directors receive fixed remuneration that is not linked to the results. This remuneration consists of the emoluments for the meetings of the board of directors and, where applicable, remuneration for membership of a given committee.

In 2020, the directors received the following remuneration:

ON AN ANNUAL BASIS PER PERSON	MEMBER	CHAIRMAN
Board of directors	EUR 29 000	EUR 60 000
Audit committee	EUR 7 500	EUR 9 750
Remuneration committee	EUR 4 000	EUR 5 200

The outgoing and incoming directors are remunerated in accordance with the number of months they served as director in the financial year.

BOARD OF DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		TOTAL	
in KEUR	2019	2020	2019	2020	2019	2020	2019	2020
Baron Luc Bertrand	60	60	0	0	0	0	60	60
Tom Bamelis	29	29	5	10	0	0	34	39
Priscilla Bracht	29	29	0	0	0	0	29	29
Baron Jacques Delen	29	29	0	0	0	0	29	29
Brian Dyer	15	0	0	0	0	0	15	0
Antoine Friling	29	29	4	0	5	5	37	34
Regnier Haegelsteen	29	15	5	0	3	0	36	15
Gaëtan Hannecart	0	15	0	0	0	0	0	15
Sophie Lammerant-Velge	29	29	8	8	4	4	41	41
Petra Meekers	29	29	0	0	2	4	31	33
Nicholas Thompson	15	29	4	8	0	0	18	37
François Van Hoydonck	29	29	0	0	0	0	29	29
Total	321	321	25	25	13	13	359	359

The non-executive directors do not receive any variable remuneration or options. Neither is part of their compensation paid out in the form of shares of the Company (see Company Report, page 189). They benefit from director liability insurance.

5.3 Total remuneration of the members of the executive committee

The members of the executive committee, consisting of the managing director and other managers of the Company, receive fixed remuneration, variable remuneration and, possibly, share options.

The Company has not set any minimum number of shares that must be held by the members of the executive management (see Company Report, page 189).

No shares were awarded to the members of the executive committee in 2020.

A. BREAKDOWN OF THE TOTAL REMUNERATION

2020							
in KEUR	FVH	CDW	TH	RK	JN	Total	%
Board remuneration	29	0	0	0	0	29	1.5%
Fixed remuneration	370	254	246	308	303	1 481	75.3%
Variable remuneration	0	0	0	0	0	0	0.0%
Pension contributions	258	46	49	0	46	399	20.3%
Other	10	9	14	17	8	58	2.9%
Subtotal	667	309	309	325	357	1 967	100%
Market value vested share option (at vesting date) *	0	0	0	0	0	0	
Total remuneration	**667**	**309**	**309**	**325**	**357**	**1 967**	
Subtotal	100%	100%	100%	100%	100%	100%	
Fixed	100%	100%	100%	100%	100%	100%	
Variable	0%	0%	0%	0%	0%	0%	

2019							
in KEUR	FVH	CDW	TH	RK	JN	Total	%
Board remuneration	29	0	0	0	0	29	1.2%
Fixed remuneration	369	252	246	245	300	1 412	59.9%
Variable remuneration	165	53	54	50	94	416	17.6%
Pension contributions	260	46	49	46	46	447	18.9%
Other	7	10	15	15	8	55	2.3%
Subtotal	**830**	**361**	**364**	**356**	**448**	**2 359**	**100%**
Market value vested share option (at vesting date) *	10	3	3	3	3	24	
Total remuneration	**840**	**364**	**367**	**359**	**451**	**2 383**	
Subtotal	100%	100%	100%	100%	100%	100%	
Fixed	80%	85%	85%	86%	79%	82%	
Variable	20%	15%	15%	14%	21%	18%	

* For more details on the respective option plans (respectively, SOP 2017 and SOP 2016), see page 178, table: Breakdown of the SIPEF stock option plan.

The managing director receives emoluments for participating in the meetings of the board of directors and additional fixed remuneration for his executive duties.

The amount of the fixed remuneration of the members of the executive committee, including the managing director, is set on the basis of market practices, and is subject to annual benchmarking.

The members of the executive committee benefit from group insurance with fixed contributions. This comprises a supplementary pension, as well as disability and life insurance. In addition, the Company has taken out hospitalisation insurance and assistance insurance with global cover for every member. Management also benefits from a company car and meal vouchers.

B. VARIABLE REMUNERATION

The total amount of the variable remuneration paid to both the staff and the members of the executive committee cannot be more than 2% of the consolidated recurring result before tax, share of the Group. The maximum amount of the variable short-term remuneration in cash of each member of the executive committee is set at two times the fixed remuneration of this member.

The ultimate individual amount of the variable remuneration awarded to each of the members is based on financial criteria that are set in a discretionary manner by the board of directors, at the proposal of the remuneration committee. This committee makes a proposal based on the various components of the profit of the financial year and the contribution of each member of the executive committee to its achievement. In doing so, the remuneration committee takes its lead from the financial and objectively measurable criteria, set in advance and applied for a period of one financial year.

The linking of the variable remuneration to performance in one financial year – rather than performance criteria over two or three financial years as laid down by law – is justified by the volatility of the results of the agro - industrial activities, particularly the palm oil market, whose performance is linked to the price of agricultural raw materials.

It is therefore logical that the remuneration of the staff and management, like the shareholder dividend, changes with the volatility of the Group. The remuneration awarded in 2020 clearly shows that the Company strictly applies this reasoning every year. In 2019, the Group posted a loss and there was no financial basis in 2020 for setting and paying out any variable remuneration to the members of the executive committee.

Setting the variable remuneration on the basis of performance in one financial year does not undermine the long-term vision of the executive management. This vision is inextricably bound up with the agro-industrial activities of the SIPEF group, which can only be evaluated in the long-term, as evidenced by the strategy and business model of SIPEF (see Company Report, page 24 and 29).

Furthermore, the board of directors did not award any special bonuses to any members for specific accomplishments in 2020.

Besides the short-term variable remuneration, the members of the executive committee receive no long-term variable remuneration in cash.

C. CLAWBACK

All members of the executive committee have signed a clawback clause. This means that the Company is entitled to demand variable net remuneration is returned if it was awarded on the basis of incorrect financial data.

The Company did not trigger this clawback clause in 2020.

5.4 Consistency between remuneration and remuneration policy and application of the performance criteria

The total remuneration of the directors and the members of the executive committee is completely in line with the remuneration policy, and is calculated and applied in a transparent way.

The fixed remuneration of the members of the board of directors and the executive committee is benchmarked on an annual basis against market practice, and is therefore in line with the market.

The variable remuneration is linked to the annual results of the Group, which depend directly on the volatile prices of agricultural raw materials.

The Company notifies its shareholders, management, employees and all other stakeholders on a continual basis and in a proper and transparent way about developments with regard to the activities, sustainability, performance and corporate governance of the Group. This transparency is provided in even more detail for the first time in this report with regard to the remuneration of the members of the executive committee. Clear communication and transparency are the cornerstones of satisfaction, keep people motivated and contribute to good long-term performance.

The financial year 2020 is the best proof that such a philosophy bears fruit. In spite of the loss posted in 2019 and the lack of any variable remuneration in 2020, staff and management remain motivated and dedicated to achieving the long-term goals the Group has set.

5.5 Stock option plan

Share options have been offered to members of the executive committee every financial year since 2011. The share options offered in the SIPEF share option plan have the following characteristics:

- Type: SIPEF share options (one option gives the holder the right to one SIPEF share);
- Time of the offer: late November;
- Exercise price: price based on the average closing price of the share over the 30 days preceding the offer;
- Term of the plan: 10 years;
- Exercise term: from 1 January of the year following the third anniversary of the grant, up to and including the end of the tenth year after the date of the offer;
- No performance criteria have been set for the granting or exercise of share options.

Options granted to the members of the executive committee in 2020.

On 19 November 2020, options were granted by SIPEF to the members of the executive committee. These were split among the beneficiaries as follows:

	NUMBER
François Van Hoydonck	6 000
Charles De Wulf	2 000
Thomas Hildenbrand	2 000
Robbert Kessels	2 000
Johan Nelis	2 000
Total	**14 000**

Another 4 000 options were granted to general managers of the foreign subsidiaries.

The options granted in 2020 have the following characteristics:

- Exercise price: EUR 51.58
- Expiry date: 18 november 2030
- Exercise period: from 1 January 2024 up to and including 18 November 2030

BREAKDOWN OF THE SIPEF STOCK OPTION PLAN (SOP)							VESTED			NOT VESTED
	SOP 2011	SOP 2012	SOP 2013	SOP 2014	SOP 2015	SOP 2016	SOP 2017	SOP 2018	SOP 2019	SOP 2020
Offer	23/11/2011	21/11/2012	20/11/2013	18/11/2014	28/11/2015	07/12/2016	22/11/2017	19/11/2018	22/11/2019	18/11/2020
Vesting	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Exercise period	2015-2021	2016-2022	2017-2023	2018-2024	2019-2025	2020-2026	2021-2027	2022-2028	2023-2029	2024-2030
Exercise price	56.99	59.14	55.50	54.71	49.15	53.09	62.87	51.58	45.61	44.59
Market price at vesting date	47.68	52.77	60.49	62.80	48.80	54.80	43.20			

Fluctuations in the financial year 2020

SOP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
FRANÇOIS VAN HOYDONCK							VESTED			NOT VESTED	TOTAL
Offered not yet vested	0	0	0	0	0	0	0	6 000	6 000	6 000	18 000
Vested at the beginning of the year	6 000	6 000	6 000	6 000	6 000	6 000	6 000	0	0	0	42 000
Exercised in 2020	0	0	0	0	0	0	0	0	0	0	0
Expired in 2020	0	0	0	0	0	0	0	0	0	0	0
Total share options at the end of the year	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	60 000
Vested at exercise price						318 540	377 220				
Vested at market price						328 800	259 200				
Latent capital gain at vesting date						10 260	0				

SOP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
JOHAN NELIS							VESTED			NOT VESTED	TOTAL
Offered not yet vested	0	0	0	0	0	0	0	2 000	2 000	2 000	6 000
Vested at the beginning of the year	2 000	2 000	2 000	2 000	2 000	2 000	2 000	0	0	0	14 000
Exercised in 2020	0	0	0	0	0	0	0	0	0	0	0
Expired in 2020	0	0	0	0	0	0	0	0	0	0	0
Total share options at the end of the year	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	20 000
Vested at exercise price						106 180	125 740				
Vested at market price						109 600	86 400				
Latent capital gain at vesting date						3 420	0				

SOP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
CHARLES DE WULF							VESTED			NOT VESTED	TOTAL
Offered not yet vested	0	0	0	0	0	0	0	2 000	2 000	2 000	6 000
Vested at the beginning of the year	0	0	0	2 000	2 000	2 000	2 000	0	0	0	8 000
Exercised in 2020	0	0	0	0	0	0	0	0	0	0	0
Expired in 2020	0	0	0	0	0	0	0	0	0	0	0
Total share options at the end of the year	0	0	0	2 000	2 000	2 000	2 000	2 000	2 000	2 000	14 000
Vested at exercise price						106 180	125 740				
Vested at market price						109 600	86 400				
Latent capital gain at vesting date						3 420	0				

SOP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
THOMAS HILDENBRAND							VESTED			NOT VESTED	TOTAL
Offered not yet vested	0	0	0	0	0	0	0	2 000	2 000	2 000	6 000
Vested at the beginning of the year	2 000	2 000	2 000	2 000	2 000	2 000	2 000	0	0	0	14 000
Exercised in 2020	0	0	0	0	0	0	0	0	0	0	0
Expired in 2020	0	0	0	0	0	0	0	0	0	0	0
Total share options at the end of the year	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	20 000
Vested at exercise price						106 180	125 740				
Vested at market price						109 600	86 400				
Latent capital gain at vesting date						3 420	0				

SOP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
ROBBERT KESSELS							VESTED			NOT VESTED	TOTAL
Offered not yet vested	0	0	0	0	0	0	0	2 000	2 000	2 000	6 000
Vested at the beginning of the year	0	0	2 000	2 000	2 000	2 000	2 000	0	0	0	10 000
Exercised in 2020	0	0	0	0	0	0	0	0	0	0	0
Expired in 2020	0	0	0	0	0	0	0	0	0	0	0
Total share options at the end of the year	0	0	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	16 000
Vested at exercise price						106 180	125 740				
Vested at market price						109 600	86 400				
Latent capital gain at vesting date						3 420	0				

In 2020, the members of the executive committee exercised no options and no options expired.

5.6 Deviations from the remuneration policy in 2020

In 2020, remuneration was awarded to the directors and the members of the executive committee in compliance with the remuneration policy, with no departures from the policy.

5.7 Comparative information on changes to the remuneration and the performance of the Company over a period of 5 years; ratio between highest and lowest remuneration of SIPEF

A) Yearly change in remuneration (in percentage)	2016	2017	Variance	2018	Variance	2019	Variance	2020	Variance
Total board remuneration [1] (in KEUR)	286	315	**+10%**	344	**+9%**	359	**+4%**	359	**0%**
Total fixed remuneration executive committee [2] (in KEUR)	1 670	1 832	**+10%**	1 899	**+4%**	1 943	**+2%**	1 967	**+1%**
Total variable remuneration executive committee [3] (in KEUR)	383	682	**+78%**	1 168	**+71%**	416	**-64%**	0	**-100%**
B) Yearly change in the performance of the Company									
CPO market price (in USD/tonne CIF Rotterdam)	700	715	**+2%**	598	**-16%**	566	**-5%**	715	**+26%**
Produced CPO volumes (in tonnes)	297 705	330 958	**+11%**	351 757	**+6%**	312 514	**-11%**	329 284	**+5%**
Result, share of the Group (recurring) (in KUSD)	39 874	64 481	**+62%**	22 713	**-65%**	-8 004	**-135%**	14 122	**nvt**
C) Yearly change in the average remuration of the employees									
Average fixed remuneration employees SIPEF HQ[4] (in KEUR/month)	4 328	4 467	**+3%**	4 440	**-1%**	4 491	**+1%**	4 832	**+8%**
Average variable remuneration employees SIPEF HQ[5] (in KEUR/year)	6 962	12 012	**+73%**	20 003	**+67%**	7 618	**-62%**	0	**-100%**
D) Ratio highest/lowest remuneration (FTE)									
Ratio total fixed remuneration highest member executive committee and lowest employee HQ [6]	12.2	12.5		12.8		9.3		9.2	

(1) Remuneration as included under 5.2 Total remuneration of the directors
(2) Fixed remuneration as included under 5.3 Total remuneration of the members of the executive committee
(3) Fixed remuneration as included under 5.3 Total remuneration of the members of the executive committee
(4) Average gross salary (fulltime equivalent) in January of the respective year
(5) Average variable remuneration (full time equivalent) paid
(6) Total fixed cost highest individual remuneration of the executive committee/total fixed cost (full time equivalent) lowest employee remuneration HQ.

5.8 Information on the general meeting votes on the remuneration policy and report

The new remuneration policy will apply for the first time in the financial year 2021. It was set by the board of directors of 10 February 2021 and will be submitted for approval to the general meeting of 9 June 2021.

The same general meeting will also give its opinion on the present remuneration report, which was prepared in compliance with the former remuneration policy. If the shareholders make any remarks on the remuneration policy and report during the general meeting of 9 June 2021, the Company will adapt accordingly its policy and report in 2022.

6. External and internal audit

6.1 External audit

The ordinary general meeting of 10 June 2020 renewed the contract of Deloitte Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL, represented by Kathleen De Brabander, for a period of three years. The same meeting set the annual remuneration at EUR 81 438, excluding VAT and with annual indexation.

The auditor conducts the external audit on the consolidated and individual financial statements of SIPEF. She reports to the audit committee and the board of directors twice a year.

The annual remuneration of the statutory auditor for the financial year 2020 regarding the statutory audit of the accounts and consolidated financial statements of SIPEF amounts to KUSD 95 (KEUR 83).

The remuneration for non-audit services in 2020 came to KUSD 20 (KEUR 17). These fees were for tax advice. These non-audit services were approved by the audit committee, which receives a summary of these fees at each meeting.

The total cost of external control of the SIPEF group paid to the Deloitte network amounted to KUSD 399. The fees paid for advice from the same statutory auditor and related companies came to KUSD 20. All details regarding the fees paid to Deloitte can be found in Note 32, page 55 of the Financial Statements.

The term of the auditor, which would normally end at the end of the ordinary general meeting of June 2023, is completely in line with the EU directive of 16 April 2014 regarding audit reform. However, the Belgian legislator interprets the transitional provisions with regard to the external rotation of corporate auditors in this regulation in a restrictive way. As a consequence, Deloitte is only able to fulfil its duties for the 2020 financial year, before interrupting its duties for the next two financial years. SIPEF initiated a private call for tenders at the end of 2020 with a view to appointing a new external auditor in accordance with EU rules with regard to the external rotation of the corporate auditors at listed companies. Based on the result of this procedure, the board of directors of 10 February 2021 proposed to the general meeting of 9 June 2021 that EY Bedrijfsrevisoren BV, Borsbeeksebrug 26 te 2600 Antwerpen (Berchem) be appointed for a term of three years and the renumeration be set at USD 93 000, not including indexation and VAT. If the meeting approves this proposal, EY will be represented under this contract by Christoph Oris and Wim Van Gasse.

6.2 Internal audit

An internal audit department has been set up at the operating units in Indonesia and at Hargy Oil Palms Ltd in Papua New Guinea, reporting four times per year to the local audit committee that assesses the internal audit reports.

The internal audit function at the Head Office in Belgium and in the other subsidiaries was exercised in 2020 by the member of the executive committee responsible, along with the managing director and the chief financial officer of SIPEF. Given the limited size of these companies, in 2020 the SIPEF audit committee did not change its opinion that no separate internal audit department should be set up at this time. The committee did recommend in November 2020 that one of the Group controllers at the Head Office should conduct an internal audit and present a report on these few companies to the SIPEF audit committee.

7. Report in connection with internal control and risk management systems

The SIPEF board of directors is responsible for assessing the inherent risks of the Group and the effectiveness of internal control.

SIPEF's internal control systems were set up in accordance with the Belgian legal requirements for risk management and internal control, the principles stated in the 2020 Belgian Corporate Governance Code, and are organised on the basis of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model.

An analysis conducted at Group level forms the basis of the internal control and risk management system, an important pillar of which is the reliability of the financial reporting and the communication process.

7.1 Control environment

SIPEF is a Belgian-listed company specialising in agro-industrial activities in tropical and subtropical regions. The Group produces primarily palm products but also rubber, tea and bananas in Indonesia, Papua New Guinea and Ivory Coast. The production of these products is a very labour-intensive process.

To optimise the management of the plantations, a lot of attention is given to the employees' general knowledge and training in agricultural and management methods. The Company draws up manuals with standard procedures containing practical guidelines and appropriate management practices, to ensure the implementation of the Group policy in agriculture, technology and environment by the various members of staff in different parts of the world. The Group management ensures that all employees are able to work in a safe and healthy environment.

The SIPEF board of directors has also drawn up a 'Responsible Plantations Policy' (www.sipef.com/hq/sustainability/policies/responsible-plantations-policy) and a 'Responsible Purchase Policy' (www.sipef.com/hq/sustainability/policies/responsible-purchase-policy), which apply to all plantation activities and raw materials. It reviews these lines of policy every year to adapt them to the latest legal, social and environmental standards.

To facilitate and encourage further growth in the day-to-day management of its activities, SIPEF pursues clear sustainable regulations that are stricter than the legal requirements of the countries in which the Company does business. That undertaking is documented by certificates and generally accepted standards: see the Sustainability Report, page 23.

The internal control exercised by SIPEF monitors compliance with all these procedures, guidelines and rules to protect the assets, staff and activities of the Group and optimise their management.

The corporate structure, corporate philosophy and management style of the SIPEF group can be generally described as 'flat'. This is explained by the limited number of decision channels in the hierarchy. This and the low staff turnover increase the social control in the Company.

The Group is split into a number of departments. Each department has specific functions and each person in that department has a specific job description. The required level of education and/or experience is established for each job and duty. There is a well-defined policy of delegating powers.

Lastly, SIPEF monitors the strict application of the rules set down in its Corporate Governance Charter and the Code of Conduct to ensure that the directors, all managers and the staff of the Group act honestly and ethically, and in accordance with the applicable rules and principles of good governance.

7.2 Risk analysis and control activities

Every year, the board of directors approves the strategic plan setting out the strategic, operational, financial, tax and legal goals.

Certain risks can threaten the achievement of these goals. These risks have been identified and classified based on their potential importance, the likelihood they will become reality and the steps taken to deal with them. The risk actions are split into the following categories: reduction, transfer, avoidance and acceptance.

The Company has issued the appropriate instructions and/or established the required procedures to enable the identified risks to be dealt with appropriately.

7.3 Information and communication

A set of internal and external operational and financial reports ensures the appropriate information can be made available at the appropriate levels on a periodic basis (daily, weekly, monthly, quarterly, every six months or annually) so that the assigned responsibilities can be duly taken.

7.4 Supervision and monitoring

It is the responsibility of every employee to report potential failings in the internal control to the appropriate person.

In addition, the internal audit departments at the operating units in Indonesia and at Hargy Oil Palms Ltd in Papua New Guinea, are responsible for the constant supervision of the effectiveness and compliance of the existing internal control for their respective activities. They propose the appropriate adjustments based on their findings. A local audit committee discusses the reports of the internal audit departments every quarter. A summary of the most important findings is submitted to the SIPEF audit committee every year.

The responsible member of the executive committee, together with the managing director and the chief financial officer of SIPEF, monitors the internal control at small subsidiaries for which a separate internal audit function has not been created. Furthermore, one of the Group controllers at the head office conducts an internal audit of the activities of these subsidiaries and presents a report to the SIPEF audit committee.

In addition, the financial statements of every Group subsidiary are checked by an external auditor at least every year. Any remarks ensuing from this external audit are submitted to the board of directors in the form of a management letter. No major failures in the internal control have been established in the past.

7.5 Internal control and risk management systems related to financial reporting

The process for drawing up financial reports is as follows:

- The process is led by the corporate finance department, which is under the direct supervision of the chief financial officer of SIPEF.
- A schedule is drawn up based on the imposed internal and external deadlines. This is given to every reporting entity and the external auditor at the start of the year. The external deadlines are also published on the Company's website.
- The following reporting entities can be identified:
  - A. The companies in Indonesia, including PT Timbang Deli, taken as a whole
  - B. Hargy Oil Palms Ltd in Papua New Guinea
  - C. Plantations J. Eglin SA in Ivory Coast
  - D. Jabelmalux SA in Luxembourg
  - E. SIPEF in Belgium
  - F. Verdant Bioscience Pte Ltd in Singapore
- The financial department of each entity is headed by a certified accountant.
- The first step in the annual reporting cycle is drawing up a budget for the following year. This is done in the period September to November and is submitted to the board of directors for approval in November. The strategic options in this budget also fit in with the long-term plan strategy that is updated and approved by the board of directors annually.
- Sensitivity analyses for the strategic plan and the annual budget are drawn up to be able to make the right risk profile for the decisions to be made.

- The production figures and the cash financial position of the previous month are received and consolidated by the corporate finance department in the first week of every month, before being submitted to the managing director and the executive committee.

- The intergroup transactions are also reconciled in this first week before the accounts are closed.

- The monthly financial reporting comprises an analysis of the volumes of initial stock, production, sales and end stock; the operational result and a summary of the other items on the income statement, i.e. financial result and tax, a balance sheet and cash flow analysis.

- The accounting policies used for the monthly reporting are identical to those used for the legal consolidation under IFRS.

- The monthly figures are compared with the budget and the same period a year earlier for each reporting entity, and significant differences are investigated.

- The corporate finance department consolidates these (summary) operational and financial figures (in functional currency) on a monthly basis to the functional currency (mostly USD), consolidated in the reporting currency (USD), and checks once again that they are consistent with the budget or the previous period.

- The consolidated monthly reporting is submitted to the managing director and the executive committee.

- The board of directors receives this report on a periodic basis, i.e. 3, 6, 9 and 12 months, as preparation for the board meeting. This report is accompanied by a memorandum with a detailed description of the operational and financial trends of the preceding quarter.

- In the event of exceptional events, the board of directors is also notified immediately.

- An external audit controls the individual financial statements and the technical consolidation at the end of June and the end of December, but only in December for the smaller entities. The consolidated IFRS figures are then submitted to the audit committee.

- Based on the advice of the audit committee, the board of directors gives its opinion on the correctness of the consolidated figures before publishing the financial statements on the market.

- An interim management report is published twice a year, after the first and after the third quarter, stating the trends in production volumes, global market prices and any changes in the pipeline.

- The corporate finance department is responsible for monitoring any amendments to IFRS reporting standards and implementing these amendments in the Group.

The monthly management reports and the legal consolidation are done in an integrated system. Appropriate care is also given to anti-virus and security applications, uninterrupted backups and steps to ensure the continuity of the service.

8. Rules of conduct concerning conflicts of interest

The Charter describes the policy with regard to transactions between the Company or one of its affiliated companies and a member of the board of directors or the executive committee, or an associated person, that could entail a conflict of interest, within the meaning of the Companies Code or otherwise. It also states the legal procedures that are laid down in articles 7:96 and 7:97 of the Companies Code.

In 2020, transactions giving rise to a conflict of interests within the meaning of article 7:96 of the Companies Code were reported to the board of directors of 11 February 2020 and 18 November 2020. The legal procedures provided for by this article were applied to the related decision of the board. The Company auditor was given the minutes of the meeting in which these board decisions were made. Excerpts of the minutes relating to the decisions in question are reproduced in full below:

Excerpt of the minutes of 11 February 2020
"The Chairman of the Remuneration Committee, Antoine Friling, summarises the proposals of the committee to the Directors as follows: ...

...The individual evaluation of the members of the Executive Committee was discussed in length,

As this item concerns part of his remuneration, François Van Hoydonck, Managing Director, states that there is a conflict of interest on his behalf. Article 7:96 of the Belgian Companies Code is therefore applicable. He leaves temporally the meeting.

The Directors take notice of the evaluation and the proposals of the Remuneration Committee for François Van Hoydonck. They confirm the recommendation issued by the Remuneration Committee that no bonus is granted to the managing director for the year 2019.

François Van Hoydonck enters the meeting room."

Excerpt of the minutes of 18 November 2020
"The Chairman of the Remuneration Committee, Antoine Friling, summarises the advice of the committee to the Directors as follows: ...

As the next item concerns her individual remuneration, Petra Meekers states that there is a conflict of interest on her part, as referred to in article 7:96 of the Belgian Company Code. Petra temporary leaves the meeting.

The committee advises to leave the fixed annual remuneration increase for 2021 to be limited to the usual consumer index increase, for all Executive Committee members, with two exceptions as mentioned in the report in attachment. The committee further advises on the annual remuneration for the new position of expat COO Asian Operations, as defined in the report in attachment.

The Board of Directors approves the proposals as formulated by the committee.

Petra Meekers enters the meeting again.

As the next item concerns its individual remuneration, François Van Hoydonck, Managing Director, states that there is a conflict of interest on his part, as referred to in article 7:96 of the Belgian Company Code. François leaves the meeting.

It is proposed that the yearly option scheme, started in 2011, would be continued in 2020. The options would have the same characteristics as those granted last year, being an annual stock option plan on existing SIPEF shares and in line with Belgian tax legislation. The committee proposes to grant a total number of 18 000 share options to the Managing Director, the Executive Committee and the two managers in charge of the operations of SIPEF in Indonesia and Ivory Coast. The manager in charge of PNG is not earmarked for the option program offered in 2020, neither is the newly created COO function. One option giving the beneficiary the right to buy one SIPEF share, 18 000 options correspond to an amount of approximately kEUR 828 (on the basis of a share price of approximately 46 euro per share); 6 000 options (kEUR 276) would be offered to the Managing Director. It is suggested that contrary to previous years, the issue of the 18 000 options will not be followed by a purchase of corresponding shares on the market. The first options issued in 2011 will expire, as well as some options granted to expat managers having left the Company and lost their right to exercise during 2021.

After deliberation, the Board of Directors approves the proposals as formulated by the committee.

François Van Hoydonck enters the meeting again."

The Company also followed the procedure provided for by article 7:97 of the Companies Code (version prior to the amendment of the Companies Code in May 2020) for the decision of the board of directors of 15 May 2020. Specifically, the board had to express an opinion on the exercise of a right of pre-emption on the 52% shareholding in VBS that was offered for sale to SIPEF. The Company wished to exercise only part of its right of pre-emption on behalf of its reference shareholder Ackermans & van Haaren. This decision was subject to the prior recommendation of a committee of three independent directors, assisted by an independent expert (Eubelius). The conclusion of the committee of independent directors, the full relevant part of the minutes of the board of directors and the opinion of the auditor on this decision are reproduced below.

Conclusion of the committee of independent directors

"4 Conclusion:
… Based on the considerations mentioned above and after having reviewed the legal terms and conditions of the Transaction with Eubelius, the Committee is of the opinion that the Transaction is not detrimental to the Company, given the strategy of the Company and the financial conditions of the Transaction."

Relevant part of the minutes of 15 May 2020

"…The Board of Directors confirms the correct application of the procedure provided by article 7:97 of the companies code for the sale of the VBS shares, resulting in the reception of the advice of the Committee of Independent Directors. Furthermore, it endorses the motivation and conclusion of the Committee.

Therefore, the Board decides, subject to the condition precedent of the reception by SIPEF of Ultra's letter offering the 52% VBS shares for sale, which can be expected around 21 May 2020, to acquire 10% of the VBS shares from Ultra at the conditions described in the Indicative Term Sheet. Furthermore, it agrees on the acquisition by AvH of the remaining 42% of the VBS shares at the same price per share as SIPEF. …"

Opinion of the statutory auditor
"On the basis of our opinion, we have not identified any material inconsistencies between the accounting and financial data contained in the minutes of the board of directors or in the opinion of the ad hoc committee of independent directors with respect to the information made available to us, as statutory auditors of the Company, within the framework of our engagement."

There were no other conflicts of interest in 2020.

9. Policy concerning financial transactions

The board of directors has drawn up and set down the rules of conduct that the directors, employees and self-employed staff of SIPEF must comply with in financial transactions with Company stock and its policy to prevent market abuse in chapter 5 of the Charter.

10. Shareholder structure

The SIPEF shareholder structure is characterised by the presence of two controlling shareholders, Ackermans & van Haaren and the Bracht group (comprising the Baron Bracht family and Cabra NV), which act together in mutual consultation on the basis of a shareholder agreement that was originally entered into in 2007 for a period of 15 years. On 3 March 2017, this agreement was amended and renewed for a further period of 15 years.

With a stable shareholding of SIPEF, the aim of this shareholder agreement is to promote the balanced development and profitable growth of SIPEF and its subsidiaries. Among other things, it contains voting arrangements in relation to the appointment of directors and arrangements in relation to the transfer of shares.

On 2 July 2020, SIPEF received notification of (i) the fact that Cabra NV had decreased its SIPEF voting rights under the 10% threshold and (ii) the change to the composition of the Bracht group. These changes to the shareholding of SIPEF were the consequence of the partial split on 30 June 2020 of Cabra NV, due to the formation of three new companies: Cabra P, Cabra T and Cabra V, controlled by Priscilla Bracht, Theodora Bracht and Victoria Bracht, respectively. In connection with this partial split, 100 000 SIPEF shares were contributed in each of the newly formed companies. After this transaction, Cabra NV held 9.46% of the voting rights of SIPEF. The partial split has no impact on the total number of SIPEF shares that the Bracht group holds (12.31%) or on the shareholder agreement entered into with Ackermans & van Haaren, by virtue of which the latter company exercises joint control of SIPEF together with the Bracht group. Based on this notification, Ackermans & van Haaren together in consultation with the Bracht group holds 46.99% of the votes, of which 34.68% are in the hands of Ackermans & van Haaren and the rest are in possession of the Bracht group.

The relevant details of this transparency statement have been published on the Company's website (www.sipef.com/hq/investors/shareholders-information/shareholders-structure/).

On that date, no other shareholder held more than 5% of the votes of SIPEF.

11. Agreement with the Belgian Corporate Governance Code 2020 – 'comply or explain'

SIPEF's corporate governance deviates from a limited number of recommendations of the 2020 Belgian Corporate Governance Code:

1.
Remuneration of the non-executive directors: deviation from the requirement that part of their remuneration should be in the form of shares of the Company that must be held until at least one year after the end of the term of office and at least three years after their award (article 7.6 Code).

Reason:
This form of remuneration is imposed by the Code to ensure the non-executive directors act from the perspective of a long-term shareholder. However, the non-executive directors must represent the interests of all stakeholders rather than simply the shareholders. Furthermore, the activities and strategy of SIPEF are solely driven by a long-term vision. The Company is therefore of the opinion that it is unnecessary to extend such a vision to the remuneration policy.

2.
Remuneration of the members of the executive committee: no minimum threshold has been set by the board of directors for shares that must be held by the members of the executive committee (article 7.9 Code).

Reason:
The Company imposes no minimum threshold on the members of the executive committee, as they are always driven by a long-term vision that is inextricably bound up with the agro-industrial activities of the Group. These can only be evaluated in the long-term, as evidenced by the strategy and business model of SIPEF. Furthermore, the remuneration of the members of the executive committee is already linked to the performance of the Company by means of the variable remuneration and the granting of share options that are valid for a period of 10 years.

3.
The board of directors has not appointed a secretary fulfilling the roles laid down by the Code (article 3.19 Code).

Reason:
The roles laid down by article 3.20 of the Code are fulfilled by the managing director, assisted by the legal counsel of the Company.

4.
The board has not set up a nomination committee. The full board of directors serves as a nomination committee and only 30% of its members are independent directors, rather than the majority as required by the Code (article 4.19 Code).

Reason:
SIPEF is of the opinion that the whole board of directors is better suited than a nomination committee to prepare and organise the composition and the succession planning of the board and its committees. Furthermore, the relatively limited size of the board – ten members – does not hamper efficient deliberation and decision-making.

5.
The board does not periodically evaluate the size, composition and functioning of the executive committee (article 9.1 Code).

Reason:
The board of directors has not established a special procedure for this because it is able to evaluate the executive committee throughout the year, based on the work performed by the committee and the preparation for the board of directors.

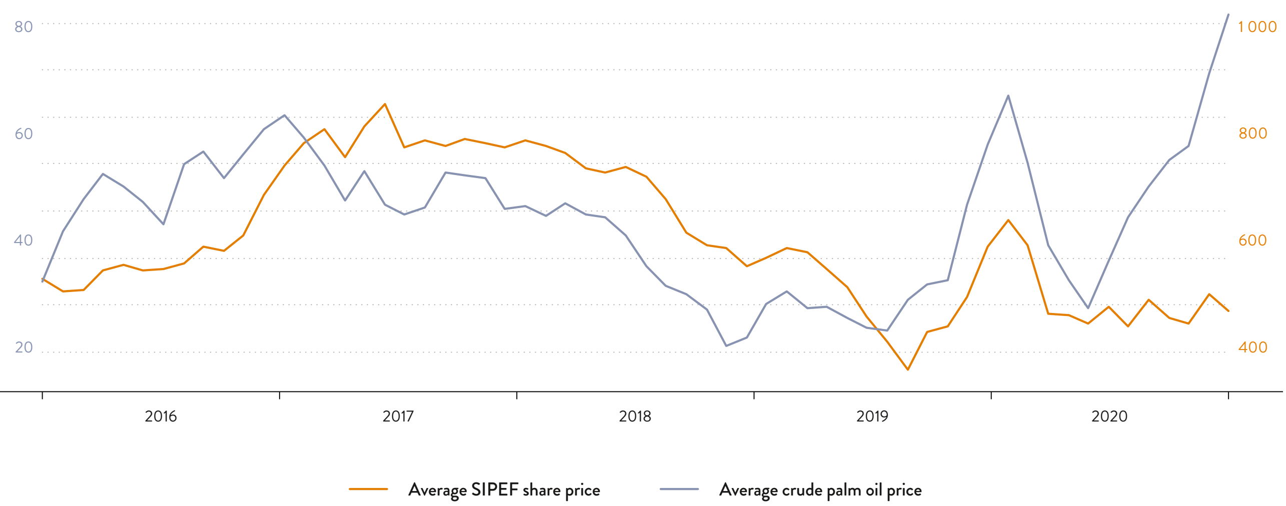
SIPEF on the stock market

Stock market listing

The SIPEF shares have been listed on the Brussels stock market since the establishment of SIPEF in 1919.

Currently, the shares are listed on the continuous market of Euronext Brussels (share code: SIP, ISIN code: BE0003898187).

EVOLUTION OF THE SIPEF SHARE (IN EUR) COMPARED TO THE CRUDE PALM OIL PRICE (IN USD)



The graph above shows that until roughly the middle of 2020 the SIPEF shares in EUR generally follows the same trend as the crude palm oil prices. In the second half of 2020, the share price of SIPEF in EUR has remained relatively stable, while the prices of crude palm oil have risen from roughly USD 600 per tonne in June to USD 950 per tonne in December.

Even though it is difficult to explain market movements during the corona pandemic, this change in trend is probably due to the expected change in export tax and export levy policies in Indonesia, limiting the upside effect of increasing crude palm oil prices for our Indonesian subsidiaries. In addition, the devaluation of the USD compared to the EURO also decreases the EURO value of the Group's USD profits.

Evolution stock market data of the SIPEF share (in EUR)

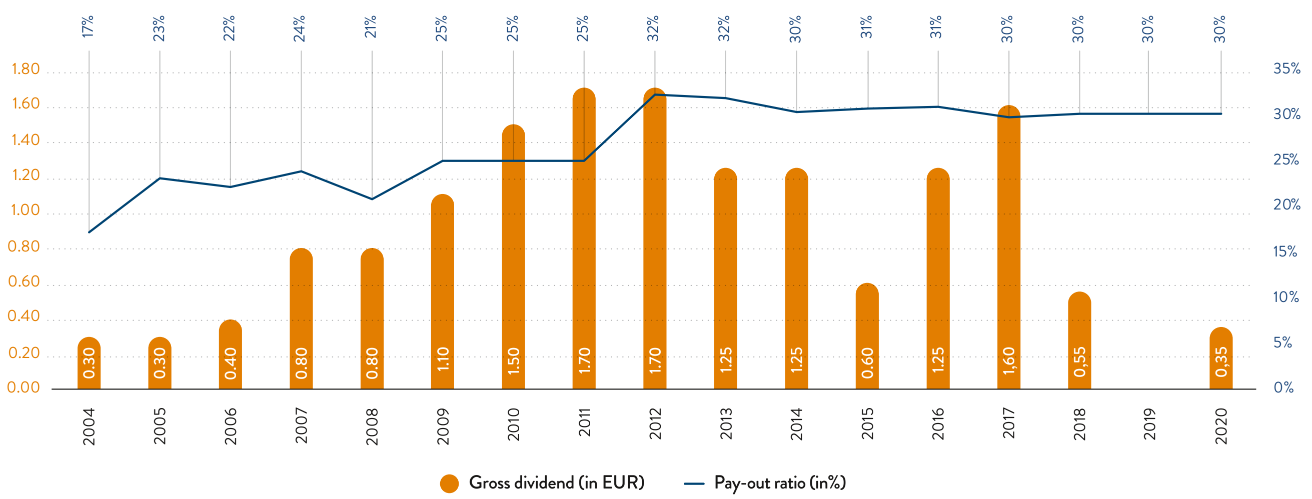
	2020	2019	2018	2017	2016
Highest stock price of the year	56.70	54.80	65.00	69.84	60.49
Lowest stock price of the year	38.00	35.25	47.10	57.76	45.95
Closing stock price per 31/12	43.20	54.80	48.80	62.80	60.49
Market capitalisation per 31/12 (KEUR)	457 027	579 747	516 271	664 382	541 491
Number of shares per 31/12	10 579 328	10 579 328	10 579 328	10 579 328	8 951 740
Average number of shares traded per trading day	5 956	5 081	4 967	5 014	3 042
Average turnover per trading day (KEUR)	274	229	287	318	155

Dividend policy

As from 2004, the pay-out ratio increased from 17% to about 30% in 2012. This percentage has remained stable over the 2012-2018 period. In 2019, SIPEF recorded a loss so that no dividend payment was proposed for 2020.

Given the profit for 2020 and the forecasts for the following years, from 2021, SIPEF will start again with a dividend payout of approximately 30% of the profit of the previous financial year and reinvest the balance in the further growth of the Company.

EVOLUTION OF THE DIVIDEND AND PAY-OUT RATIO



Financial calendar

The periodical and occasional information relating to the Company and to the Group will be published before opening hours of the stock exchange as follows:

Thursday 22 April 2021: interim results for the first three months
Thursday 12 August 2021: half-year results
Thursday 21 October 2021: interim report for the first nine months
February 2022: results of the financial year, accompanied with comments on the activities of the Group
Wednesday 8 June 2022: next ordinary general meeting of shareholders will be held at 3:00 pm at Kasteel Calesberg, Calesbergdreef 5, 2900 Schoten

In accordance with the legal regulations all important data that could influence in one way or another the results of the Company and of the Group will be subject to a separate press release.

Financial service

The main paying agent is Bank Degroof Petercam.

Corporate website

The website (www.sipef.com) plays an increasingly important role in the SIPEF financial communication. Therefore, a substantial part of the corporate website is reserved for investor relations. As from the launch of the renewed SIPEF website in October 2018 reference is made to the daily stock price and the daily crude palm oil price (www.sipef.com/hq/investors/daily-share-price-cpo-price/).

Other information about the Company

Legal form, formation, legal publication

The Company was established on 14 June 1919 in the form of a limited liability company (“naamloze vennootschap”), under Belgian law, executed by deed before Xavier Gheysens, notary public in Antwerp, and published in the Appendices to the Belgisch Staatsblad of 9 July 1919 under number 5623. The articles of association have been amended on many occasions, most recently by the deed of 10 June 2020, published in the Appendices to the Belgisch Staatsblad of 2 July 2020 under number 20074807.

Legislation applicable to the activities of SIPEF

The Company is governed by the existing and future legal and regulatory provisions applicable to the “naamloze vennootschappen” and by the articles of association.

Term

The Company exists for an indefinite term.

Object

The object of the Company is:

A) Planting and cultivating, among other things rubber trees, coffee trees, tea plants, palm trees and other trees or plants. Acquiring, processing and selling all products; acquiring, selling, leasing, renting ground or property or any related concessions; and, generally, everything that can be considered part of the agricultural domain.

B) Participating, in any form, in the formation, expansion, conversion and control of all Belgian or foreign companies in trade, finance, industry or other, acquiring all titles and rights by means of participation, contribution, transfer, permanent participation or purchase option, trading and all other means. Giving the companies in which it has an interest, all assistance, loans, advances or guarantees, in other words all arrangements in general that are related directly or indirectly to its purpose or that facilitate the fulfilment or enlargement of this purpose.

c) All real estate transactions in the broadest sense, at its own expense or at the expense of third parties or in participation with third parties or in any way, in Belgium or abroad, including acquiring, selling, parcelling out, constructing, reconstructing, appropriating, converting, forestation and deforestation, leasing as lessor or lessee of all real estate, as well as all companies of public or private works.

Capital

OUTSTANDING CAPITAL

SIPEF has been granted official approval from the Federal Public Service (FPS) Economy, from 1 January 2016, to keep its accounts and draw up its financial statements in US dollars, the functional currency of SIPEF.

At 31 December 2020 the fully paid-up registered capital was USD 44 733 752.04. It is represented by 10 579 328 shares without nominal value.

All shares representing the capital have the same rights.

Each share gives the right to one vote. SIPEF has issued no other categories of share, such as shares without voting rights or preferential shares.

Pursuant to the law of 14 December 2005 abolishing bearer shares, the holders of bearer shares were obliged to convert their shares into registered shares or dematerialised shares no later than 31 December 2013. The bearer shares not converted to registered shares or dematerialised shares by 1 January 2014 were converted to dematerialised shares by law and registered on the share account in the name of SIPEF.

The exercise of the rights linked to the shares has been suspended by law since 1 January 2014.

The law also imposed an obligation on issuers to sell all unclaimed bearer shares on the stock exchange from 1 January 2015 and remit the proceeds from the sale to the "Deposito- en Consignatiekas" within fifteen days.

Since 31 December 2015, the owners of the old bearer shares have the right to request the payment of the corresponding proceeds from the "Deposito- en Consignatiekas", provided they are able to prove they are the rightful holder. The law of 14 December 2005 states that, from 1 January 2016, a fine of 10% of the proceeds from the sale of the underlying bearer shares will be payable on the reimbursement calculated per started year's delay. SIPEF accordingly no longer has a role to play in this process.

AUTHORISED CAPITAL

The extraordinary general meeting of 10 June 2020 passed a resolution to extend by five years the authorisation granted to the board of directors to increase the capital on one or more occasions:

- in the amount of USD 44 733 752.04
- in accordance with the terms established by the board of directors, such as:
  - by means of contribution in cash or in kind within the limits permitted by the Companies Code;
  - by converting reserves and share premiums;
  - with or without issue of new shares, with or without voting rights;
  - by issuing convertible bonds, whether or not they are subordinated;
  - by issuing subscription rights or of bonds to which subscription rights or other securities are attached;
  - by issuing other securities, such as shares as part of a share option plan.

Furthermore, in the interests of the Company the board of directors can limit or abolish the preferential subscription rights of the shareholders, within the limits and in accordance with the conditions set down in the Companies Code.

That authorisation is valid for a period of five years, commencing on 2 July 2020, the date of publication in the Appendices to the Belgisch Staatsblad, and ending on 1 July 2025 (including).

The extraordinary general meeting of 10 June 2020 decided that, if the Company receives an announcement from the Financial Services and Markets Authority (FSMA) that it has been informed of a public bid to acquire the shares of the Company, in accordance with article 7:202 §2, 2° of the Companies Code, the board of directors can only use its authorisation with regard to the authorised capital, if this notification is made no later than three years after the date of the extraordinary general meeting that renewed the authorisation in question, being from 10 June 2020 up to and including 9 June 2023.

At 31 December 2020 the fully authorised capital was USD 44 733 752.04.

Based on this amount, no more than 10 579 328 new shares can be issued.

TREASURY SHARES

The extraordinary general meeting of 10 June 2020 renewed for a period of five years the authorisation given to the board of directors of the Company, as a result of which the board, with due consideration for the legal provisions, may obtain, a maximum number of 2 115 865 own shares being 20% of the issued capital. These shares may only be acquired at a price no lower than one euro and no higher than the average closing price of the share over the 30 calendar days preceding the transaction, plus 10%.

This authorisation also concerns the acquisition of own shares by the companies in which SIPEF, alone or by virtue of a shareholders' agreement, directly holds, exercises or controls the majority of the voting shares, or in which the Company has the right to directly appoint the majority of directors or managers.

That authorisation is valid for a period of five years, commencing on 2 July 2020, the date of publication in the Appendices to the Belgisch Staatsblad, and ending on 1 July 2025 (including).

This extraordinary general meeting also renewed the authorisation granted to the board of directors of the Company to obtain own shares if this purchase is necessary to avoid an imminent serious disadvantage for the Company. That authorisation is valid for a period of three years, commencing on 2 July 2020, the date of publication in the Appendices to the Belgisch Staatsblad, and ending on 1 July 2023 (including).

The purchase and sale of own shares in 2020 are discussed in more detail in Note 22 of this annual report.

At 31 December 2020, SIPEF owns 160 000 treasury shares (1.51% of the total number of outstanding shares) which are reserved for the exercise of granted and not yet exercised options.

EXCHANGEABLE AND CONVERTIBLE LOANS
SIPEF has not granted any exchangeable or convertible loans.

Voting right

There are no limitations in the articles of association on the exercise of the voting right, without prejudice to the general rules on admission to the general meeting.

Documents available to the public

ACCESS TO THE INFORMATION FOR THE SHAREHOLDERS AND WEBSITE
SIPEF has a website (www.sipef.com) where the shareholders can have access to full information on the Company.

This website is regularly updated and contains the information required under the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market and the Companies Code.

Among other things, the website contains the financial statements and annual reports, all press releases published by the Company and all useful and necessary information on the general meetings and the participation of the shareholders in these meetings, particularly the conditions provided by the articles of association for the convening of the (ordinary and extraordinary) general meetings of the shareholders.

Lastly, the results of the votes and the minutes of the general meetings are also published on the website.

PLACES WHERE DOCUMENTS ACCESSIBLE TO THE PUBLIC CAN BE CONSULTED

The coordinated articles of association of the Company can be inspected at the Registry of the Commercial Court in Antwerp, at the Company's registered office and its website (www.sipef.com/hq/investors/shareholders-information/corporate-governance).

The annual financial statements are deposited with the National Bank of Belgium and can be consulted on the website of SIPEF.

The resolutions concerning the appointment and the removal of the members of the executive bodies of the Company are published in the Appendices to the Belgisch Staatsblad.

The financial notices of the Company are published in the financial press. The other documents available for public inspection can be consulted at the Company's registered office.

The annual report of the Company is sent every year to registered shareholders and to everyone who has expressed a wish to receive the report. It is available free of charge at the registered office.

The annual reports of the three most recent financial years and all other documents mentioned in this paragraph can be consulted on the Company's website.

Glossary

General

ACP -- The African, Caribbean and Pacific Group of States organisation was created by the Georgetown Agreement in 1975. It is composed of 79 states, which are bound to the European Union via the EU Partnership Agreement. One of the main objectives is the sustainable development of its member states and their gradual integration into the global economy.

CABI -- CAB International is a British international, intergovernmental, not-for-profit organisation that improves people's lives worldwide, by providing information and applying scientific expertise to solve problems in agriculture and the environment.

CDM -- The Clean Development Mechanism allows a country with an emission limitation or reduction commitment under the Kyoto Protocol to implement an emission reduction project in developing countries. Such projects can earn saleable Certified Emission Reduction (CER) credits, each equivalent to one tonne of CO2, which can be counted towards meeting Kyoto targets. It is the first global, environmental investment and credit scheme of its kind, providing a standardised emissions offset instrument, CER. CDM is managed by the UNFCCC (United Nations Framework Convention on Climate Change).

CIF Rotterdam -- Cost, Insurance and Freight (CIF) is the selling price to cover all costs including insurance and freight up to the port of destination which is Rotterdam in this case. The buyer will pay for the goods delivered in Rotterdam. The CIF Rotterdam price is a worldwide reference in the palm oil market.

CPO -- Crude Palm Oil is an edible oil which is extracted from the pulp of the fruit of the oil palm.

CSPKO -- Certified Sustainable Palm Kernel Oil is palm kernel oil produced by palm oil plantations, which have been independently audited and certified against the Roundtable on Sustainable Palm Oil (RSPO) standard.

CSPO -- Certified Sustainable Palm Oil is palm oil produced by palm oil plantations, which have been independently audited and certified against the RSPO standard.

CTC tea -- During the Cut, Tear and Curl tea process, the leaf is not rolled. Instead, it goes through a CTC machine, which results in a different tea from orthodox tea. It infuses more quickly and makes stronger cups of black tea.

EFB -- Empty Fruit Bunches are the remains of the Fresh Fruit Bunches (FFB) after the fruit has been removed for palm oil pressing.

EMS -- An Environmental Management System is a set of processes and practices that enables an organisation/company to reduce its environmental impacts.

FFA -- Free Fatty Acids are found in palm oil, as in all oils. The major FFA in palm oil are palmitic and oleic. Crude palm oil quality and price are dependent on the FFA content at time of shipping.

FFB -- Fresh Fruit Bunches are the palm fruits that grow in bunches on the oil palm, the raw material to be transported to a palm oil mill for processing. The mill process extracts the palm oil from the flesh of each individual piece of fruit on the bunch.

FOB Indonesia -- Free on Board is the selling price indicating that the seller pays for the transportation of the goods to the port of shipment, in this case Indonesia, plus loading costs. The buyer pays, in addition to the goods, the cost of freight, insurance, unloading and transportation from the port of arrival to the final destination.

FPIC -- Free, Prior and Informed Consent (FPIC) is a specific right that pertains to indigenous peoples and local communities, and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows indigenous peoples and local communities with demonstrable user rights over an area to give or withhold consent to a project that may affect them or their territories.

GHG -- Greenhouse gases are the emissions into the Earth's atmosphere of any of various gases, amongst others carbon dioxide and methane, that contribute to the greenhouse effect, leading to changes in temperature.

GLOBALG.A.P. -- Is a worldwide recognised farm certification program that translates consumer requirements into Good Agricultural Practices among multiple retailers and their suppliers.

GRI -- The Global Reporting Initiative (GRI) is an independent international organisation that has pioneered sustainability reporting since 1997. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone.

HCSA -- The High Carbon Stock Approach is a methodology that distinguishes forest areas for protection from degraded lands, with low carbon and biodiversity values that may be developed.

The methodology was developed with the aim of ensuring a widely accepted practical, transparent, robust and scientifically credible approach to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.

HCV -- The High Conservation Value (HCV) concept was originally developed by the Forest Stewardship Council in 1999 for use in forest management certification. In 2005 the HCV Resource Network was established and the scope was widened from 'HCV Forest' to 'HCV Area'. It is now a keystone principle of sustainability standards for palm oil, soy, sugar, biofuels and carbon, as well as being widely used for landscape mapping, conservation and natural resource planning and advocacy.

HCVA -- High Conservation Value Areas are designated on the basis of high HCVs which are biological, ecological, social or cultural values considered outstandingly significant at the national, regional or global level.

HFCC -- High Forest Cover Countries (HFCC) are defined as those having > 60% forest cover (based on recent, trusted recognition of their Reduction of Emissions from Deforestation and Forest Degradation (REDD+) and national data); < 1% oil palm cover; a deforestation trajectory that is historically low but increasing or constant; and a known frontier area for oil palm or where major areas have been allocated for development.

HFCL -- High Forest Cover Landscapes (HFCL) are landscapes having > 80% forest cover. The High Carbon Forest Landscape (HCFL) concept was developed by the High Carbon Stock Approach (HCSA) and a specific section in the HCSA Toolkit relating to HCFL is being developed in conjunction with RSPO.

HGU -- "*Hak Guna Usaha*" is a cultivation licence issued by the Indonesian Government.

Inti -- The nucleus estate of a plantation company in Indonesia is referred to as "*inti*". They are stated as 'own' in the Group production figures.

IP -- Sustainable palm oil from a single identifiable certified source is kept separately from ordinary palm oil throughout the supply chain. A mill is deemed to be Identity Preserved (IP) if the FFB processed by the mill are sourced from plantations/estates that are certified against the RSPO Principles and Criteria (RSPO P&C).

IPM -- Integrated Pest Management is an ecosystem approach to crop production that combines different management strategies and practices to grow healthy crops and minimise the use of pesticides.

ISCC -- International Sustainability and Carbon Certification is an independent certification scheme designed to demonstrate that biomass and bioenergy, and other biomass-based products used as ingredients by the feed, food and chemical industries, comply with requirements related to sustainability and GHG emissions. The scheme aims to reduce GHG emissions; ensure that biomass is not produced on land with high carbon stock or high biodiversity; ensure the application of good agricultural practices related to soil, water and air; and finally, ensure respect for human, labour and land rights.

ISEAL -- The International Social and Environmental Accreditation (ISEAL) is the global membership association for credible sustainability standards. These sustainability standards meet the Codes of Good Practice and promote measurable change through open, rigorous and accessible certification systems. They are supported by international accreditation bodies, which are required to meet accepted international best practice.

ISPO -- The Indonesian Sustainable Palm Oil system is a policy adopted by the Ministry of Agriculture on behalf of the Indonesian Government. The aims are to improve the competitiveness of Indonesian palm oil in the global market; reduce GHG; draw attention to environmental issues and also lead the ISPO GHG Working Group. The ISPO Commission and the GHG Working Group have worked together to formulate the calculation guidelines for palm oil plantations in Indonesia. These guidelines will be used as a reference and be incorporated by the Government into the latest ISPO standard.

Izin Lokasi -- This licence issued by the Indonesian Government authorises a developer to compensate land from private owners in a specific location for a defined project.

Mass Balance (MB) -- Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout the supply chain. A mill is deemed to be Mass Balance (MB) if the mill processes FFB from both RSPO certified and uncertified plantations/estates. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own and third-party certified supply bases. In that scenario, only the volume of oil palm products produced from the processing of the certified FFB can claim MB.

MDGs -- The Millennium Development Goals (MDGs) are eight goals with measurable targets and clear deadlines for improving the lives of the world's poorest people. To meet these goals and eradicate poverty, leaders of 189 countries signed the historic Millennium Declaration at the United Nations Millennium Summit in 2000.

NPP -- The New Planting Procedure (NPP) was introduced with the aim of providing a framework for the responsible development of new land for oil palm cultivation. The NPP includes a set of assessments and verification activities carried out by both growers and certification bodies before any new oil palm development commences. The assessments ensure that new oil palm plantings will not negatively impact primary forest, High Conservation Value (HCV) areas, High Carbon Stock (HCS), fragile and marginal soil, or local peoples' lands. A successful implementation of the NPP ensures that all indicators of the RSPO Principles and Criteria (P&C) 2013, Principle 7, are being implemented, and are therefore in compliance when a new development starts.

PKO -- Palm Kernel Oil is an edible vegetable oil derived from the kernel of the oil palm fruit.

Plasma -- Cooperative programs for plantation development in Indonesia oblige oil palm plantation companies by law to assist individual farmers to develop their agricultural land and manage oil palm planted areas, called 'plasma' areas. Their production is stated as 'outgrowers' in the Group production figures.

POIG -- The Palm Oil Innovation Group (POIG) is a multi-stakeholder initiative that strives to achieve the adoption of responsible palm oil production practices by key players in the supply chain, through developing and sharing a credible and verifiable benchmark that builds upon the Roundtable on Sustainable Palm Oil (RSPO), and creating and promoting innovations. Founded in 2013, the initiative was developed in partnership with leading NGOs as well as with progressive palm oil producers.

POME -- Palm Oil Mill Effluent is wastewater generated from palm oil milling activities. With its high organic content, POME is a source with great potential for biogas production and/or composting.

Rainforest Alliance -- The Rainforest Alliance is an international non-profit organisation working at the intersection of business, agriculture and forestry to make responsible business the new normal, and awarding certifications. It is an alliance of companies, farmers, foresters, communities and consumers committed to creating a world where people and nature thrive in harmony.

RSPO -- The Roundtable on Sustainable Palm Oil is a non-profit global certification scheme that unites stakeholders from the palm oil industry: palm oil producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil. A set of environmental and social criteria has been developed, with which companies must comply in order to produce Certified Sustainable Palm Oil (CSPO). When properly applied, these criteria can help to minimise the negative impacts of palm oil cultivation on the environment and communities in palm oil producing regions. The RSPO members have committed to produce, source and/or use sustainable palm oil certified by the RSPO.

RSS -- Ribbed Smoked Sheets (commonly known as RSS 1 to 5) are a natural rubber which comes directly from the latex of rubber trees. The coagulated latex, rolled in sheets, is graded on the basis of certain parameters, after having been smoked, dried, and then packed in bales. The number 1 to 5 indicates the level of purity of the sheet. The RSS3 processed in Indonesia is mainly used for tires and tubes.

SAN -- The Sustainable Agriculture Network (SAN) is a coalition of non-profit conservation organisations in America, Africa, Europe and Asia promoting the environmental and social sustainability of agricultural activities through the development of standards for best practices, certification and training for rural farmers around the world. Their vision of the world is one where agricultural activity contributes to biodiversity conservation and sustainable livelihoods. Their mission is to be a global network transforming agriculture into a sustainable activity.

SDGs -- Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The 17 SDGs are integrated—that is, they recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

SIR -- Standard Indonesian Rubber. The different parameters are specified with numbers and letters defining the specifications content (dirt, ash, viscosity, etc.). According to SNI (Indonesian National Standard) specifications, a SIR 10 means that it is a cleaner rubber with less impurities than a SIR 20 and a SIR3CV60 presents a higher viscosity than a SIR3CV50 rubber.

SOP -- Standard Operating Procedures: step-by-step instructions compiled by an organisation or company on how a process works, in order to help employees carry out routine operations.

SPOTT -- The Sustainable Palm Oil Transparency Toolkit (SPOTT) is a free, online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice. SPOTT assesses commodity producers and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance issues.

UNFCCC -- The United Nations Framework Convention on Climate Change (UNFCCC) is an international environmental treaty negotiated at the United Nations Conference on Environment and Development (UNCED), informally known as the Earth Summit, held in Rio de Janeiro from 3 to 14 June 1992. The objective of the UNFCCC is to stabilise greenhouse gas (GHG) concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system, in a time frame which allows ecosystems to adapt naturally and enables sustainable development.

Finance

IFRS terminology

Associated companies -- Entities in which SIPEF has a significant influence and that are processed using the equity-method.

Biological assets - bearer plants -- The bearer plants (trees, tea bushes, banana plants, ...) on which the biological produce grows.

Biological assets - agricultural produce -- The harvested product coming from biological assets - bearer plants.

CGU -- Cash Generating Unit or cash flow generating unit.

Earnings per share basic -- Net result for the period (Group share) / Average outstanding shares over the period.

Earnings per share diluted -- Net result for the period (Group share)/ [Average number of outstanding shares over the period - own shares + (number of possible new shares that have to be issued within the framework of the existing outstanding stock options plans x dilution effect of the stock option plans)].

Joint ventures -- Entities that are controlled jointly. These companies are consolidated following the equity method.

Net financial position -- Interest bearing financial debts at more than one year + interest bearing financial debts within the maximum of one year - cash and cash equivalents.

Purchase Price Allocation or 'PPA' -- The allocation of the purchase price of a new subsidiary to the value of various assets and liabilities acquired from the transaction.

Subsidiaries -- Fully consolidated entities under SIPEF control.

Financial performance measures

EBIT -- Operating results + profit/loss from equity companies.

EBITDA -- EBIT + depreciation and additional impairments/ increases on assets.

Market capitalisation -- Closing price x total number of outstanding share.

Working capital -- Inventories + trade receivables + other receivables + recoverable taxes - trade payables - payables taxes - other payables.

For further information

SIPEF

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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 Kempenaers -
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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 2020 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 2020 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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Belgium

Notes

Evolution of key data over 5 years

ACTIVITY		2020	2019	2018	2017	2016
Total own production of consolidated companies (in tonnes)	palm oil	271 472	264 641	290 441	272 312	246 121
	rubber	5 300	5 495	6 930	6 964	7 551
	tea	2 644	2 331	2 422	2 402	2 940
	bananas	31 158	32 849	27 788	29 772	24 991
Average world market price (USD/tonne)	palm oil*	715	566	598	715	700
	rubber**	1 728	1 640	1 565	1 995	1 605
	tea**	2 004	2 226	2 579	2 804	2 298
	bananas***	628	662	647	684	737
Own FFB production (in tonne/ha)	Indonesia	18.62	19.52	20.60	22.36	21.34
	Papua New Guinea	21.16	20.79	28.25	27.21	25.53
Palm oil extraction rate	Indonesia	22.79%	23.23%	22.73%	22.80%	21.83%
	Papua New Guinea	24.64%	23.35%	24.36%	24.64%	23.92%

STOCK EXCHANGE SHARE PRICE (IN EUR)	2020	2019	2018	2017	2016
Maximum	56.70	54.80	65.00	69.84	60.49
Minimum	38.00	35.25	47.10	57.76	45.95
Closing 31/12	43.20	54.80	48.80	62.80	60.49
Stock Exchange capitalization at 31/12 (in KEUR)	457 027	579 747	516 271	664 382	541 491

RESULTS (IN KUSD)	2020	2019	2018	2017	2016
Turnover	274 027	248 310	275 270	321 641	266 962
Gross profit	62 357	37 162	72 096	120 474	73 792
Operating result	30 778	4 940	50 065	169 585	47 479
Share of the group in the result	14 122	- 8 004	30 089	139 663	39 874
Cash flow from operating activities after taxes	68 783	31 887	33 682	119 853	51 218
Free cash flow	21 299	- 27 751	- 12 912	- 16 512	13 328

BALANCE SHEET (IN KUSD)	2020	2019	2018	2017	2016
Operating fixed assets(1)	670 637	665 413	640 435	614 351	414 989
Shareholders' equity	638 688	628 686	644 509	634 636	448 063
Net financial assets (+)/obligations (-)	- 151 165	- 164 623	- 121 443	- 83 697	- 45 061
Investments in intangible and operating fixed assets (1)	51 763	66 546	69 428	59 625	41 095

DATA PER SHARE (IN USD)	2020	2019	2018	2017	2016
Number of shares	10 579 328	10 579 328	10 579 328	10 579 328	8 951 740
Number of own shares	160 000	160 000	143 300	124 000	110 000
Equity	61.30	60.34	61.76	60.70	50.68
Basic earnings per share (2)	1.36	-0.77	2.88	14.21	4.50
Cash flow from operating activities after taxes (2)	6.60	3.06	3.22	12.20	5.79
Free cash flow (2)	2.04	-2.66	-1.24	-1.68	1.51

(1) Operating fixed assets = biological assets - bearer plants, other property, plant & equipment and investment property

(2) Denominator 2020 = weighted average number of shares issued (10 419 328 shares).

* Oil World price data

** World bank commodity price data - updated database

*** CIRAD price data (in EUR)

www.sipef.com

SIPEF