



Annual Report 2021

PART 3 - SUSTAINABILITY REPORT



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About this report

SIPEF is a Belgian company dedicated to the production of traceable, sustainable and high-quality agricultural products. Sustainability is at the core of SIPEF's business model and the Group has made a top-down commitment to ensuring its activities make a positive contribution to the environment, society and local economies.

SIPEF publishes an Annual Report made up of three parts: a Company Report (part 1), a Financial Statement (part 2), and a Sustainability Report (part 3). The Sustainability Report focuses on the environmental, social and governance performance of the Group, including SIPEF's sustainability commitments, progress and next steps.

Report scope

The 2021 SIPEF Sustainability Report covers information and data on the Group's sustainability performance for the financial year 1 January to 31 December 2021.

The report's scope includes all the operational and management activities within the Group: oil palm, bananas, tea and rubber operations in Indonesia, Papua New Guinea and Ivory Coast.¹ The main focus of the report is on the Group's

primary business, oil palm production and palm products. Another key focus area is on SIPEF's second largest business, its banana production.

During 2021, SIPEF commenced its transition away from the production of tea and rubber. This is reflected in the scope of this report, with reduced information and performance data on SIPEF's tea and rubber activities. More information on this transition is available in part 1 of the Annual Report (Company Report).

Report framework and content

The report has been prepared taking into account the GRI Standards. The content and performance data covered have been expanded from previous years to align with the requirements of the standards, as well as the latest materiality assessment conducted for the SIPEF group (see page 15 for details). The report also outlines the Group's contributions to the United Nations Sustainable Development Goals (see pages 31 and 122).

¹ Only SIPEF's horticultural activities have been excluded, as these account for less than 1% of the Group's revenue.



Within the wider framework of SIPEF's Annual Report 2021, this report (part 3) includes the non-financial information required by the EU Non-Financial Reporting Directive, which was transposed into Belgian law in 2017.

In accordance with the requirements of the European Commission's Taxonomy Regulation,² SIPEF has assessed the taxonomy-eligibility of its economic activities for the reporting period 2021 ('Climate change mitigation' and 'Climate change adaptation').

More details on the EU taxonomy and assessment results can be found on page 114.

Assurance

SIPEF has not engaged third-party assurance for the content of this report. However, a significant portion of the information and data related to the Group's environmental and social performance has been reviewed through certification audits undertaken to comply with standards such as the Roundtable on Sustainable Palm Oil (RSPO) and Rainforest Alliance. The Group is working towards assurance of future Sustainability Reports.

This is the sixth Sustainability Report that has been issued by the Group since 2014. The last report was published as part 3 of SIPEF's 2020 Annual Report.

SIPEF's Annual Reports are made available on the company website at: www.sipef.com/hq/investors/annual-reports/

² European Commission. (Retrieved February 2022). *EU taxonomy for sustainable activities*. https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

Managing director statement

Dear colleagues, partners and stakeholders,

I am pleased to present the SIPEF Sustainability Report for the financial year 2021, which provides an overview of the progress the Group has made in 2021. Reflecting on SIPEF's sustainability journey since the last report, I am reminded of the Company's purpose: to create value for all of its stakeholders and be the preferred supplier of traceable, sustainable, high-quality agricultural products. It is this purpose that guides SIPEF, as the Company navigates between remaining competitive and profitable, and forging the pathways to greater economic, environmental and social prosperity. It is also what drives the Group's decisions and actions in a world that continues to face significant challenges.

In 2021, one of the greatest challenges faced by us all was the ongoing covid-19 pandemic. The Group continued its comprehensive programme of offering the covid-19 vaccination free of charge to all its employees and their dependents. In each operation, efforts were made to dedicate significant resources to mitigating the risks, including developing standard operating procedures (SOPs) to ensure that employees, as well as surrounding communities, were protected. These actions also helped to ensure business continuity, including for the many smallholders in the Group's supply chain, who continued to receive an income for their produce.

As I reflect on this and other challenges – from climate change to the need for greater transparency in global supply chains – I am certain that the palm oil industry has a significant role to play in the global sustainability agenda. Demand for vegetable oils is forecast to increase significantly in the years to come, and certified sustainable palm oil is the best choice to meet that demand, while reducing pressure on land and creating sustainable livelihoods. Oil palm accounts for just 9% of the land used to grow vegetable oil crops, yet it produces 36% of the world's vegetable oil supply. Per hectare, it can provide two to eight times more oil than crops like sunflower, rapeseed, soybean or corn. Innovative agricultural practices can lead to even greater productivity. Moreover, the palm oil industry provides a living for millions of people and contributes to development in the rural areas where oil palm is grown. SIPEF is an upstream player focused on controlled, sustainable growth, and I am proud of its commitment to the production of sustainable palm oil and its contribution to a more sustainable world.

SIPEF has been evolving and growing its business sustainably for decades, embracing technological change and innovation, and focusing on a transparent and long-term, sustainable value chain. Building on this experience, the Company took great strides forward in its sustainability activities in 2021. As SIPEF creates value and returns for its shareholders, it has set the objective of contributing to the United Nations Sustainable Development Goals (SDGs) and driving positive

SIPEF was ranked fourth out of 350 companies by Forest 500 and ninth out of 100 palm oil companies by the Sustainability Policy Transparency Toolkit.

impacts aligned towards SIPEF's purpose and customer expectations. The Group's materiality assessment process has been significantly strengthened with a new component, to enhance engagement with stakeholders and align with the evolving priorities of the wider business and multi-stakeholder landscapes. This has resulted in a complete review of the Group's material sustainability topics. 2022 will be an important year for review and reflection, particularly with regard to the Group's policy framework, sustainability strategy, and alignment towards environmental, social and governance requirements, and wider stakeholder expectations.

I was pleased to once again see SIPEF's achievements recognised by several high-profile benchmarking organisations in 2021. The Group was ranked fourth out of 350 companies by Forest 500 and ninth out of 100 palm oil companies by



SIPEF maintained its industry-leading commitment to sustainability certification, achieving 100% compliance with RSPO criteria for palm oil and 100% Rainforest Alliance certification for bananas.

the Sustainability Policy Transparency Toolkit (SPOTT). SIPEF also maintained its industry-leading commitment to sustainability certification, achieving 100% compliance with RSPO criteria for palm oil and 100% Rainforest Alliance certification for bananas.

Traceability is a fundamental principle of sustainability, and this continued to be one of SIPEF's greatest strengths in 2021. All commodities are fully traceable to their production location, either an estate managed by SIPEF or a supplier smallholder plot. In 2021, the Group's interactive mapping application, Geo SIPEF, was updated with new features. Users can locate all SIPEF palm oil mills, kernel crushing plants, rubber and tea factories, and their respective supply bases, and they can now also switch on layers that show land conversion and fire hotspots.

Responsible production and processing

For SIPEF, sustainability starts with responsible production and processing at its own estates. Policies and Best Management Practices (BMPs) are implemented for a comprehensive set of topics: from human rights and labour standards, health and safety, and community rights, to prevention of deforestation, protection of biodiversity, and regenerative practices, among others.

Reducing greenhouse gas (GHG) emissions is a top priority. In 2021, the focus was on establishing a uniform methodology based on ISO 14064 to measure the Group's footprint, as the baseline for a mitigation strategy to be set in 2022. This builds on several years of measuring the historical GHG emissions of SIPEF's RSPO certified oil palm plantations, using the RSPO GHG calculator. Many initiatives are already under way to reduce the Group's footprint, for instance by implementing measures to capture the methane gas produced by the waste from palm oil production, and by developing initiatives to convert waste into cost-effective industrial biomass. Nature conservation is another focus area, which includes a project to protect more than 12 000 hectares of forest bordering the Kerinci Seblat National Park in Indonesia.

Agriculture is a people-centric business, and SIPEF focuses on valuing its 21 233 employees worldwide, by supporting their livelihoods, safeguarding their well-being and strengthening labour and human rights practices. In 2021, the Group worked with an independent external consultant, Links, to review its social framework and human resource policies, and their implementation. SIPEF also strives to ensure that local

Reducing greenhouse gas (GHG) emissions is a top priority. In 2021, the focus was on establishing a uniform methodology based on ISO 14064 to measure the Group's footprint, as the baseline for a mitigation strategy to be set in 2022.

communities benefit from its activities. In addition to providing employment, SIPEF has set up schools, and built roads, health centres, bridges and places of worship.

Responsible sourcing and smallholder production

Smallholders produce around 40% of the world's palm oil and SIPEF works with over 10 000 smallholders worldwide. The Group operates several programmes with an emphasis on improving livelihoods through increased yields, improved production quality and access to international markets, as well as reducing the impact of production on natural ecosystems. An important focus area in 2021 has been to continue supporting smallholders to achieve and maintain RSPO certification.

Responsible business and transparency

SIPEF has a strong corporate governance structure in place, and continued to strengthen its approach in 2021. The policy and regulatory framework for business governance, transparency and sustainability also continued to evolve in 2021, for instance with the mandatory due diligence rules for the import of products including palm oil into the European Union (EU), and the introduction of reporting eligibility to the EU taxonomy for sustainable activities. SIPEF welcomes these efforts to bring sustainability further into the mainstream, and strives to anticipate and align with all requirements, both globally and within the EU.

The world continues to face great challenges in 2022 and beyond, but I am heartened by the growing focus on climate action, human rights and nature-positive solutions. Sustainability is a journey, and all businesses must constantly evolve to ensure their values, purpose and strategy continue to focus on the material impacts of their activities. While our strengths and our history of successfully tackling complex problems give us confidence, we cannot do it alone. We are truly stronger together, and I want to thank all of SIPEF's employees, communities and partners for taking part in this work. I encourage you to read our full report to discover more about what we have achieved — and hope to achieve — together.

About SIPEF

SCALE OF SIPEF'S OPERATIONS



* Including only four months of rubber and tea production of PT Melania
 ** Of the revenue of the SIPEF group



GLOBAL PRESENCE

SIPEF's operations are focused in Indonesia, Papua New Guinea and Ivory Coast, with the Group Headquarters in Schoten, Belgium. Since 2021, SIPEF has also been operating in Singapore through SIPEF Singapore Pte Ltd.



Global operations:

Indonesia
 Papua New Guinea
 Ivory Coast

Markets served:

Europe
 UK
 Indonesia
 West Africa

SIPEF is a Belgian public limited agribusiness company listed on Euronext Brussels. It operates agro-industrial activities in the production of sustainable oil palm products, including fresh fruit bunches (FFB), crude palm oil (CPO), palm kernels (PK), and crude palm kernel oil (CPKO). The Group also produces sustainable bananas, natural rubber, tea and horticultural products.

SIPEF has a multinational workforce of 21 233 people (full-time equivalent—FTE), the majority of whom are employed or contracted through SIPEF's subsidiaries. The Group manages a total of 79 942 hectares of own production area across its global operations.

Palm products are SIPEF's primary business focus, accounting for 92% of the Group's total revenue. Banana production is the second largest activity, making up 5% of total revenue.

SIPEF's business strategy is built on controlled growth as an upstream player, and a crucial part of its mission is to be the preferred supplier of traceable, sustainable, high-quality agricultural products.

Indonesia



30
Oil palm plantations



6
Palm oil mills



3
Rubber estates



3
Rubber factories



1
Tea estate



1
Tea factory

Papua New Guinea



6
Oil palm plantations



3
Palm oil mills



2
Kernel crushing plants (integrated with mills)

Ivory Coast



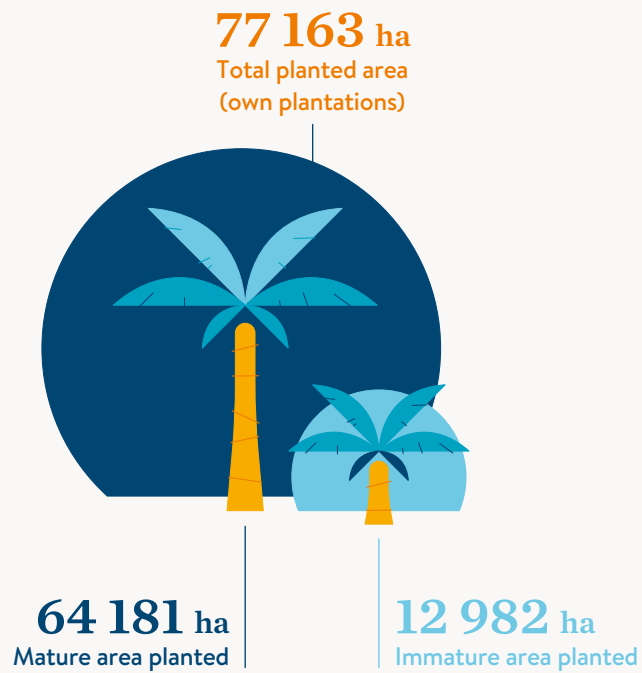
5
Banana estates



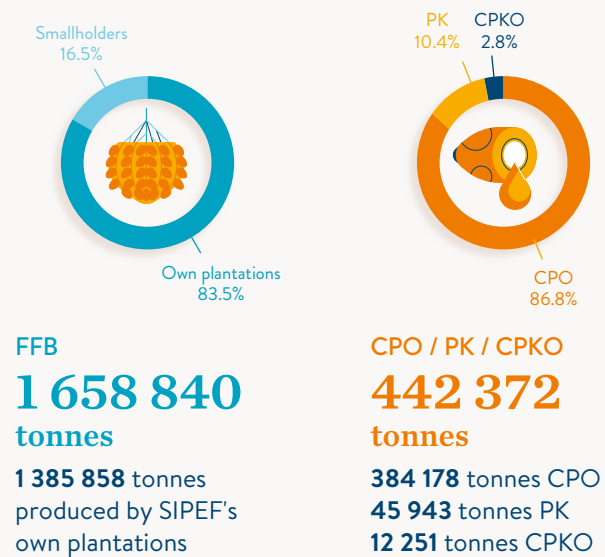
7
Banana packing stations

NOTE: SIPEF's subsidiary Plantations J. Eglin also manages production areas for pineapple flowers, lotus flowers and foliage (*Dracaena*) at its banana estates in Azaguié. These products are packed for export at a separate packing station.

PALM PRODUCTION 2021



Production volumes 2021



Operations and value chains

SIPEF is devoted to sustainable agriculture and sells almost all its products in physical and traceable sustainable supply chains.

The following section provides a brief overview of its operations and activities linked with each commodity. A full overview of the Group's activities, business model and financial performance in 2021 can be found in the Annual Report part 1 (Company Report) and part 2 (Financial Statement).

Palm products

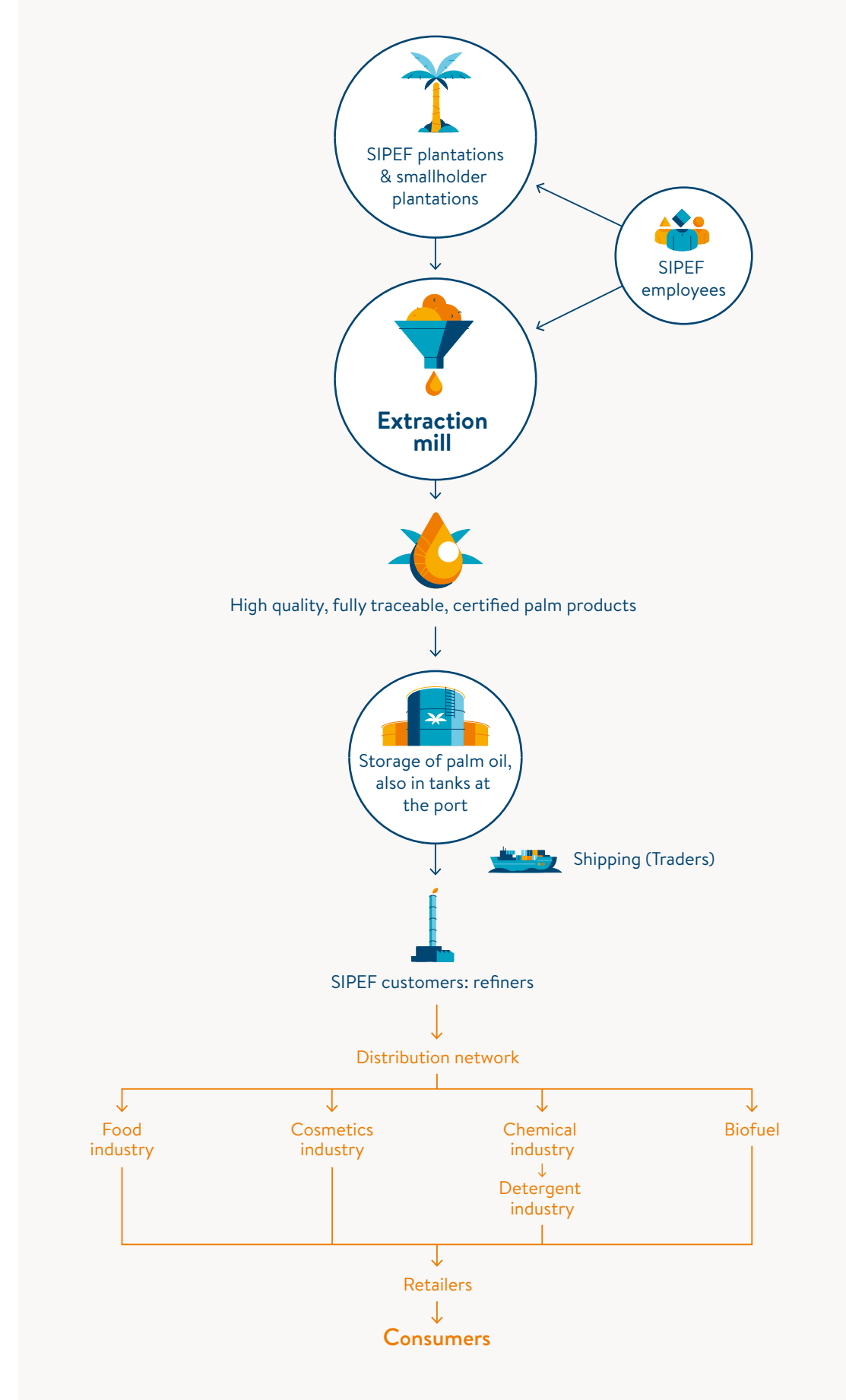
The Group manages more than 77 000 hectares across its 36 oil palm estates, as well as 21 010 hectares of smallholder plantations. The total planted area comprises 98 173 hectares.

Under its subsidiary PT Tolan Tiga Indonesia, SIPEF produces palm oil and palm kernels at six mills in North Sumatra, Bengkulu, and South Sumatra. These mills process fresh fruit bunches (FFB) from 30 of the company's own estates and 2 278 smallholders.

The Group's subsidiary in Papua New Guinea, Hargy Oil Palms Ltd (HOPL), produces palm oil and palm kernel oil at three mills and two kernel crushing plants in New Britain. A little over 60% of HOPL's supply base consists of FFB from its own plantations, with 39% consisting of crops produced by the 3 635 associated smallholders engaging with the company.

SIPEF's palm products are either sold to refiners on the European market or to refiners in Indonesia, which mainly export to Europe. Sustainability is important for SIPEF's customers, who want to purchase fully traceable and certified palm products.

OVERVIEW OF PALM OIL VALUE CHAIN



BANANA PRODUCTION 2021



Bananas

SIPEF's subsidiary Plantations J. Eglin SA is a major player in banana production in Ivory Coast, the most important banana producing and exporting country in Africa. As of 31 December 2021, the company manages an area of 1 764 hectares located on the periphery of Abidjan.

In 2021, the company expanded its operations to include two additional banana estates and three packing stations. These additions were a result of the company's acquisition of the assets of the Wanita banana plantation in Ivory Coast. Plantations J. Eglin now manages a total of five estates, equipped with seven packing stations.

Plantations J. Eglin annually produces around 32 000 tonnes of green bananas on a planted area of nearly 800 hectares, mainly exporting its bananas to the European market. Through the new acquisition, production is expected to increase by almost 80% over a three-year period to about 57 000 tonnes of export bananas.

Rubber and Tea

As of 31 December 2021, SIPEF owns three rubber estates in Indonesia, as well as three rubber factories producing three different grades. SIPEF also manages the production and marketing of high-quality black 'Cut, Tear and Curl' (CTC) tea on a unique estate in West Java, Indonesia, which still harvests primarily using skilled hand plucking.

In 2020, SIPEF announced its intentions to phase out of rubber and to convert two of its rubber plantations into oil palm. The conversion will be in alignment with the RSPO New Planting Procedure (NPP) to ensure that re-development does not contribute to deforestation and that Free, Prior and Informed Consent (FPIC) has been provided by local communities.

In 2021, PT Melania, which accounts for all of SIPEF's tea and half of its rubber, was subject to a conditional sale to Shamrock Group, an Indonesian company that owns and manages several rubber plantations and factories. As such, the rubber activities of PT Melania have been managed by the Shamrock Group since 30 April 2021. The tea activities remain under the management of SIPEF until the closing of the sale is completed.

A full overview and explanation of changes to operations can be found in the Annual Report part 1 (Company Report).

Approach to sustainability

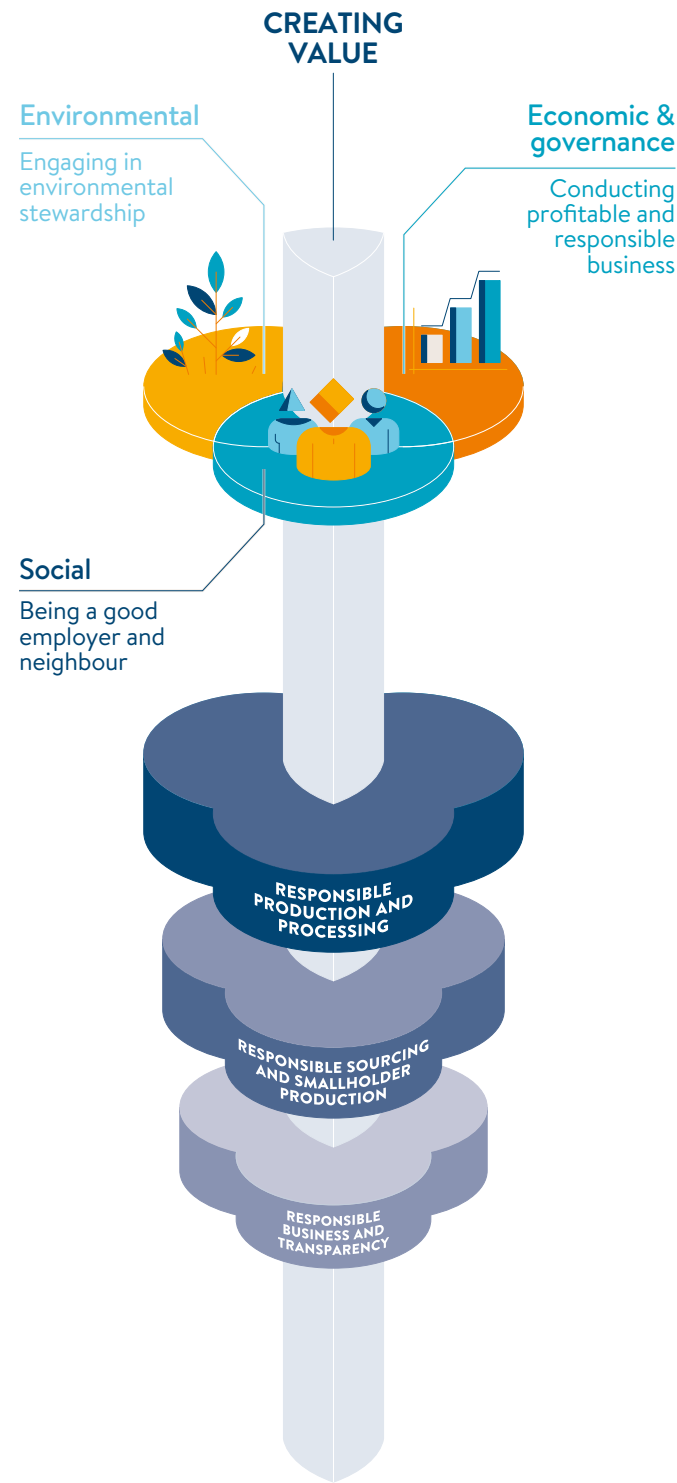
Sustainability is at the core of SIPEF's business model and the Group has made a top-down commitment to ensuring its business activities make a positive contribution to the environment, society and local economies. This includes managing plantations and operations in an environmentally and socially responsible manner, as well as creating employment and development opportunities in the rural and remote areas in which it operates.

SIPEF's approach to sustainability includes the following principles and approaches:

- Incorporating the **three pillars of sustainability**: environmental, social and economic
- Setting strong **sustainability policies and commitments**
- Striving for the best **sustainability standards and agricultural practices**
- Enabling **traceability** back to production location
- Ensuring optimum **productivity and sustainable land use**
- Investing in **innovation and continuous improvement**
- **Good corporate governance, collaboration with key stakeholders and transparent reporting**



SIPEF'S APPROACH TO SUSTAINABILITY



Three pillars of sustainability

SIPEF's overarching approach to sustainability reflects the three pillars of sustainable development: environmental, social and economic. These pillars underpin the Group's core values, which are to engage in environmental stewardship, to be a good employer and neighbour, and to conduct profitable and responsible business.

At the heart of this approach is SIPEF's overarching goal to create value.

This approach is further defined by the different levels of SIPEF's business activities: **responsible production and processing** (SIPEF's own estates and operations), **responsible sourcing and smallholder production** (SIPEF's engagement with suppliers), and **responsible business and transparency** (SIPEF as a business entity).

The degree to which certain issues apply, and the policies and measures employed to manage them, are dependent on whether the sustainability risks occur in SIPEF's own operations, in its supply chain, or for SIPEF as a business.

SIPEF's approach is also guided by an understanding that the environmental, social and economic issues relevant to its business and supply chain are inextricably linked. The Group recognises the interconnected nature of these issues and manages its activities accordingly.



Material topics identified in 2021





SIPEF has followed the GRI materiality principle to ensure the Group's sustainability approach and reporting continues to address the environmental, social, economic and governance issues that are most important for its business and stakeholders. During 2021, SIPEF conducted a review of its material topics, and made improvements to its materiality assessment process.

Based on the assessment, 22 material topics were identified. The twelve priority topics were those that were ranked the highest by both SIPEF and its external stakeholders, as well as those considered to be critical to the Group's sustainability strategy. The remaining ten issues have been classified as important topics. These are primarily emerging issues considered to be important by stakeholders that will be monitored more closely in future, or areas where SIPEF already has a good management system in place.

SIPEF's sustainability reporting and KPIs have been aligned in 2021 with the new selection of material topics. An overview of the final topics is provided on the next page, mapped against the three pillars, priority level, and the different levels of SIPEF's business.

The Group's approach with respect to managing the risks and impacts linked with each of the topics it has identified to be material, are described in the sustainability performance chapters of this report: Responsible production and processing (pages 38-95), Responsible sourcing and smallholder production (pages 96-107), and Responsible business and transparency (pages 108-117).

A full description of SIPEF's 2021 materiality assessment process is available in the Annex (page 118-121).

MATERIAL TOPICS IDENTIFIED BY SIPEF IN 2021			
DIMENSIONS	RESPONSIBLE PRODUCTION AND PROCESSING	RESPONSIBLE SOURCING AND SMALL-HOLDER PRODUCTION	RISKS, MANAGEMENT APPROACH AND PROGRESS COVERAGE IN REPORT
 Cross-cutting topics	Sustainability Standards and Certification		→ Sustainability standards and certification page 18-21 → Sustainability certification progress pages 47-49
	Traceability		→ Traceability pages 22-23
	Climate Change		→ Climate change pages 50-55
	Productivity and Quality		→ Productivity and sustainable land use page 24 → Productivity and quality pages 40-47
	R&D and Innovation		→ Innovation page 25 → Research & Development: Verdant Bioscience page 45-47
	Food safety		→ Productivity and quality page 43-44
 Environmental topics	Deforestation		→ No Deforestation pages 56-65
	Peatlands		→ Peatlands page 66
	Fire Prevention and Management		→ Fire prevention and management pages 63-64
	Biodiversity		→ Biodiversity and conservation pages 67-71
	Ecosystem Conservation and Restoration		→ No Deforestation pages 56-65 → Biodiversity and conservation pages 67-71
	Fertiliser and Pesticide Use		→ Best Management Practices pages 72-79
	Water Management		→ Best Management Practices pages 72-79
	Regenerative Practices		→ Best Management Practices pages 72-79
 Social topics	Human Rights and Labour Standards		→ Respecting human and labour rights pages 80-89
	Smallholder Engagement		→ Responsible sourcing and smallholder production pages 96-107
	Health and Safety		→ Health and safety pages 88-89
	Diversity and Inclusion		→ Respecting human and labour rights pages 80-89 → Diversity and inclusion page 87
	Community Rights		→ Respecting community rights pages 90-92
	Community Development		→ Community development pages 93-95
DIMENSIONS	RESPONSIBLE BUSINESS AND TRANSPARENCY		RISKS, MANAGEMENT APPROACH AND PROGRESS COVERAGE IN REPORT
 Economic & Governance topics	Transparency		→ Responsible business and transparency pages 108-117
	Anti-Bribery and Anti-Corruption		→ Anti-bribery and anti-corruption pages 111-113

Priority material topic
Important material topic

Sustainability policies

For SIPEF, sustainability starts with responsible production, first and foremost within SIPEF’s own plantations and operations, but also in the production areas of its suppliers, all of which are smallholders. The Group’s sustainability strategy is implemented through two core internal policies: the Responsible Plantations Policy (RPP) and the Responsible Purchasing Policy (RPuP).

In addition to the RPP and RPuP, the Group upholds several supporting policies aimed at specific issues such as human rights, child labour and grievances. In the course of 2022, SIPEF plans to undertake a systematic review of all of its sustainability policies to align and integrate them as necessary.

All policies are accessible on SIPEF’s website at: www.sipef.com/hq/sustainability/policies/responsible-plantations-policy/

Responsible Plantations Policy

The [SIPEF Responsible Plantations Policy](#) (RPP) covers the Group’s key environmental, social and economic commitments and principles for sustainable production and processing.

First developed in 2014, the RPP brings together and is supported by all group-wide and local policies. It applies to all plantations managed by SIPEF, regardless of ownership share, as well as all activities of smallholders that deliver products to SIPEF mills and factories.

The RPP commits SIPEF to the sustainable production of fully certified and traceable products, and sets out SIPEF’s commitments to no deforestation, no new plantings on peat and no exploitation (NDPE). It defines the guidelines for the Group’s management of new developments, as well as continuous improvement in the management of existing plantations. This includes

requiring that Best Management Practices (BMPs) are adopted as soon as they are available, in order to optimise land use while mitigating and eliminating any negative impacts.

The policy has generally been reviewed annually. However, due to a more considerable revision being planned for 2022, the policy was not amended in 2021.

Responsible Purchasing Policy

The [SIPEF Responsible Purchasing Policy](#) (RPuP) guides the Group’s responsible sourcing requirements for engaging with third-party suppliers. The policy was formalised on 21 September 2020 but has been applied in practice for several years.

SIPEF’s third-party suppliers are all smallholders with whom the Group has a Memorandum of Understanding (MoU) and whose production location is known and mapped. Under the RPuP, SIPEF is committed to sourcing only from smallholders that are either already RSPO certified or that have the potential to become certified within the Group’s RSPO Time Bound Plan.

The RPuP sets out criteria for working with smallholders on their journey towards certification. It also provides the framework for the procedures utilised to select, monitor and, if necessary, not include smallholders in the Company’s supply base. In alignment with SIPEF’s policies, these local procedures are based on requirements linked to human rights, labour and environmental issues.

More information on these procedures can be found in the section on managing risk in SIPEF’s supply base (see pages 106-107), and on the [Traceability and Risk Management](#) page of the SIPEF website.



Sustainability standards and certification

Alongside internal policies, credible third-party certification is an important aspect of SIPEF's sustainability approach. The Group applies the highest benchmarked international standards and, where possible, goes beyond. This helps to demonstrate SIPEF's progress towards a set of verifiable criteria and contributes to traceability back to production location.

Certification is not a silver bullet for sustainability, but it is a critical building block that informs and supports the overall implementation of SIPEF's sustainability approach.

Palm Oil

ROUNDTABLE ON SUSTAINABLE PALM OIL

The [Roundtable on Sustainable Palm Oil](#) (RSPO) is the leading sustainability standard and certification for palm oil. The RSPO has developed a set of environmental and social criteria (RSPO Principles & Criteria) for the sustainable production of palm oil. Since 2018, this has included a prohibition on all forms of deforestation.

SIPEF's first RSPO certifications were awarded in Papua New Guinea in 2009 for Hargy Oil Palms Ltd, which included approximately 3 635 smallholders that were supplying the Company's mills. By 2017, all SIPEF mills in Papua New Guinea and Indonesia had been RSPO certified.

SIPEF is striving for 100% RSPO certification of its palm oil operations and aims to include 100% certified smallholders in its supply chain by 2026.

Details on the certification progress of SIPEF's operations are provided on pages 47-49.

OTHER CERTIFICATIONS AND STANDARDS



Indonesia introduced a national certification standard in 2011 for sustainable palm oil production, the **Indonesian Sustainable Palm Oil (ISPO) standard**. The standard is mandatory for all plantations and palm oil mills in Indonesia.

All six of SIPEF's mills in Indonesia are certified in accordance with the ISPO Standard.



The **International Organization for Standardization (ISO)** standards are the most recognised set of global technical, industrial and commercial standards for good practices, applicable to all processes and commodities.

SIPEF's environmental management system in Papua New Guinea has been ISO 14001 certified since 2014. All of SIPEF's companies in Indonesia have achieved the quality management system certification ISO 9001 as of 2019.

More information: www.iso.org/standards.html



The **International Sustainability and Carbon Certification (ISCC)** standard certifies compliance with the European Renewable Energy Directive (RED).

The adoption of methane capture at SIPEF's palm oil mills enables the reduction of the emissions of greenhouse gases (GHG) during the production of crude palm oil. Currently, four of the Group's six palm oil mills in Indonesia are certified according to the ISCC.

More information: www.iscc-system.org/



Under the **Clean Development Mechanism (CDM)**, emission-reduction projects in developing countries can earn certified emission reduction credits.

SIPEF currently has four of its nine mills running CDM projects based on the reduction of GHG emissions through methane capture facilities, flaring or biogas generation.

More information: cdm.unfccc.int/



Bananas

RAINFOREST ALLIANCE

The Rainforest Alliance is an international non-profit organisation working at the intersection of business, agriculture and forests to make responsible business the new normal. The Rainforest Alliance’s Sustainable Agriculture Standard is considered one of the leading standards in the sector and covers environmental, social and economic topics.

SIPEF’s banana production has been fully Rainforest Alliance certified since 2016.

More information about the standard can be found on the Rainforest Alliance website: www.rainforest-alliance.org/tag/2020-certification-program

Rubber and Tea

SIPEF’s rubber operations have historically been Rainforest Alliance certified. The Rainforest Alliance stopped certifying rubber and all certifications expired in mid-2021. SIPEF previously announced that it intended to transition to FSC (Forest Stewardship Council) certification for rubber, but will not pursue this due to its announced intention to phase out of rubber production.

SIPEF’s tea production has also historically been Rainforest Alliance certified and will continue its certification journey under the management of SIPEF until the sale of PT Melania is completed.

A full overview of sustainability certifications held by SIPEF’s tea operations is available in the 2020 SIPEF Sustainability Report.



OTHER CERTIFICATIONS AND STANDARDS



GLOBALG.A.P. is a set of standards focused on good agricultural practices including food safety and traceability, environment (including biodiversity), workers’ health, safety and welfare, and animal welfare.

All SIPEF banana estates under Plantations J. Eglin in Ivory Coast have been certified since 2006. In August 2017, during the recertification of the banana activities, the horticulture activities were also included in response to strong customer demand.

More information: www.globalgap.org



Fairtrade certification is based on a partnership between producers and consumers, with the goal of improving lives and reducing poverty through ethical trade practices.

All of SIPEF’s banana estates are Fairtrade certified. Motobé of Plantations J. Eglin in Ivory Coast has been certified since 2019. The two other estates, Agboville and Azaguié, were first certified in 2020.

More information: www.fairtrade.net/product/bananas



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

Plantations J. Eglin joined Sedex as a supplier in 2008. The company achieved its most recent certification renewal in 2021, having successfully completed the Sedex Members Ethical Trade Audit (SMETA).

More information: www.sedex.com

Traceability

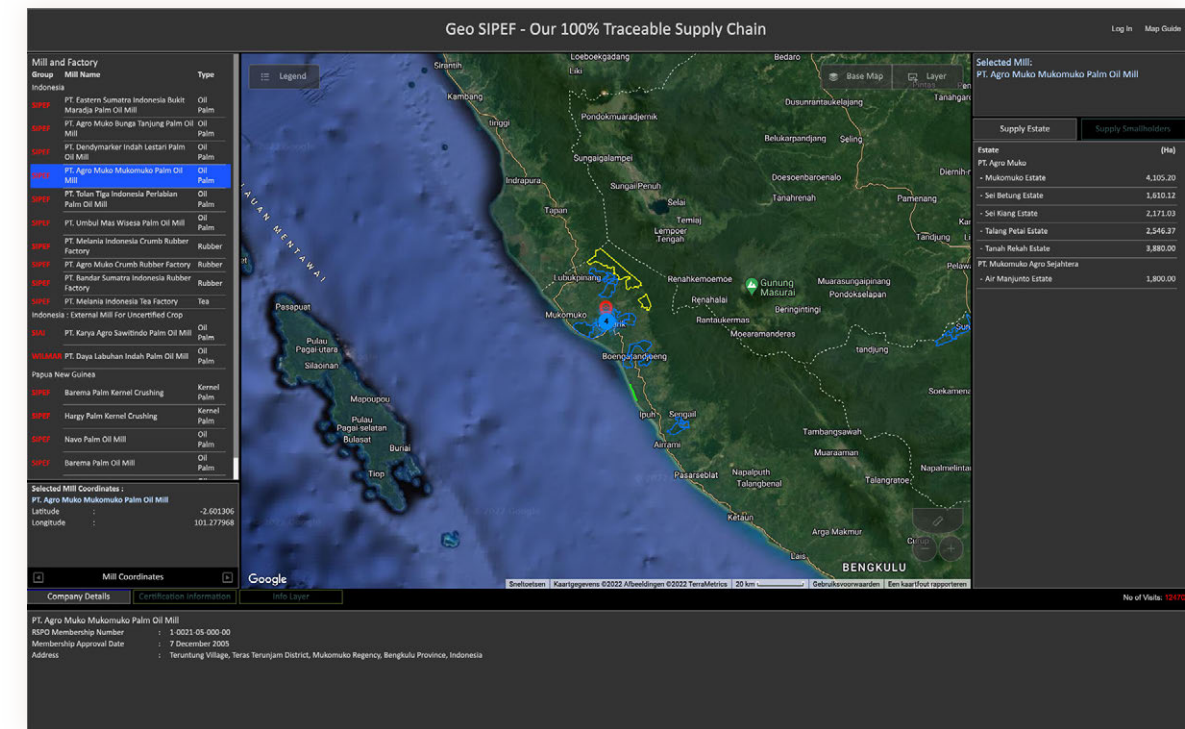
Traceability is a fundamental principle for sustainability in agricultural commodity supply chains. It enables customers and consumers to ascertain that the products they buy are indeed sourced from certified estates and smallholders, and therefore contribute to environmental, social and economic sustainability.

SIPEF is a leader in traceability, with all commodities it sells being fully traceable to their production location, either an estate managed by SIPEF or a supplier smallholder plot.

Traceability of certified products

Most of the sustainability certification programmes adhered to by SIPEF require chain of custody certification for processing and trading certified materials. This regulates the degree to which certified products are traceable back to their origins as they move through the supply chain.

SIPEF is 100% compliant with the criteria for processing RSPO certified oil palm products. All of SIPEF's mills are RSPO Identity Preserved, with the exception of the Dendymarker Palm Oil Mill in Indonesia, which is RSPO Mass Balance due to a large proportion of its supply base currently being in the process of RSPO certification.



The Group's two kernel crushing plants under Hargy Oil Palms Ltd in Papua New Guinea are RSPO Segregated. This is because both plants are processing kernels from more than one mill, as one of the three mills does not have its own kernel crushing facility. However, all three mills are certified Identity Preserved and have their supply bases fully mapped.

SIPEF's palm oil mills only source from its own plantations or from smallholders whose production locations are known and mapped. As such, while some of the Group's palm oil supply base is not yet certified, and some of the Group's production facilities are RSPO Segregated or Mass Balance, all of it is traceable.

All of the bananas produced and sold by Plantations J. Eglin are fully certified and traceable, and the company can disclose the origin of any shipment to its customers and to stakeholders.

Geo SIPEF

As part of its commitment to transparency and to a fully certified sustainable and traceable supply base, SIPEF has developed an interactive mapping application called 'Geo SIPEF'. This tool allows the user to locate all SIPEF palm oil mills, kernel crushing plants, rubber and tea factories, and their respective supply bases. Additional information is provided on each entity including certification status (links to sustainability certificates) and production capacity. Layers can also be applied to the maps to visualise estate, smallholder and conservation area boundaries.

New features were added in 2021, including the ability to switch on layers that show land conversion (potential deforestation) and fire hotspots recorded through SIPEF's monitoring activities. SIPEF's banana operations will be included in the mapping application in 2023.

Geo SIPEF can be accessed at www.geosipef.com.



Productivity and sustainable land use

Efficient production and respect for the limited availability of agricultural land are crucial for SIPEF's success as a business, now and especially in the future. While SIPEF is striving for efficiency in all crops, optimising yields in the production of oil palm is particularly important.

Oil palm is an extremely productive crop, requiring just one-fifth of the land area to produce a tonne of oil compared with its closest competitor. The Group therefore strongly believes that certified sustainable palm oil has a crucial role to play in meeting growing demand for vegetable oils, while protecting the environment and the livelihoods of communities.

SIPEF is committed to implementing best agricultural practices that will increase its yields and minimise its environmental impact. The Group is also committed to investing in research and innovative solutions that will further strengthen the potential for optimising land use.

Details of SIPEF's approach to enhancing productivity can be found on page 40.

Innovation

SIPEF has made significant investments in innovation to enhance productivity, quality and circularity. This includes research on maximising yields, new regenerative and nature-positive agricultural techniques and methods, and technological advancements focused on reducing GHG emissions and creating value out of by-products.

In 2021, SIPEF has continued to invest in hybrid palm varieties through its research and development joint venture, Verdant Bioscience Pte Ltd

(VBS). It has also worked to advance its project at its Umbul Mas Wisesa mill focused on the conversion of processing by-products from fresh fruit bunches into biopellets for use as a renewable alternative to fossil fuels.

Progress updates for 2021 on the work carried out by VBS and on SIPEF's biopellets project have been provided in the performance chapters of this report (pages 45 and 54).

Corporate and sustainability governance

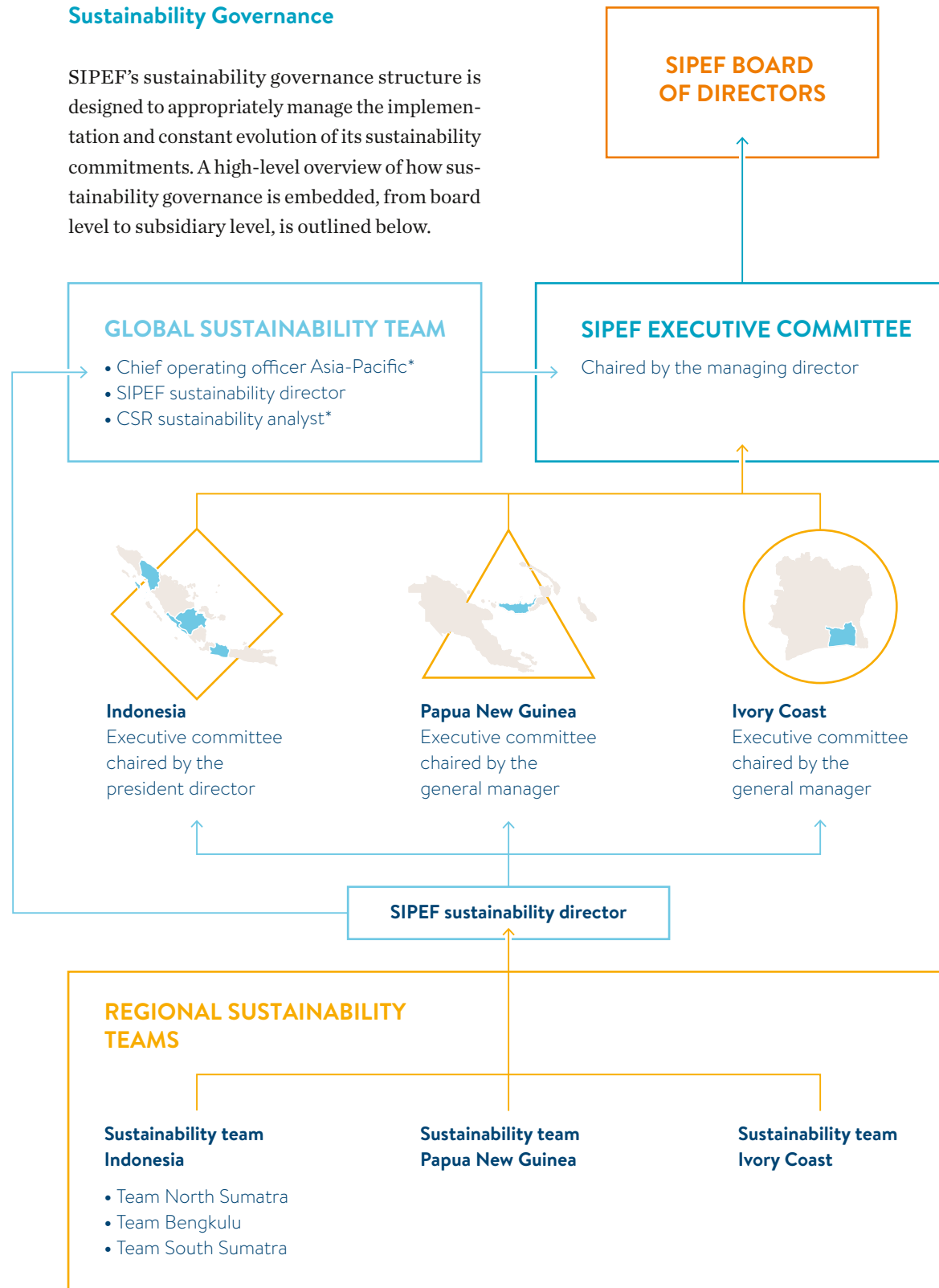
SIPEF has established policies, procedures and supporting structures that ensure good corporate and sustainability governance at all levels, including the Company's subsidiaries.

This section provides a brief overview of SIPEF's sustainability governance structure and approach to analysing and managing sustainability risk.

- An overview of SIPEF's corporate governance policies and an update on the Group's most relevant activities linked with responsible business conduct are provided on pages 110-113 of this report.
- A more detailed account of SIPEF's approach to corporate governance is provided in the Corporate Governance Statement on page 76 of the Annual Report part 1 (Company Report).

Sustainability Governance

SIPEF's sustainability governance structure is designed to appropriately manage the implementation and constant evolution of its sustainability commitments. A high-level overview of how sustainability governance is embedded, from board level to subsidiary level, is outlined below.



* new position in 2021

SIPEF BOARD OF DIRECTORS

Ultimate responsibility for sustainability lies at board level, with Priscilla Bracht having a particular interest in this issue. The full board reviews progress made by SIPEF based on sustainability rankings and ratings, certification progress, and internal risk assessments and reporting. A sustainability briefing paper is provided to the board of directors at least twice a year and the board discusses material ESG topics during its strategic board meeting once a year.

SIPEF EXECUTIVE COMMITTEE

The board is guided by SIPEF's executive committee on the implementation and progress of the Group's sustainability strategy. Sustainability is led from the executive committee level by Petra Meekers, who was appointed as chief operating officer Asia-Pacific (COO APAC) in June 2021. With a strong background in sustainability, the appointment has significantly strengthened ESG leadership within the Group.

SIPEF GLOBAL SUSTAINABILITY TEAM

The global sustainability team was set up in 2021 with the purpose of ensuring that SIPEF's sustainability strategy, policies and communications remain aligned with the evolving expectations and requirements of key stakeholders. This includes coordinating internal and external reporting on the Group's sustainability performance. The team is overseen by SIPEF's COO APAC, and is guided by the SIPEF sustainability director and assisted by a CSR sustainability analyst who joined SIPEF in May 2021.

REGIONAL SUSTAINABILITY TEAMS

Three teams are in charge of the implementation of SIPEF's sustainability strategy and policies at subsidiary level: the sustainability teams of Indonesia, Papua New Guinea and Ivory Coast.

- The **Indonesian team** is composed of 16 experts and is spread across four locations: the Medan Head Office, North Sumatra, Bengkulu and Musi Rawas (South Sumatra).
- The **team in Papua New Guinea** consists of a sustainability head of department and five experts focused on different areas of sustainability at Hargy Oil Palms Ltd (HOPL). The head of department is also a member of HOPL's executive committee.
- The **team in Ivory Coast** currently consists of two experts.

The SIPEF sustainability director oversees the teams in Indonesia, Papua New Guinea and Ivory Coast, and reports directly to the in-country president director (Indonesia) and general managers (Papua New Guinea and Ivory Coast), as well as to SIPEF's COO APAC.

Sustainability risk assessment and management

The regular assessment of environmental, social and governance (ESG) risks plays an important role in the development and implementation of a long-term sustainability strategy. The SIPEF audit committee undertakes a risk analysis for the Group each year, evaluating the key potential business and sustainability risks for the Company.

For the 2021 assessment, risks identified include those connected with climate change, concession rights, and the increased expectations and

requirements linked with sustainability certification and oil palm production. A more detailed analysis can be found on page 70 in the Annual Report part 1 (Company Report).

All ESG risks that have been identified by SIPEF in 2021 have been highlighted throughout the performance chapters of this report (pages 38-117). In the course of 2022, a more extensive sustainability-focused risk analysis is planned as part of the upcoming review of SIPEF's sustainability strategy.

Stakeholder engagement and collaboration

Sustainability depends on deep collaboration between different sectors and actors. The Group places great importance on stakeholder engagement and collaboration in order to implement its sustainability strategy.

SIPEF is helping to lead the journey to sustainable land use through regular cooperation with

its customers, shareholders, social and environmental NGOs, researchers and experts, technical consultancies, local communities, smallholders and other willing stakeholders. Together with them, the Company can develop and promote the adoption of responsible and sustainable standards and practices for the agricultural sector.

Multi-stakeholder partnerships and collaboration

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

SIPEF has been a member of RSPO since 2005. It continues to actively contribute to RSPO's operations by holding a seat on the Board of Governors on behalf of the 'Rest-of-the-World' growers, which includes Papua New Guinea and the Solomon Islands. Furthermore, SIPEF is a co-chair member of the Jurisdictional Working Group, and an active member of the Biodiversity and High Conservation Values Working Group, the Peat Working Group and the No Deforestation Joint Steering Group. www.rspo.org

BELGIAN ALLIANCE FOR SUSTAINABLE PALM OIL (BASP)

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

TROPICAL FOREST ALLIANCE (TFA):

SIPEF is a member of the Tropical Forest Alliance.

Engaging with specialists and experts

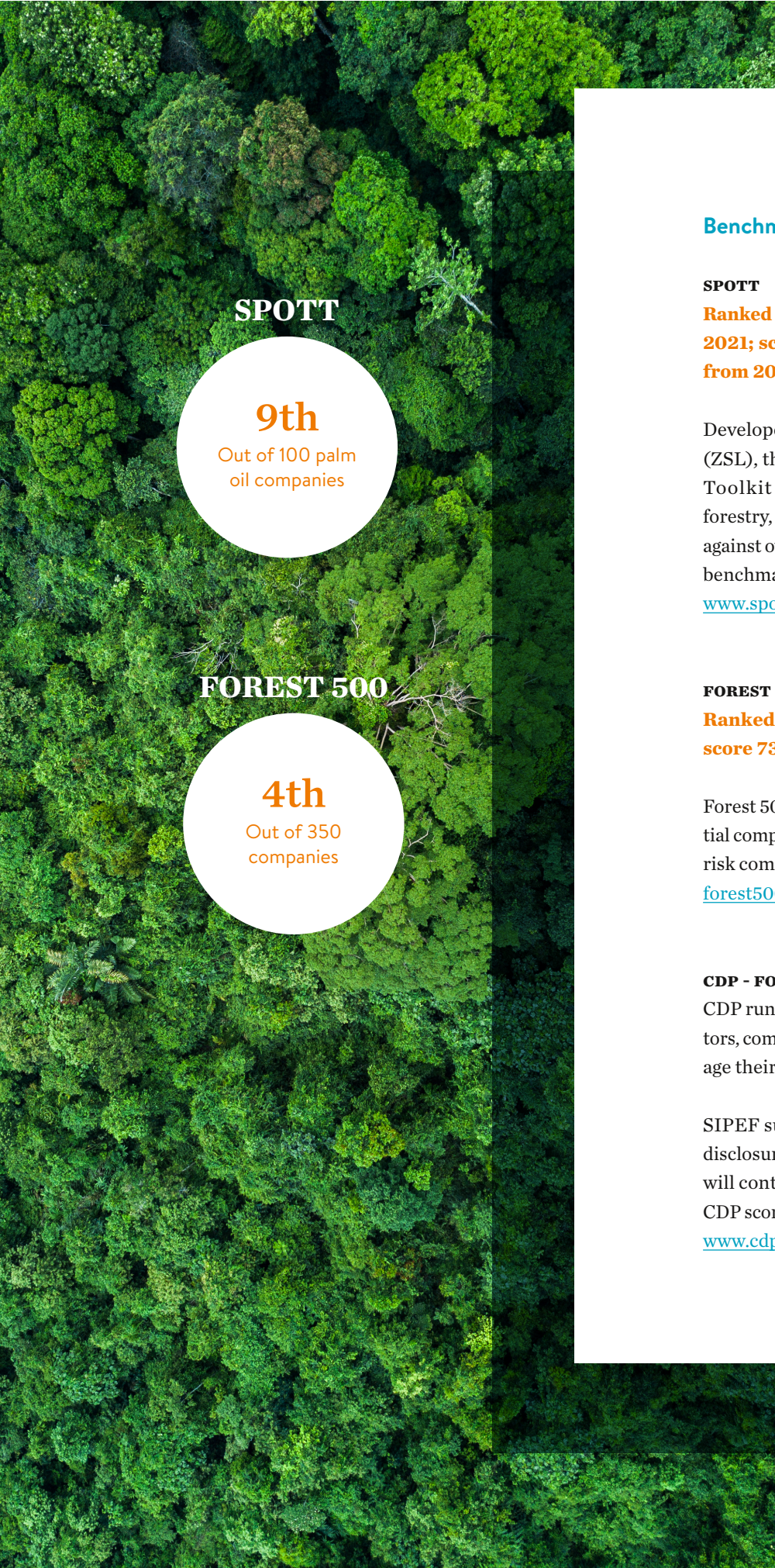
EARTHQUALIZER

SIPEF has engaged Earthqualizer to assess the compliance of all its own oil palm estates and smallholders within its supply base against its commitments to no deforestation and no new plantings on peat.

TECHNICAL CONSULTANTS AND EXPERTS

SIPEF follows the requirements of the RSPO New Planting Procedure (NPP) before undertaking any new development or conversion of land. This involves an assessment of the potential impact on both the environment and local communities. SIPEF works with a variety of technical consultancies and experts to carry out these assessments, all of which are licensed assessors under the High Conservation Value Network's Assessor Licensing Scheme. hevnetwork.org





SPOTT

9th
Out of 100 palm oil companies

FOREST 500

4th
Out of 350 companies

Benchmark scores in 2021

SPOTT

Ranked 9th out of 100 palm oil companies in 2021; score 83.9%, a score increase of 3.4% from 2020

Developed by the Zoological Society of London (ZSL), the Sustainability Policy Transparency Toolkit (SPOTT) scores palm oil, tropical forestry, and natural rubber companies annually against over 100 sector-specific ESG indicators to benchmark their progress over time.

www.spott.org/palm-oil

FOREST 500

Ranked 4th out of 350 companies in 2021; score 73%, a 2% increase from 2020

Forest 500 identifies and ranks the most influential companies and financial institutions in forest risk commodity supply chains.

forest500.org/rankings/companies

CDP - FORESTS AND CLIMATE CHANGE

CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

SIPEF submitted Forests and Climate Change disclosures to CDP for the first time in 2021, and will continue to do so moving forward. SIPEF's CDP scores will be published from 2022 onwards.

www.cdp.net/en

Supporting the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) were adopted in 2015 as an urgent call for action for all countries worldwide. They recognise that ending poverty must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve oceans and forests.

Businesses have a crucial role to play in meeting the SDGs, and SIPEF is committed to playing its part by producing sustainable agricultural commodities. Certified palm oil is the most sustainable way to meet global demand for vegetable oils, as it is produced with respect for the environment and local communities and requires significantly less land than the alternatives.

In 2021, SIPEF reviewed the contribution and alignment of its activities and sustainability key performance indicators (KPIs) to the SDGs and their respective targets.

An overview of SIPEF's contribution to the SDGs at target level is available in the Annex on page 122.

For more information on the SDGs: sdgs.un.org/goals



SIPEF PRIMARILY CONTRIBUTES TO 10 OF THE 17 SDGs:

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
15 LIFE ON LAND		

Targets and achievements

SIPEF carried out a high level review of its sustainability targets in 2021, as part of a wider initiative by the Group to evaluate its material topics and expand reporting on its sustainability performance. Some new targets have been set, and a number of existing targets adjusted for

clarification purposes. In 2022, SIPEF plans to conduct a more in-depth assessment of its targets to ensure sufficient ambition and to align with the outcomes of an upcoming review of the Group's sustainability strategy.

COMMITMENT	TARGETS	STATUS	RELEVANT MATERIAL TOPICS
HISTORICAL ACHIEVEMENTS (2018 – 2020)			
Achieve RSPO certification for Umbul Mas Wisesa (UMW) smallholders	100% certified by 2019	Achieved in 2018	<ul style="list-style-type: none"> Sustainability Standards and Certification Smallholder Engagement
Roll out ISO 9001 certification for all operating units in Indonesia	100% certified by 2019	Achieved in 2019	<ul style="list-style-type: none"> Sustainability Standards and Certification
Increase firefighting operations in key areas in Indonesia	Operations in all high-risk/fire prone areas	Achieved in 2020	<ul style="list-style-type: none"> Fire Prevention and Management
Achieve Fairtrade certification for all banana estates	100% certified by 2021	Achieved in 2020	<ul style="list-style-type: none"> Sustainability Standards and Certification

COMMITMENT	TARGETS	STATUS	RELEVANT MATERIAL TOPICS
TARGETS AND PROGRESS IN 2021			
Calculate carbon footprint of the Group according to ISO 14064 methodology	Group footprint calculated by 2020	Achieved in 2021 Delayed in 2020 due to covid-19	<ul style="list-style-type: none"> Climate Change
Utilise all Empty Fruit Bunches (EFB) from UMW operations for conversion into biopellets	Complete construction of biomass pellet facility at UMW by 2020	Achieved in 2020 Facility construction completed in December 2020	<ul style="list-style-type: none"> R&D and Innovation Regenerative Practices
	100% conversion of wastefibre into biopellets by 2021	Delayed Due to covid-19 and technical adjustments full commissioning is delayed until Q1 2022	
No deforestation identified within High Conservation Value (HCV)/ High Carbon Stock (HCS) areas in Company managed and smallholder supplier production areas	Deforestation monitoring system operational by 2021	Achieved in 2021 Global Forest Watch monitoring started in 2020 and has been fully operational since 2021 Verification process has started with partner Earthqualizer to verify incidents and is ongoing	<ul style="list-style-type: none"> Deforestation
	Zero hectares of tree cover loss identified within Company managed areas* (Ongoing)	Not achieved INDONESIA Around 15 hectares of tree cover loss, primarily due to unauthorised clearing by local communities PAPUA NEW GUINEA Around 24 hectares of tree cover loss due to clearing by local communities within supplier areas	
	Zero hectares of tree cover loss identified within Company concession areas* (Ongoing)	Not achieved INDONESIA Around 102 hectares of tree cover loss on land outside of SIPEF's management control	

COMMITMENT	TARGETS	STATUS	RELEVANT MATERIAL TOPICS
Reduce number of fires in total production area	Zero incidence of fires in Company managed areas* (Ongoing)	Not achieved PAPUA NEW GUINEA Two arson incidents by external parties that affected around 1.3 hectares at the Pandi and Barema estates	• Fire Prevention and Management
	Zero incidence of fires in Company concession areas* (Ongoing)	Not achieved INDONESIA One arson incident that affected 3 hectares of land not under SIPEF's management control in Musi Rawas	
	Fire fighting in adjacent areas (Ongoing)	Achieved in 2021 INDONESIA Eight fires extinguished in land area adjacent to management area	
Improve water use management at SIPEF's palm oil mills	Water usage intensity < one cubic metre of water per tonne of FFB (Ongoing)	Not achieved Six out of nine mills achieved the target in 2021	• Water Management
	Incidence of BOD, COD and TSS* maintained below legal limits at point of release (Ongoing)	Not achieved Eight out of nine mills achieved the target in 2021	
No work-related fatalities	Zero incidence of work-related fatalities (Ongoing)	Not achieved One fatality in 2021	• Health and Safety

COMMITMENT	TARGETS	STATUS	RELEVANT MATERIAL TOPICS
UPCOMING COMMITMENTS AND TARGETS (2022 – 2030)			
Reduce carbon footprint of SIPEF Group	GHG emissions reduction targets to be set in 2022	On track Carbon footprint has been calculated for baseline and reduction plan and targets will be set in 2022	• Climate Change
Achieve RSPO certification for Musi Rawas estates	100% certified by 2026	On track Pending the approval and issuance of the concession rights agreements (<i>Hak Guna Usaha</i> – HGU) by the Indonesian Government	• Sustainability Standards and Certification
Achieve RSPO certification for smallholders at PT Dendymarker Indah Lestari as areas come into production	100% certified by 2026	On track	• Smallholder Engagement
Improve management of HCV and HCS areas within HGU boundaries	Ranger/Restoration teams established for all regions by 2026	On track Ranger teams to be established in line with issuance of HGU and RSPO certification	• Deforestation • Ecosystem Conservation and Restoration
	All previous standalone assessments updated to integrated HCV-HCS assessments by 2025	On track	
	Review and enhance habitat management plans by 2025	On track	
Establish smallholder groups for relevant operational units	20% smallholders with MoU for all operational units prior to renewing HGU	On track Progress will depend on HGU renewal schedule	• Smallholder Engagement

COMMITMENT	TARGETS	STATUS	RELEVANT MATERIAL TOPICS
Make advancements in SIPEF Biodiversity Indonesia (SBI) programme on conservation, management and monitoring	Restore 85 hectares of degraded land within SBI by 2024	On track	<ul style="list-style-type: none"> • Ecosystem Conservation and Restoration • Biodiversity • Deforestation • Regenerative Practices
	Engage with 60 farmers on regenerative agricultural methods within SBI by 2024	On track	
	Review and improve biodiversity monitoring methodology (Ongoing)	On track	
Protect coastal shorelines and prevent flooding	Restore 14 hectares of coastal areas by 2024	<p>On track</p> <p>INDONESIA Around 8 hectares of coastal buffer will be restored at SIPEF's Agromuko operations</p> <p>PAPUA NEW GUINEA A mangrove nursery is being established across 6.5 hectares of degraded coastal buffer area at Hargy Oil Palms Ltd's Kiba plantation</p>	<ul style="list-style-type: none"> • Ecosystem Conservation and Restoration • Climate Change
Annual monitoring of Responsible Plantations Policy implementation	One external verification on implementation conducted per year (Ongoing)	On track	<ul style="list-style-type: none"> • Transparency
	No deforestation and no new planting on peat verified by Earthqualizer by 2023	On track	<ul style="list-style-type: none"> • Deforestation • Peatlands

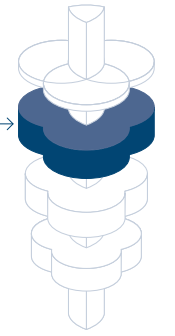
***NOTES:**

- Some targets have been removed since the publication of SIPEF's 2020 Annual Report, as these are longer relevant, or will be revised in 2022.
- Company managed areas are areas where SIPEF has full management control. Company concession areas are areas within SIPEF's concession boundaries that also include land that is not under SIPEF's management control.
- BOD = biological oxygen demand; COD = chemical oxygen demand; TSS = total suspended solids





Responsible production and processing



Agriculture is critical for food and nutrition security, and is inextricably linked with the welfare of people and the environment. Over recent decades the global food system has contributed to economic development, and food production has risen steadily. However, the system has also placed immense pressure on natural resources, the health of critical ecosystems and the climate.

Sustainability leadership within the agricultural sector is becoming ever more important and sustainable land use, climate change and human rights are rising rapidly to the top of the global agenda. As a Company dedicated to sustainability in the industries in which it operates, SIPEF believes it can play an important role in demonstrating that the production of traceable, sustainable and high-quality agricultural products is possible.

For SIPEF, sustainability starts with responsible production and processing at its own estates and operations. That means putting into practice the commitments it has set out in its Responsible Plantations Policy and other supporting sustainability policies. This includes its commitments to no deforestation, no new developments on peat, and no exploitation, as well as to reducing greenhouse gas emissions. At implementation level, this translates to adopting systems and working methods focused on the optimisation of land use and resources, environmental stewardship and socially responsible practices.

The following sections outline SIPEF's progress in these areas, including how the Group addresses the relevant environmental and social issues and risks that it has identified as material for its business.

Sustainability leadership within the agricultural sector is becoming ever more important and sustainable land use, climate change and human rights are rising rapidly to the top of the global agenda.

Productivity and quality

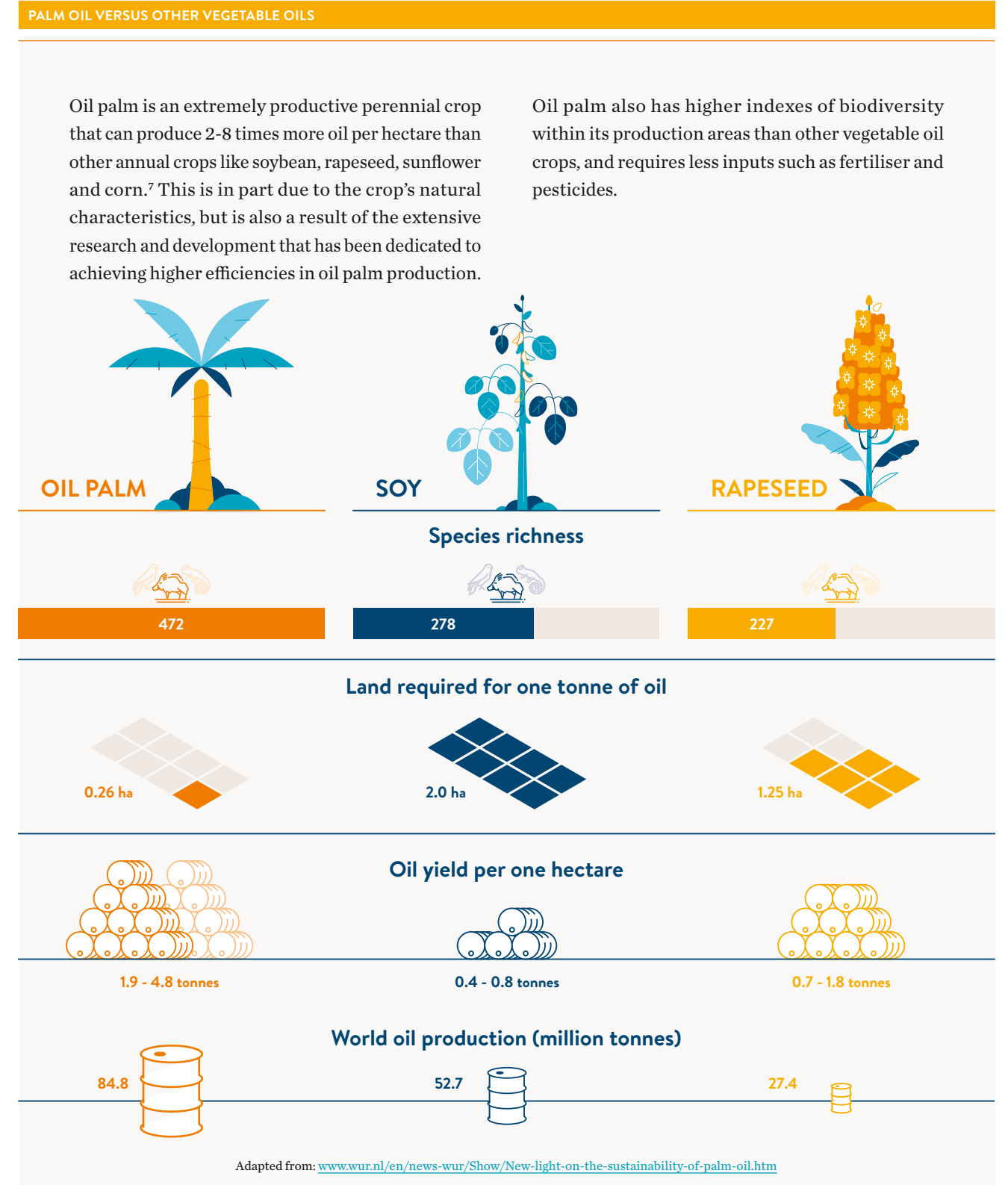
Land scarcity is one of today's most important sustainability issues. The world's population is predicted to reach 9.7 billion by 2050,³ with significant growth projected for developing countries. At the same time, the amount of available arable land is decreasing, due to soil degradation caused by human-induced erosion and pollution, land use competition, and the surging global demand for food. In the coming decades, this will be compounded by the acute physical risks linked with climate change, and future policy development that may further restrict the land available for agriculture.

While SIPEF endeavours to optimise land use in the production of all of its crops, boosting yields and efficient land use in its oil palm production is especially critical. Palm oil continues to be one of the primary commodities of debate in discussions around deforestation and the impact of agriculture on people and the planet. On the other hand, it remains the most efficient source of edible vegetable oil, providing 36% of the world supply on just 9% of the land.⁴

More than 300 million hectares of land is already used for the cultivation of vegetable oils worldwide, up from just over 111 million in 1961.⁵ With the demand for vegetable oils forecast to increase by 46% by 2050,⁶ certified sustainable palm oil will be essential to meet growing demand while using less land.

SIPEF is committed to implementing best practices that aim to improve soil fertility, optimise inputs and recycle by-products, and further increase product quality and the tonnage of product per planted hectare (see pages 72-79). The Group is also committed to investing in research and development (R&D) and innovation that will enable progress towards these objectives, as well as enhance the quality of planting materials and resilience of future crops (see page 45).

3 United Nations Department of Economic and Social Affairs. (2019). *World Population Prospects 2019 Highlights*. https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf
 4 Ritchie, H. and Roser, M. (Retrieved January 2022). *Palm Oil*. *Our World in Data*. <https://ourworldindata.org/palm-oil>
 5 Our World in Data. (Retrieved March 2022). Land Use for Vegetable Oil Crops, World. https://ourworldindata.org/grapher/land-use-for-vegetable-oil-crops?country=-OWID_WRL
 6 Meijaard, Erik. (2020). *The Environmental Impacts of Palm Oil in Context*. *Nature Plants*. <https://research.wur.nl/en/publications/the-environmental-impacts-of-palm-oil-in-context>



7 Wageningen University & Research. (2020, December 7). *New Light on the Sustainability of Palm Oil*. www.wur.nl/en/news-wur/Show/New-light-on-the-sustainability-of-palm-oil.htm

Palm oil production 2021

Palm oil and fresh fruit bunch (FFB) production are both key focus areas for SIPEF given the importance of maximising output through effective and sustainable management practices on current production areas.

In 2021, SIPEF's total palm oil production reached 384 178 tonnes, an increase of 16.7% on 2020. This growth rate applied to both production on the Group's own plantations and purchases from local smallholders. Oil extraction rates (OER) also increased from 2020, up from 23.4% to 24%.

The increases were the result of very favourable weather conditions in 2021, which were conducive to palm growth and fruit development in Indonesia and Papua New Guinea.

OIL EXTRACTION RATES			
	2019	2020	2021
Indonesia	23.33%*	22.79%*	22.99%
Papua New Guinea	23.33%	24.63%	25.58%
GROUP	23.26%*	23.42%*	23.96%

* NOTE: Data for Indonesia and Group for 2019 and 2020 have been restated.

Improvements in productivity in 2021 are also linked with other factors that had impacts on yields in previous years. These include the drought in Indonesia, and the volcanic eruptions in Papua New Guinea, which led to lower yields in 2019.

It is expected that the volume of palm oil produced should exceed 400 000 tonnes for the first time in 2022.

Banana production 2021

SIPEF's banana production in Ivory Coast increased by 3.3% on the 2020 total, without any increase in harvested area. A new plantation was developed in Ivory Coast with 28 hectares planted in the fourth quarter, expected to lead to an increase in production of 18% in 2022.

BANANA PRODUCTION (TONNES)			
	2019	2020	2021
	32 849	31 158	32 200

A full overview of SIPEF's production figures and performance in 2021 can be found in the Annual Report part 1 (Company Report).

Improving product quality

SIPEF strives to maintain the highest standards in the quality of its products, ensuring that they comply with health and safety regulations, as well as the requirements of its customers.

Ensuring good quality starts in the fields, with quality seedlings for oil palm and clones for rubber and tea, as well as viable tissue culture for bananas. Planting is timed to ensure that plants can establish their root system before a dry period. Fertile soil is crucial: it must contain enough well-decomposed organic matter and be clear of weeds. Cover crops are planted in the fields to prevent soil erosion without overshadowing the seedlings. Careful upkeep of the fields ensures that weeds and pests are controlled, and the application of the right fertilisers supports growth. Finally, good harvesting standards are critical to produce a high-quality product.



PALM OIL QUALITY AND FREE FATTY ACID CONTENT

Quality control is an important focus area in the production of palm oil products, given the growing demand for high-end, controlled ingredients. This is also in view of the increasing number of consumer countries that are becoming concerned about additives and specific types of contaminants in vegetable oils.

High quality palm oil contains a low quantity of free fatty acids (FFA), and SIPEF maintains the FFA content of its crude palm oil (CPO) and crude palm kernel oil (CPKO) below 5%. High FFA

content can impede downstream processing and can have implications for the food safety of palm oil products intended for consumption.

FFA content can increase when oil palm FFB are damaged during harvesting, handling or transport. High lipase activity leads to rapid oil acidification in bruised ripe fruits. To ensure FFA content stays low, SIPEF ensures proper management of handling, storage and transportation practices. FFB are delivered to mills as quickly as possible and controls are undertaken for overripe fruits and bruising.

AVERAGE PERCENTAGE OF FFA IN SIPEF'S PALM OIL PRODUCTION				
	2018	2019	2020	2021
PALM OIL MILLS INDONESIA				
PLPOM	2.65%	2.97%	3.14%	3.42%
BMPOM	3.14%	3.06%	3.13%	3.13%
UMWPOM	3.62%	3.98%	3.31%	3.65%
MMPO	3.46%	3.55%	2.97%	3.32%
BTPO	3.86%	3.47%	3.40%	4.00%
DMPOM	3.71%	3.65%	3.57%	3.40%
PALM OIL MILLS PAPUA NEW GUINEA				
HPOM	3.68%	4.03%	3.03%	2.71%
NPOM	4.30%	3.98%	3.70%	3.06%
BPOM	4.23%	4.26%	3.18%	3.64%

FOOD SAFETY: MITIGATING THE RISK OF 3-MCPD CONTAMINANTS

The last few years have seen rising concern by food safety authorities about the presence of common probable food contaminants in edible vegetable oils. One of the biggest concerns relates to 3-monochloropropane-1,2-diol (3-MCPD), a chemical that has been associated with health risks when consumed at unsafe levels. 3-MCPD can be found in all refined vegetable oils.

In 2021, SIPEF partnered with experts to launch a project exploring methods to mitigate the risk of 3-MCPD contaminants. 3-MCPD forms from chloride traces in crude palm oil (CPO) when heated at temperatures of more than 200 degrees Celsius during the refining process.

SIPEF is an upstream player but, through the project, is looking at ways to reduce the use of chloride in the field and its milling activities, in order to mitigate the risk of 3-MCPD formation in the mid-stream activities of its customers. This includes controlling the sources of chloride that could impact the initial processing steps in the factory.

The first trials are showing good results, and SIPEF will focus on scaling the project up over the coming years, including building the first washing installation in collaboration with its partner on the project.



Research & Development: Verdant Bioscience

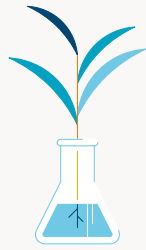
SIPEF recognises the significant potential for R&D and innovation in improving productivity and quality in the production of oil palm and palm products. Increasing oil yields per hectare remains a crucial focus area for the palm oil industry, which is under pressure to produce more vegetable oil sustainably, but with little or no access to additional land. In that context, the Company's 38% participation in [Verdant Bioscience](#) Pte Ltd (VBS), an R&D company founded in 2013, is of particular importance.

Through VBS, SIPEF is investing in the development of high-yielding F1 hybrid oil palms, other supporting technologies and innovative solutions that underpin the significant potential for yield and productivity improvement in the global palm oil sector. The seeds from a single selected

F1 hybrid variety will have higher yields and be genetically uniform. This genetic uniformity within each F1 hybrid variety allows management practices (harvesting, nutrient application and replanting time) to be further optimised, from which growers can leverage great value.

By investing and working with VBS, SIPEF not only has access to new varieties of high-yielding oil palms, but also to the real potential to generate very meaningful sustainability benefits worldwide. Increasing yield per unit of area without increasing the area of oil palm planted could eliminate the risk of further loss of rainforest and biological diversity.

VBS ENGAGES IN RESEARCH AND DEVELOPMENT ACTIVITIES IN THREE MAIN AREAS:



Plant breeding, genetics* and biotechnology, including the development of new or improved crop varieties



Improvements in agronomic practices, most notably through the optimisation of palm nutrition



Crop protection and resilience, including enhancing resistance to increasing threats from pests and diseases, and resilience in changing growing conditions

* NOTE: The scope does not include genetic modification

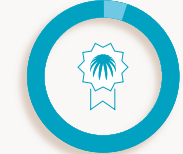
Despite the challenges of operating during a pandemic, the F1 hybrid programme has made good progress, and candidate F1 hybrid crosses grown in the nursery were planted in the field in 2021. Further testing of new F1 hybrid crosses will now continue each year with female plants from different genetic backgrounds. Successes were also achieved in increasing the frequency of crosses with F1 hybrid palms from well-defined but diverse genetic backgrounds. The first-generation offspring of these homozygous parental plants (F1 hybrid crosses) have the potential to deliver greatly improved yields.

As a major shareholder of VBS, SIPEF is testing commercial varieties of candidate oil palms on its Sumatran plantations. These trials include selection, not only based on higher yields, but also on important commercial secondary traits such as disease resistance, as well as selection of new commercial material for specific environmental conditions, e.g. rainfall amount and distribution, soil fertility, microbial diversity and moisture holding capacity.

VBS agronomists and crop protection staff have continued to work with SIPEF plantation management to make recommendations in order to realise the potential of existing plantations, mainly by increasing productivity, but also through innovations that focus on enriching soil health. Long-term trials of both fertilisers and compost have been carried out on representative soils in each of the regions where SIPEF has oil palm operations.

VBS also works with the plantation management of PT Tolan Tiga Indonesia on the development of new insights and their future integration into strategies. These developments include the optimisation of plant growth, the regulation of carbon in the soil, the maintenance of good water balance, and the control of pests and diseases. Through these developments, the Group wants to prevent commercial losses in oil palm, rubber and tea.

SUSTAINABILITY CERTIFICATION HIGHLIGHTS IN 2021



95% of palm products RSPO certified

PALM OIL

- SIPEF produced a total of 363 479 tonnes of crude palm oil (CPO) and 73 604 tonnes of palm kernels (PK), certified in accordance with the sustainability standards of the Roundtable on Sustainable Palm Oil (RSPO).
- Eight mills are RSPO Certified Identity Preserved, one mill is RSPO Certified Mass Balance.
- SIPEF's six mills in Indonesia are all ISPO certified.



100% Rainforest Alliance certified

BANANAS

- All bananas produced during the reporting period were certified against the Sustainable Agriculture Standard of the Rainforest Alliance. SIPEF's banana production has further continued to adhere to the GLOBALG.A.P. and Fairtrade standards.



100% Rainforest Alliance certified

TEA

- All tea produced during the reporting period was certified against the Sustainable Agriculture Standard of the Rainforest Alliance.

In addition, work is also being undertaken to further optimise the good agricultural practices that underpin the sustainable manner in which SIPEF operates its plantations. Preference is given to the biological control of pests and the minimal use of pesticides. With these developments, SIPEF also aims to reduce its carbon footprint and increase the potential for carbon storage in the soils in its production areas.

More information can be found in the Annual Report part 1 (Company Report), pages 63 and further.

Sustainability certification progress

Sustainability certification is a versatile tool that can be used continuously throughout a company's growth, and it remains fundamental for SIPEF in implementing its sustainability strategy. The commitment to managing operations in a sustainable manner is an ongoing, transformative process, and certification helps to guide this journey. It supports the implementation of good practices and continuous improvement, and provides a framework for transparency and accountability.

Throughout 2021, SIPEF continued to maintain and progress its compliance with leading sustainability standards.

RSPO certification

As of 31 December 2021, 69% of the area under SIPEF's own estates is RSPO certified. This is equivalent to a total area of 80 099 hectares. During the reporting period, SIPEF's supply base produced 1 555 758 tonnes of certified FFB, which resulted in a volume of 363 479 tonnes of certified sustainable palm oil (CSPO) and 73 604 tonnes of certified sustainable palm kernels (CSPK).

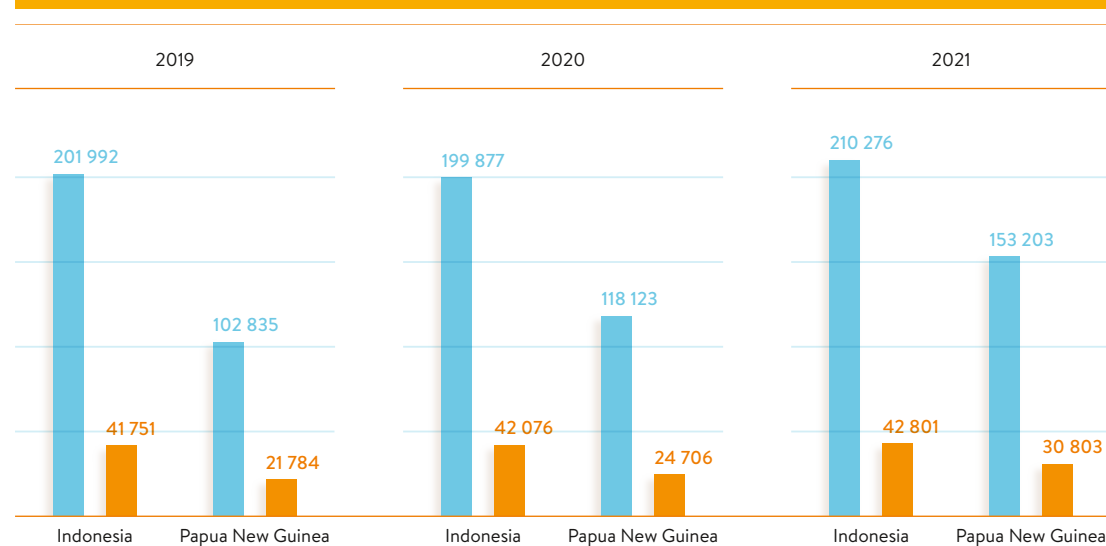
SIPEF's nine mills and two kernel crushing plants have maintained their RSPO certification during the reporting period. Eight mills are RSPO certified Identity Preserved, with only one mill in Indonesia (Dendymarker - DIL) certified Mass Balance, due to part of its supply base not being certified yet. This includes supply from a group of smallholders, and the first production from new developments at Musi Rawas that have followed the RSPO New Planting Procedure (NPP), but are awaiting the issuance of a concessions rights agreement (*Hak Guna Usaha* - HGU). As such, 5% of SIPEF's total production of CPO was not certified in 2021.

The certification of the new developments will progress once the issuance of the final concession rights agreements are approved by the Indonesian Government. This process takes time, as it requires the majority of the land within the HGU to have been acquired. Following the principles of Free, Prior and Informed Consent (FPIC), the process can take many years. Pending the approvals, the aim is to have part of the new developments at Musi Rawas certified by 2023, with the full scope to be achieved by 2026.

SIPEF's progress on smallholder certification is reported in the Responsible sourcing and smallholder production chapter (see page 96).

SIPEF's overall progress towards RSPO certification is also updated annually through its RSPO Annual Communication of Progress (ACOP) report, available at: rspo.org/members/acop

CSPO AND CSPK PRODUCTION 2019 - 2021



ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

SIPEF has an environmental policy focused on safeguarding the environment and reducing the Group's environmental impacts. To implement this across its diverse set of operations, the Group's Environmental Management System (EMS) has been designed to be adaptable to its different commodities and locations, while also ensuring that environmental risks are evaluated and addressed in a systematic manner.

For all of SIPEF's operations, the following EMS principles and components apply:

- Identifying, evaluating and mitigating environmental risks
- Measuring and tracking environmental performance
- Legal compliance, including with local environmental laws
- Framework for monitoring and continuous improvement
- Framework for compliance with leading, credible sustainability standards and certification

SIPEF'S APPROACH TO EMS CERTIFICATION

SIPEF's approach to EMS certification varies by commodity and country of operation to ensure the best management approach is employed and customised to the needs and requirements in each local context.



INDONESIA

SIPEF's operations in Indonesia engage an approach that combines RSPO certification with the quality management system (QMS) certification ISO 9001.



PAPUA NEW GUINEA

SIPEF's EMS at its palm oil operations in Papua New Guinea is certified in accordance with the ISO 14001 standard.



IVORY COAST

In Ivory Coast, SIPEF's banana operations are GLOBALG.A.P. and Rainforest Alliance certified, and are regularly audited against the quality management system and environmental performance requirements of these standards.

The Group has maintained its ISO 14001, ISO 9001 and GlobalG.A.P. certifications for the respective locations during the reporting period.



Climate change

Climate change is causing severe impacts worldwide, and there are serious risks for the food and agriculture sectors. Climate change can disrupt food availability, reduce access to food and affect food quality, leading to a negative impact on food security at global, regional and local levels. Projected increases in temperatures, changes in precipitation patterns, changes in extreme weather events and reductions in water availability may all result in reduced agricultural productivity.

The agricultural sector itself is also a contributor to climate change. Together, agriculture, forestry and land use account for around 18% of global greenhouse gas (GHG) emissions.⁸ Although reducing GHG emissions from agriculture remains challenging, there is significant mitigation potential. In palm production, for example, improved integration of innovative techniques into growing and processing methods, such as capturing methane from the wastewater ponds, the efficient use of fertilisers, and increases in oil yield per hectare, can all play a role.

In recognition of the growing impacts and risks, SIPEF is working to expand the scope of its sustainability strategy to more holistically address issues linked with climate change. An important step taken in this regard is the calculation of SIPEF's carbon footprint at Group level, which was completed in 2021.

During the reporting period, SIPEF also continued to engage in the climate action initiatives the Group has in place under its current approach, including:

- A composting facility for palm oil residues
- Methane capture facilities and biogas plants that generate renewable electricity
- A biomass pellet facility
- Biodiversity, conservation and reforestation programmes in Indonesia, Papua New Guinea and Ivory Coast

⁸ Ritchie, H. and Roser, M. (Retrieved February 2022). *Emissions by Sector*. Our World in Data. <https://ourworldindata.org/emissions-by-sector#agriculture-forestry-and-land-use-18-4>

Carbon footprint

In 2019, SIPEF started to calculate its carbon footprint at Group level, using the ISO 14064 standard. This methodology is aligned with widely used industry standards, and enables SIPEF to calculate its annual net GHG emissions for the full scope of its operations. Accurately measuring current GHG sources and sinks will provide a baseline against which to set future targets and monitor progress. It will also help SIPEF to determine its decarbonisation priorities, allocate the appropriate resources, and identify the actions that can be taken to mitigate and adapt to climate change impacts.

As of 2021, the first steps have been completed with the selection of the methodology and the review of the data. In 2022, SIPEF will be working with an external verifier on its calculations and working towards assurance. SIPEF also aims to shape its carbon strategy in 2022, and set both short, medium and long-term goals on GHG emission reductions.

The results presented in this section include the estimated net annual emissions for the Group's Scope 1 and Scope 2 activities for 2019-2021, and account for emissions from upstream production, downstream processing and transport to the point of sale for palm oil, rubber, tea and bananas within SIPEF's operations in Indonesia, Papua New Guinea and Ivory Coast.

It should be noted that the GHG emissions data presented in this report cannot be compared with the results obtained using the RSPO PalmGHG Calculator. The PalmGHG tool is closely aligned to the ISO 14044 life cycle assessment (LCA) methodology, and the results cannot be compared directly, due to key methodological differences between the two models.

It should also be noted that, due to covid-19, the verification and validation of the data following the ISO 14064 methodology was not possible in 2021, and the data presented in this section is therefore still an estimate. A limited verification will be done by a certification body in 2022.

TOTAL NET EMISSIONS OF THE GROUP

- The total net emissions of the Group for 2019 were calculated at 413 798 tCO₂e. This covered the Group's production of 312 514 tonnes of crude palm oil (CPO), 6 326 tonnes of rubber, 2 331 tonnes of tea and 32 849 tonnes of bananas in 2019.
- The total net emissions for the Group for 2020 were calculated at 535 929 tCO₂e. This covered the Group's production of 329 284 tonnes of CPO, 6 011 tonnes of rubber, 2 762 tonnes of tea and 31 158 tonnes of bananas in 2020.
- The total net emissions for the Group for 2021 were calculated at 628 355 tCO₂e. This covered the Group's production of 384 178 tonnes of CPO, 3 826 tonnes of rubber, 2 664 tonnes of tea and 32 200 tonnes of bananas in 2021.

TOTAL GROUP NET EMISSIONS 2021 (SCOPES 1 & 2) (tCO ₂ e)			
YEAR	SCOPE 1	SCOPE 2	TOTAL
2019	409 166	4 632	413 798
2020	527 069	8 860	535 929
2021	616 937	11 418	628 355

The majority of emissions for the Group fall under the category of Scope 1, the emissions from Group owned or controlled sources, rather than Scope 2, the indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the Group.

SIPEF is planning to broaden its calculation to include Scope 3 emissions. This category covers indirect emissions from within the Group's value chain, for instance from smallholders, offsite material transport, workers commuting, business travel and other sources. Further data validation and verification, as well as engagement with third parties, will be necessary to make this possible.

Palm oil is by far the largest contributor to the Group carbon footprint (96%), due to the large scale of operations. The greatest contribution per country is from Indonesia, again due to the larger hectareage and scale of the Group's operations in the region.

The increase in emissions in the years leading up to 2021 is mostly attributable to the expansion of oil palm plantations in Musi Rawas, as well as the increase in production of CPO, which is directly proportional to the increase in palm oil mill effluent (POME). Over the period of 2019 to 2021 there was a 29% increase in hectares of land cleared of rubber and mixed rubber/agroforestry for the purpose of conversion to oil palm. This resulted in emissions from the cleared biomass as well as a proportional decrease in CO₂ sequestration in those areas. At the same time there was also a 23% increase in CPO production from 2019 to 2020.

EMISSION SOURCES AND SINKS

The ISO 14064 carbon calculation methodology takes into account both carbon emissions, which release GHGs into the atmosphere, and carbon sinks, which contribute to the sequestration of atmospheric carbon. The crops grown by SIPEF (palm, banana, tea and rubber) act as carbon sinks. Sources of emissions from the Group's activities, ranked in order of significance, are: historic and current land use change, POME, nitrogenous fertilisers, fertiliser, fuel in other transport, and mill diesel usage. Land use conversion and POME are the main contributors to the gross emissions.

The emissions from the clearing of mixed previous land use (rubber/agroforestry) were compensated by carbon sequestration in the plantations. Still, a reduction in sequestration occurred between 2019 and 2021, due to the conversion of rubber to palm, the replanting of palm, and the conversion of scrub land into palm.

The calculation on sequestration includes conservation areas within the boundaries of the estates, as well as High Conservation Value (HCV) and High Carbon Stock (HCS) areas within Company concessions. The SIPEF Biodiversity Indonesia (SBI) conservation area (12 672 hectares) is not included as a sink, as the ISO 14064 methodology only takes into account operational emissions and sinks. If SBI is taken into account, it would represent an estimated 116 445 tonnes of CO₂e per annum as a sink.

The calculation of the SIPEF group carbon footprint will enable the establishment of a baseline, which is essential for setting GHG emissions reduction targets.

NEXT STEPS

In 2018, the European Union set its vision to be climate-neutral by 2050.⁹ Subsequently, many political bodies and businesses have followed suit, with an increasing number of institutions and companies calculating climate risk, setting net-zero targets and developing climate action plans.

The calculation of the SIPEF group carbon footprint enables the establishment of a baseline, which is essential for setting GHG emissions reduction targets. As a critical next step, a GHG emissions reduction strategy is in development, building on the various existing measures SIPEF has implemented in recent years. Further information on initiatives and target setting will be made available in SIPEF's upcoming Carbon Report, to be released in 2022.

EMISSIONS FROM PALM OIL PRODUCTION

In palm oil production, POME is a significant source of GHG emissions. Emissions from POME primarily result from the anaerobic digestion of the organic material in the effluent that generates methane as a by-product. The emissions resulting from POME can be mitigated by further rolling out the methane capture technologies already operating in the Group. Using these technologies, parts of the conventional pond-based treatment systems are covered and the methane captured is flared, or burnt in a biogas installation.

Methane is a powerful GHG. The global warming potential per mole of methane is 25 times that of carbon dioxide, which makes it one of the most effective areas for SIPEF to focus on for reduction. Methane also has a high calorific value, so it can be used to generate electricity if captured and stored. Electricity generated by burning methane is, in turn, much cleaner than the energy produced by burning coal or diesel, which are the most common sources of energy in the countries where SIPEF operates. The Group's methane capture facilities fitted with biogas plants in Indonesia generated 6 039 602 kWh of electricity in 2021, all of which was used for powering its mills or for general use by nearby communities.

In Indonesia, four mills already have functioning methane capture facilities. In Papua New Guinea, one mill, Barema, has a methane capture tank. However, due to technical issues, the tanking system was not fully operational from 2019 through to 2021. This impacted the emissions linked with POME in Papua New Guinea during this time-frame. To mitigate the impact of methane Hargy Oil Palms Ltd (HOPL) has set out a mitigation programme to establish methane capture facilities for all its mills, to be completed by 2030.

⁹ European Commission. (Retrieved February 2022). *Climate Action. 2050 Long-Term Strategy*. https://ec.europa.eu/clima/eu-action/climate-strategies-targets/2050-long-term-strategy_en

BIOPELLETS: A RENEWABLE ALTERNATIVE TO FOSSIL FUELS

To mitigate climate change, it is crucial to reduce reliance on fossil fuels. Around two-thirds of global GHG emissions stem from the burning of fossil fuels for energy, utilised for heating, electricity, transport and industry. SIPEF continues to strive for a reduction in its overall energy consumption by increasing operational efficiencies, as well as initiatives that generate or utilise renewable energy.

SIPEF initiated its biopellets project in response to the results of a study conducted by the Group on renewable alternatives to fossil fuels. Biopellets are a carbon-neutral solid fuel that can directly replace coal or other types of biomass.



The project is taking place at SIPEF's Umbul Mas Wisesa (UMW) palm oil mill, where a biomass pellet facility was constructed in 2020. The facility is able to convert empty fruit bunches (EFB), a by-product of the milling process, into high-quality calorific pellets using a heating process called torrefaction.

The project started in 2019, but the initial equipment installed in 2020 was found not to be suitable for the length of the fibres of the shredded EFB. Repairs and modifications to the plant are under way, and the facility is expected to be fully operational in 2022.

MANGROVE RESTORATION: REINFORCING NATURAL PROTECTION AGAINST RISING SEA LEVELS

While most of SIPEF's previous and current initiatives have been geared towards climate change mitigation, SIPEF has also started to expand its strategy to incorporate opportunities for building resilience against the impacts of climate change.

In June 2021, HOPL in Papua New Guinea initiated a new project focused on rehabilitating mangrove forests. These coastal forests provide a natural defence against storm surges, coastal erosion and coastal flooding. They are also crucial for livelihoods and food security for local communities, and serve as a breeding ground for marine biodiversity, including fish, crabs, shrimps, birds and reptiles.

Mangrove planting and rehabilitation is one of the most effective and least costly methods of coastal

defence against rising sea levels. The project focuses on the development of a mangrove nursery at the Kiba plantation at HOPL's Navo operations, in order to re-establish the coastal buffer where it had been degraded over an area of 6.5 hectares. The rehabilitation efforts are part of a wider plan for replanting oil palms in an area located next to the designated coastal buffer zone. Various types of mangrove trees will slowly be introduced over the course of five years.

HOPL will continue to explore the potential of mangrove rehabilitation as an adaptation solution for protecting the coastal areas where it operates from the impacts of climate change. The company is closely monitoring the results to learn from the project, make improvements and replicate it if successful.



No Deforestation

Natural forests store huge amounts of carbon and host the vast majority of the world's terrestrial species. They are also important for the livelihoods of millions of people, including indigenous and local communities.

Deforestation removes carbon stocks from forests and releases them into the atmosphere. The climatic impacts of forest loss can vary considerably, depending on the specific features of affected areas. Emissions from land use change can be substantial when mature forest is being impacted. Deforestation also contributes to biodiversity loss and can have damaging impacts on soils, including erosion and desertification.

Collective and coordinated efforts by governments and businesses will be key to eliminating deforestation and to reaching global emissions targets linked with land use.

Since November 2014, SIPEF has upheld a group-level commitment to No Deforestation, as part of its wider commitment to No Deforestation, No Peat, and No Exploitation (NDPE). While this policy applies to all of its crops, extra attention is placed on its oil palm operations.

SIPEF's approach to effectively implementing its No Deforestation policy includes the following components and measures:



→ **New developments:** New developments do not take place on High Conservation Value (HCV) areas, High Carbon Stock (HCS) forests, peatland, fragile or marginal soils. The rights of local communities must also be respected, including their rights to any land being developed. The Group follows the RSPO New Planting Procedure (NPP) prior to any new developments in its own operations.



→ **Deforestation monitoring:** SIPEF monitors its concessions in Indonesia and Papua New Guinea for any land use change and potential illegal deforestation activities. Monitoring also covers areas managed under third-party suppliers.



→ **Land use change verification:** SIPEF works with external technical experts and partners to supplement its monitoring systems with the verification of any land use change in the areas under the Company's management in Indonesia and Papua New Guinea.



→ **Remediation and compensation:** SIPEF is committed to the RSPO Remediation and Compensation Procedure (RaCP) for its own oil palm operations. The RaCP focuses on assessing historical plantation development, undertaken since November 2005, that has not undergone HCV assessments. If HCV area loss is confirmed through the procedure, a conservation programme must be developed to compensate for the loss.



→ **Fire prevention and management:** SIPEF has a strict no burning policy, which is applicable to its own estates and to suppliers. The Company also has a fire risk alert monitoring system, as well as firefighting procedures in place in case of any incidents of fire.

SHIFTING TRENDS: DEFORESTATION POLICY AND REGULATORY MEASURES

With the world accelerating its transition to a low carbon economy, policy makers are strengthening commitments and taking strict regulatory measures aimed at preventing deforestation.

At the 26th annual United Nations Climate Change Conference (COP26) in Glasgow, more than 100 countries pledged to halt and reverse deforestation by 2030. As a major consumer of tropical agricultural commodities, the European Union has also recently proposed a regulation that sets mandatory due diligence rules aimed at preventing the import of commodities linked to deforestation.¹⁰ Six commodities – beef, wood, palm oil, soya, coffee and cocoa – and some of their derived products are included in the scope.

In 2018, the Indonesian government placed a temporary moratorium on new permits for oil palm plantations, which ended in September 2021. The

moratorium came into force in part to prevent forest fires and land conflicts. Together with other factors, including the increased number of companies covered by No Deforestation, No Peat, and No Exploitation (NDPE) policies, this has played a role in Indonesia's deforestation rate hitting historic lows in 2020 and 2021. It is worth noting that deforestation, specifically attributed to the development of oil palm plantations, has also fallen to its lowest level since 2017 in Indonesia, Malaysia and Papua New Guinea.¹¹

The complexity of implementing No Deforestation principles at a wider landscape level remains very much dependent on informed sustainable land use planning and strategies, which involve local landowners and policy makers. The efforts needed to ensure a just transition for smallholders are significant, and will require investment, dialogue and a sense of urgency from governments and businesses alike.

¹⁰ European Commission. (2021, November 17). *Questions and Answers on New Rules for Deforestation-Free Products*. https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5919

¹¹ Chain Reaction Research. (2022, March 7). *The Chain: Deforestation Driven by Oil Palm Falls to a Four-Year Low*. <https://chainreactionresearch.com/the-chain-deforestation-driven-by-oil-palm-falls-to-a-four-year-low/>



New developments

SIPEF adheres to the requirements of the RSPO NPP for any new developments in its oil palm operations.

The NPP requires all new development plans to undergo an integrated High Carbon Stock Approach (HCSA) and HCV Assessment, in line with current relevant standards and prior to any land development. The process includes a peer review of the HCV/HCS assessments, all of which are available on the [HCV Network](#) and [HCSA](#) websites.

The procedure also requires companies to engage with community stakeholders and follow the process of Free, Prior and Informed Consent (FPIC), as well as to conduct social and environmental impact assessments, greenhouse gas (GHG) assessments, soil suitability studies and land use change analysis.

Non-oil palm new developments follow similar procedures, as well as any relevant requirements under the Rainforest Alliance standard.

NEW DEVELOPMENTS IN 2021

In 2021, three NPP assessments were carried out in anticipation of the planned conversion of two rubber plantations to oil palm, as well as the acquisition of one existing oil palm estate. These NPPs cover 5 839 hectares of new development area.

Deforestation monitoring

SIPEF's deforestation monitoring programme primarily utilises the Global Forest Watch (GFW) platform as a remote sensing tool to monitor its concessions for tree cover loss and land use change, including illegal land conversion and deforestation.

The programme has been significantly expanded since 2020, and now covers the full scope of SIPEF's own operations in Indonesia and Papua New Guinea, and their supplier areas.

SIPEF'S PROCESS FOR MONITORING DEFORESTATION USING GFW

GFW ALERT RECEIVED

When an alert is received via the Global Forest Watch (GFW) platform, field teams first investigate the site to verify whether there has in fact been an incident of tree cover loss. The majority of alerts being received turn out to be false positives, which result from interpretation errors due to the technical parameters within the GFW monitoring system.

VERIFICATION OF MANAGEMENT CONTROL

Verification is carried out to determine whether SIPEF has management control over the land where the incident has occurred, namely if it was purchased by SIPEF or not. As per FPIC requirements, landowners are given the option not to sell, and when this happens SIPEF does not have control over these areas of land, even if they are located within the Company's concession areas.

CAUSE OF INCIDENT EVALUATED

If the incident is verified to have occurred, the cause of the incident is evaluated. This includes whether the incident was human-induced or due to natural causes, such as stream bank erosion, natural tree mortality or wind damage. Non-natural causes can include, but are not limited to, encroachment for subsistence farming, deforestation for timber or firewood, or conversion for the purposes of commercial farming or forestry.

ACTIONS TAKEN

All illegal deforestation activities are reported to the police, illegal settlers or land users evicted, and areas restored with natural vegetation as soon as possible. In alert cases where SIPEF does not have management control, SIPEF will inform and engage with communities on its sustainable land use policies.

GFW DEFORESTATION MONITORING 2021

In 2021, a total of 577 alerts were received through GFW monitoring of tree cover loss within SIPEF's concession areas in Indonesia. Upon investigation, 168 incidents were confirmed to be actual tree cover loss, of which 89% were found to be caused by land clearing by local communities. Around 88% of the incidents took place in Musi Rawas (South Sumatra) on land occupied by communities that is currently not under SIPEF's management control.

In Papua New Guinea a total of 29 alerts were received for Hargy Oil Palms Ltd (HOPL) supplier areas, all of which were confirmed to be actual tree cover loss. The cause of 17 of the incidents was found to be a result of unauthorised clearing for food gardening by local communities, while the causes for the remaining 12 are still undergoing investigation.

GLOBAL FOREST WATCH TREE COVER LOSS MONITORING DATA 2021

COUNTRY / PROVINCE	WITHIN OWN CONCESSIONS			WITHIN SUPPLIER AREAS		
	GFW ALERTS	VERIFIED INCIDENTS OF TREE COVER LOSS	VERIFIED AREA OF TREE COVER LOSS (HA)	GFW ALERTS	VERIFIED INCIDENTS OF TREE COVER LOSS	VERIFIED AREA OF TREE COVER LOSS (HA)
INDONESIA	577	168	117	N/A	N/A	N/A
North Sumatra	18	0	0	N/A	N/A	N/A
Bengkulu	197	20	6	N/A	N/A	N/A
South Sumatra	362	148	111	N/A	N/A	N/A
PAPUA NEW GUINEA	0	0	0	29	29	24
TOTAL	577	168	117	29	29	24

NOTES:

- GFW tree cover loss monitoring does not cover supplier areas in Indonesia. These areas are monitored via the land use change verification component of SIPEF's deforestation monitoring approach.
- Verified area of tree cover loss in Papua New Guinea covers only 17 incidents, as the verification of areas of tree cover loss for the remaining incidents is still underway.



Land use change analysis and verification

SIPEF has engaged Earthqualizer Foundation (EQ) to monitor all of its estates and suppliers against its NDP commitment. The engagement relies on a review of historic and real-time analysis of satellite imagery to detect any change in land cover that contravenes the NDP commitment. Past incidents are verified through a Recovery Liability Assessment, which also includes the documentation of causes and the development of corrective actions to be implemented so as to

recover any confirmed liability. EQ will provide NDP monitoring reports based on verified data and assist SIPEF in engaging with interested stakeholders. It is planned to link these reports to the current content on SIPEF's interactive mapping application, [Geo SIPEF](#).



Fire prevention and management

SIPEF does not permit the use of fire for land preparation in its own operations and in the managed areas of its suppliers. The use of fire for clearing land is against the laws of the countries where the Group operates. It also damages the long-term fertility of soils and can cause disruption to agricultural business activities. Most importantly, fires have a negative impact on people's health, damage forests and other critical ecosystems, and contribute to the release of GHG emissions.

With drought conditions becoming more prevalent due to climate change, fire risk monitoring and firefighting remain critical to SIPEF's fire prevention and management approach. Water management in peatlands is also very important to avoid the risk of creating hotspots for fires, and SIPEF pays special attention to fire prevention in these areas.

SIPEF’S APPROACH TO FIRE PREVENTION, MONITORING AND MANAGEMENT

SIPEF monitors and manages fire risk via manned fire towers at its estates, communication and training for the Group’s field staff, and the investigation of all directly observed fires and potential fires or hotspots. Fire hotspots are monitored by satellite within and up to 100 meters outside its concession areas, as well as in the areas of its suppliers, using the Fire Information for Resource Management System (FIRMS).

A strict reporting system is in place to document all fires on the estates. Automated hotspot alerts based on satellite imagery are generated on a continuous basis, and each alert is investigated. The fire risk status is updated daily and communicated to all levels of staff. Fire risk status signs are also placed at numerous sites on SIPEF’s estates, so that the employees and their families are kept informed of any potential or verified fires.

In accordance with the law and with the principles and criteria of RSPO, the Group has trained fire-fighters, dedicated resources and vehicles fitted with water tanks and high-pressure water pumps. When fire risk is considered high, firefighters are deployed, including outside of the estates to fight fires in the nearby villages, if necessary.

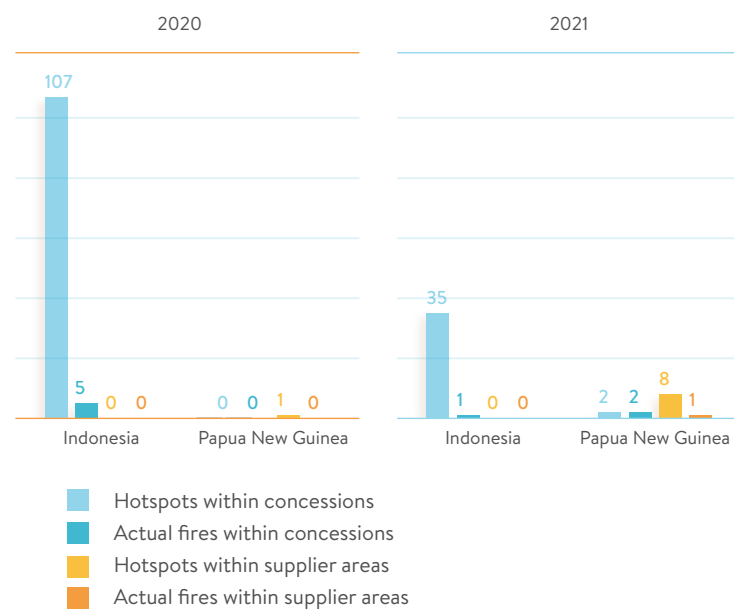
All verified fires are immediately extinguished, and an internal report is compiled, which is then filed with the police. In the case of oil palm operations, these reports are also filed with the RSPO.

HOTSPOT AND FIRE MONITORING IN 2021

In 2021, SIPEF’s fire monitoring system identified 35 hotspots within its own concession areas in Indonesia, of which one was verified to be an actual fire. The fire affected an area of three hectares at PT Dendymarker Indah Lestari’s Sei Liam estate in Musi Rawas, and was found to be linked to land use activities by communities in areas currently not under SIPEF’s management control.

In Papua New Guinea two hotspots were identified within HOPL’s own concession area, and were both verified as actual fires. Eight hotspots were identified within HOPL’s supplier areas, of which only one turned out to be an actual fire. The fires were primarily linked with food gardening activities by local communities, and the total area affected was around three hectares.

NUMBER OF HOTSPOTS VS. CONFIRMED FIRES WITHIN CONCESSIONS AND SUPPLIER AREAS 2020-2021



REFORESTATION PROGRAMME IN IVORY COAST

Ivory Coast has lost more than 85% of its forested area since 1960, mostly as a result of agricultural expansion linked with cocoa farming.¹² In recognition of the severity of this issue SIPEF’s banana company, Plantations J. Eglin, is working to make a contribution to restoration through its reforestation programme.

Following a study in 2010 focused on the integrated management of flora and fauna on its production sites, the company developed a reforestation plan for low-lying areas not suited to banana cultivation, primarily on the sites of Azaguié and Agboville. Over the years, the programme has gradually expanded to an area of around 126 hectares, corresponding to 7% of the company’s estate.

Around 158 000 gmelina (*Gmelina arborea*), teak (*Tectona grandis*) and acacia mangium (*Acacia mangium*) trees were planted between 2010 and 2021. The vast majority of trees planted were gmelina trees (78%), as they are better suited to the low-lying land found in the estates than teak trees (22%), which thrive better on hillsides. In the first year of the programme, around 11 110 teak trees were lost at the

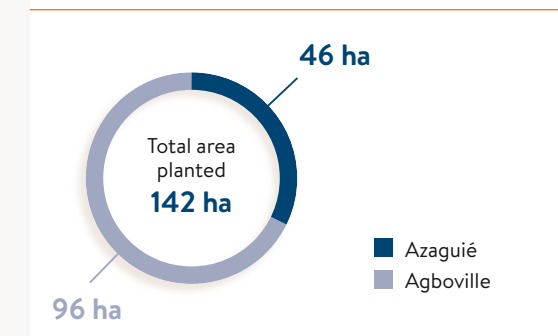
site in Agboville due to excessive water in low-lying areas. These were replaced by gmelina trees in the following year.

In 2021, 950 acacia mangium trees were planted for the first time, broadening the diversity of species included in the programme.

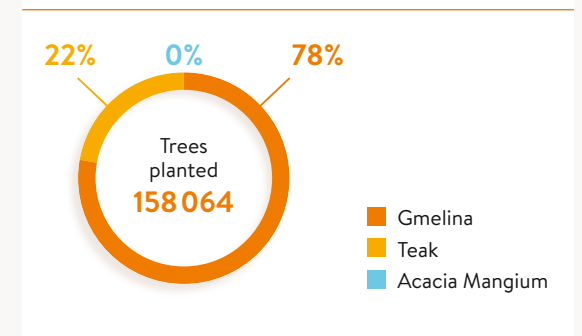
Although the programme’s ambition is primarily to have a positive environmental impact, the company has also been exploring the potential for the sustainable use of wood that could be generated from thinning. Thinning is already being carried out as part of the programme’s maintenance activities, and entails the selective removal of small-diameter and superfluous trees to improve the growth rate and health of the remaining trees. However, an assessment undertaken by a local company in 2021 revealed that many of the trees selected for thinning would not be suitable for commercial purposes.

Moving forward, Plantations J. Eglin will continue to focus on maintaining the hectares already planted, and will evaluate the possibility of expanding the programme in the future.

TOTAL PLANTED AREA UNDER REFORESTATION PROGRAMME (2010-2021)



SPECIES OF TREES PLANTED UNDER REFORESTATION PROGRAMME (2010-2021)



NOTE: The total area planted differs to the current area under the programme, due to the partial loss of the teak planted area in Agboville in 2010 (ten hectares), and illegal forest conversion in some of the plot areas in Azaguié (six hectares).

¹² Mighty Earth. (2021, February 18). *Mighty Earth’s Cocoa Accountability Map 3.0 Reveals 47,000 Hectares of Deforestation in Prominent Cocoa-Growing Regions of West Africa.* www.mightyearth.org/2021/02/18/mighty-earths-cocoa-accountability-map-3-0-reveals-47000-hectares-of-deforestation-in-prominent-cocoa-growing-regions-of-west-africa/

Peatlands

Peatlands are a type of wetland formed over thousands of years from partially decayed vegetation. They occur in almost every country, and fall under the classification of organic soils. Globally, different definitions have been applied, which can vary based on the percentage of organic matter and the minimum thickness of organic layers of peat being classified.

In their natural state, peatlands are carbon sinks. They also host unique biodiversity, regulate water flows, and serve as water purifiers and reserves.

Over time, significant areas of peatland have been used for agriculture. As of 2015, industrial plantations covered 4.3 million hectares (27%) of peatlands in Peninsular Malaysia, Sumatra, and Borneo.¹³ Indonesia and Malaysia collectively have more than 24 million hectares of peatland.¹⁴

Since 2014, SIPEF has strictly prohibited any new development on peat, regardless of depth, across all of its own and its suppliers' operations. In Indonesia, SIPEF owns several estates with historically developed peat, and applies best management practices as defined by the RSPO and local regulations.

All estates with areas classified as peatland are inventoried, documented and reported to the RSPO to enable the monitoring and promotion of peat best management practices. SIPEF also works with its smallholders to ensure that any areas planted on peat follow the same practices.

Peatland management and conservation

The RSPO Best Management Practices are designed to mitigate the challenges associated with cultivating oil palm on historically developed peat. SIPEF applies these best practices and identifies areas for conservation and restoration.

To make peatland suitable for oil palm cultivation it must be drained, which leaves these areas susceptible to fires, peat soil subsidence, floods and productivity loss. Implementing good water management can help to prevent and mitigate these risks, while also reducing the release of GHG emissions. For any operations on peat, SIPEF regulates water levels and maintains a high water table, in compliance with RSPO requirements.

Following the RSPO Principles & Criteria (P&C) (2018), SIPEF conducts drainability assessments in accordance with the RSPO Drainability Assessment (DA) Procedure. The procedure was developed in 2019 to support oil palm companies in adjusting their peatland management processes, in order to reduce subsidence rates and the risks of flooding.

To date, three drainability assessments have been submitted and are awaiting approval by the RSPO. The assessments were conducted at three estates and cover around 13 698 hectares, which are in the process of classification.

SIPEF will continue to monitor the implementation of its management approach for estates with developed peat and, where possible, identify any further opportunities for conservation or restoration.

¹³ Miettinen et al (2016). *Land cover distribution in the peatlands of Peninsular Malaysia, Sumatra and Borneo in 2015 with changes since 1990*. *Global Ecology and Conservation* 6 (2016) 67-78.

¹⁴ RSPO. (2017, October 30). *The Challenges of Growing Oil Palm on Peatlands*. <https://rspo.org/news-and-events/news/the-challenges-of-growing-oil-palm-on-peatlands>.

Biodiversity and conservation

Biodiversity is declining at a critical rate. The main drivers of biodiversity loss and the degradation of terrestrial ecosystems are human-induced: land use change, nutrient loading and pollution, overexploitation of natural resources and climate change.

Biodiversity has always been important for the agricultural sector. Natural processes and living organisms are crucial for growing food, yet using land for agriculture often leads to changes in the surrounding environment. Prime farmland — land with good soil and water access — is a limited resource.

Unfortunately, population growth and the sector's continually expanding footprint place sensitive and important natural areas such as forests at risk of conversion.

SIPEF's subsidiaries are located in ecologically distinctive and biodiverse regions. The Group recognises its unique position and the role it can play in mitigating further biodiversity loss by decoupling deforestation and agricultural expansion, and by contributing to the safeguarding of important ecosystems in the landscapes where it operates.

The Company's management approach for biodiversity and conservation consists of the following commitments and actions:

→ Protection and restoration of areas identified for conservation within SIPEF's concessions

Conservation areas are identified through HCV and HCSA assessments prior to development, carried out by licensed assessors under the HCV Network's Assessor Licensing Scheme (ALS). Habitat management plans are developed for these areas. SIPEF is also committed to restoring any areas under the Group's management control that have been impacted by fires.



→ Biodiversity monitoring and no hunting policy

SIPEF is committed to monitoring biodiversity in all set-aside areas under its management control, and to implementing its no hunting policy on its own estates and in the cultivated areas of its third-party suppliers.



→ Supporting landscape and biodiversity programmes and initiatives

Through the SIPEF Foundation, the Group finances and supports two long-term biodiversity projects in Indonesia. Both are based in West Sumatra near SIPEF's Agromuko estates. One is focused on the protection of 12 672 hectares of natural forests, and the other is a sea turtle conservation programme.



Conservation areas

As of 31 December, SIPEF is managing a total of 9 219 hectares of conservation area across its concessions in Indonesia, Papua New Guinea and Ivory Coast. This includes HCV and HCS areas, as well as riparian and buffer zones, that fall under SIPEF's management control.¹⁵ Around 5 510 hectares have been identified at SIPEF's oil palm operations in Indonesia, and 3 483 hectares are set-asides at SIPEF's estates in Papua New Guinea.

To date, a total of 24 HCV, HCSA and integrated HCV-HCSA assessments have been carried out and submitted for approval to the relevant reviewer organisations (HCV Network or HCSA). All approved assessments are made available on the [HCV Network](#) and [HCSA](#) websites.

All conservation areas under SIPEF's management control are clearly delineated, actively protected and continuously monitored. SIPEF engages with neighbouring communities so that they are aware of the locations, importance and benefits of the HCV and HCS areas, and so that the communities have the opportunity to become actively involved in protecting them. Social HCV areas remain accessible to communities.¹⁶

Biodiversity monitoring

An important component of SIPEF's habitat management plans is biodiversity monitoring. Biodiversity monitoring is carried out with a combination of camera trap surveys and rangers that patrol the conservation areas.

The conservation areas within SIPEF's plantations in West Sumatra are of particularly high quality. Monitoring efforts have captured apex predators such as the Sumatran tiger (*Panthera tigris sondaica*), leopard cats as well as other large mammals such as the sun bear (*Helarctos malayanus*), tapirs (*Tapirus indicus*) and a variety of monkeys. The regular presence of these mammals is a good indication of ecological viability, integrity and connectivity within the landscape.

¹⁵ Conservation areas identified for the oil palm estates at PT Dendymarker Indah Lestari are excluded from the scope of reporting, as the final lease agreements have not yet been approved by the Indonesian Government. These areas currently fall outside of SIPEF's management control.

¹⁶ Refers to 'HCV 5: Community Needs' and 'HCV 6: Cultural Values'. For more information: hcvnetwork.org/hcv-approach/

SIPEF BIODIVERSITY INDONESIA

Indonesia is home to the largest expanse of rainforest in all of Asia, and hosts 17% of the world's wildlife.¹⁷ SIPEF contributes to protecting this crucial landscape with the SIPEF Biodiversity Indonesia (SBI) project.

The SBI project is a conservation programme managing a 12 672-hectare area of forest that acts as a buffer to the Kerinci Seblat National Park. It is one of just 16 projects in Indonesia that have been granted an ecosystem restoration concession for a term of 60 years. Twenty-five people work at the SBI local office in Mukomuko, from experienced rangers to young graduates, who mostly come from the surrounding villages. The project focuses on the protection and monitoring of biodiversity, reforestation of degraded areas, and engagement with communities.

Biodiversity monitoring has identified an extremely rich range of megafauna in the area. Species include the critically endangered Sumatran tiger (*Panthera tigris sondaica*), the Asian giant tortoise (*Manouria emys*), and the Sunda pangolin (*Manis javanica*), as well as endangered and vulnerable species such as the Sumatran clouded leopard (*Neofelis diardi diardi*), the sun bear (*Helarctos malayanus*), the tapir (*Tapirus indicus*), the Sumatran muntjac (*Muntiacus montanus*) and the great argus (*Argusianus argus*). Two rare species have also been spotted: an Asian golden cat (*Catopuma temminckii*) and dhole dogs (*Cuon alpinus*). Monitoring is carried out with 136 camera traps set up throughout the area, and through visual surveying by the rangers.

In 2016, a reforestation and enrichment programme was initiated by SBI with the aim of reforesting the degraded areas that are identified via satellite imagery and field checks. To date, nearly 171 hectares of degraded area have been restored, and around 45 258 trees have been planted.

SBI is also helping to develop alternative incomes for farmers that have historically used parts of the conservation area to maintain their livelihoods. The initiative makes use of agroforestry methods to create sustainable livelihoods that are compatible with the conservation objectives of the programme. Through the project, SBI is currently supporting around 309 agroforestry growers who receive technical support and seedlings to develop tree crops that can provide them with an income, without causing environmental damage to the surrounding habitat.

Another aspect of the project is the regular patrols that are carried out by project staff to address the ongoing threats of illegal felling of trees, illegal planting of oil palms and poaching. Oil palms growing illegally in the forest are identified and felled. The majority, 1 438, were removed in 2017, but between 60-90 oil palms continue to be felled each year, demonstrating the need for ongoing monitoring and community engagement.

¹⁷ The Biodiversity Finance Initiative. (Retrieved March 2022). Indonesia. www.biofin.org/indonesia.

TURTLE CONSERVATION PROJECT AT AIR HITAM CONSERVATION PARK

Turtles always return to the beach where they were born, but beach erosion and changing conditions are reducing the space available for nesting in many areas.

SIPEF's turtle conservation project is helping to protect turtles on a five-kilometre-long stretch of beach at Air Hitam Conservation Park in Sumatra.

Local authorities and residents of two villages work together as field operators to monitor the beach. If turtle eggs are found they are collected to safeguard them from scavenging lizards, and are hatched in controlled conditions before they are released. This important work helps to ensure as many baby turtles as possible make it back into the sea. Over time, the goal is to increase the number of turtles returning to the beaches to lay eggs.

Since 2007, the project has successfully enabled the collection of 34 682 eggs and the release of 20 206 turtles. In 2021 4 262 eggs were collected and 2 878 turtles released.

The majority are olive ridley sea turtles (*Lepidochelys olivacea*), but other species include the leatherback sea turtle (*Dermochelys coriacea*), and in previous years, the green sea turtle (*Chelonia mydas*). In 2018, eggs from the leatherback sea turtle were collected for the first time in seven years.

The project was launched in 2007, and is managed by the SIPEF Foundation since 2010, in collaboration with the National Resource and Conservation Office of Bengkulu Environment and Forestry Department. It is one of the very few protection projects in Sumatra to be implemented by the local population.

EGGS COLLECTED AND TURTLES RELEASED 2018-2021

YEARS	OLIVE RIDLEY SEA TURTLE <i>(Lepidochelys olivacea)</i>		LEATHERBACK TURTLE <i>(Dermochelys coriacea)</i>		GREEN SEA TURTLE <i>(Chelonia mydas)</i>	
	EGGS COLLECTED	TURTLES RELEASED	EGGS COLLECTED	TURTLES RELEASED	EGGS COLLECTED	TURTLES RELEASED
2019	4 873	2 734	76	0	0	0
2020	3 934	2 203	0	0	384	248
2021	3 944	2 648	318	230	0	0



Best Management Practices

SIPEF strives to minimise the impacts of its activities on the climate, as well as on the environment surrounding its operations. Essential to its approach for managing these impacts are the Best Management Practices (BMPs) that the Group implements across its operations.

These practices have been developed over the course of a century of active agriculture in the tropics, two decades of compliance with credible certification standards, and an ingrained corporate culture that stimulates innovation and continuous improvement.

Wherever possible, the Group also engages in regenerative and circular practices. These practices are focused on making use of by-products and waste from its production and processing activities, and on implementing nature-based solutions.



SIPEF'S BEST MANAGEMENT PRACTICES FOCUS ON:

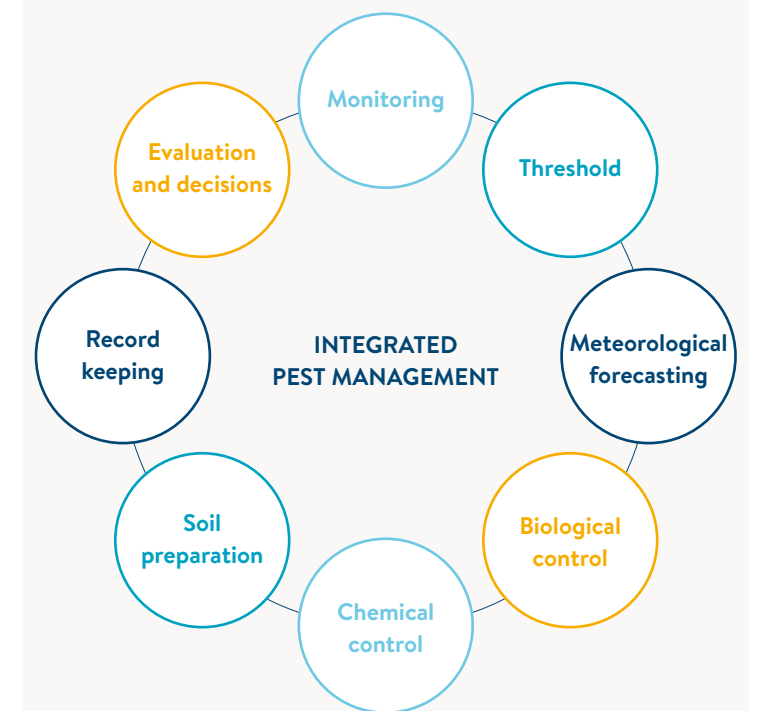
- Sustainable land preparation and management
- Minimising the use of agrichemicals
- Preserving soil fertility and health
- Using fewer resources to produce higher volumes of product
- Minimising waste and pollution

Integrated Pest Management

Pest management is crucial for protecting crops and maximising yields. SIPEF engages in Integrated Pest Management (IPM) for both its oil palm and banana production.

IPM is an effective and environmentally sensitive approach to pest management that relies on a combination of common-sense practices. It integrates a broad set of techniques and methods to control pests and diseases. The approach starts with identifying pests and monitoring their prevalence, taking into account knowledge of pest biology, life cycles, and the stages of pest damage. Action is then taken to maintain pests below economically damaging levels.

INTEGRATED PEST MANAGEMENT



An important component of IPM involves preventing and suppressing pests by using pest-resistant varieties, preparing land appropriately, and maintaining sanitation, hygiene and nutrition. This minimises disease carry over, propagation, and the susceptibility of crops to pests and disease. For example, the common fungus *Ganoderma mycelium* can be suppressed by chipping palm trunks and leaving the chippings exposed to sunlight, enabling the ultraviolet radiation to kill the fungus.

Other examples include:

- Disc harrowing chips into mineral soil to limit the breeding habitat of the rhinoceros beetle (*Oryctes rhinoceros*)
- Planting nitrogen fixing cover crops to provide extra soil nitrogen and reduce noxious weeds
- Applying empty fruit bunches (EFB) and formulated fertiliser to the varieties of palm hybrids that best suit the sites for healthier and more naturally resistant palms

SIPEF also utilises numerous different methods of natural or biological pest control. This includes establishing beneficial plants that will foster populations of natural enemies, releasing natural pest enemies such as parasitoids, e.g. *Eocanthecona furcellata*, or providing conditions for natural predators, such as nesting sites for owls or raptor perches in replanting areas. More advanced forms of biological control include trapping and infecting male *Oryctes* with a virus and releasing them to curb populations of *Oryctes*.

IPM PRACTICES AT INDONESIAN ESTATES IN 2021

Total number of barn owl boxes present on estates	403
Number of occupied barn owl boxes	207
Number of individual beneficial insects released in 2021	365 344
Number of plots of beneficial plants planted in 2021	14 251
Number of plots of beneficial plants maintained (to date)	23 415

Research and development of alternative methods of pest control are being conducted by both Verdant Bioscience Pte Ltd and the Papua New Guinea Oil Palm Research Association.

Pesticide use

Pesticides are used as a last resort when other methods, such as those previously mentioned, are not able to prevent outbreaks of pests and diseases above the economic threshold. All active ingredients in use are reviewed annually for safety and efficacy.

Pesticides that are categorised as World Health Organisation (WHO) Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, are not used unless in exceptional circumstances, as validated by a due diligence process, or when authorised by government authorities for pest outbreaks. All of the Group's tea, rubber and banana estates are certified to the Rainforest Alliance Standard, and do not apply any of the pesticides on its list of prohibited pesticides. The active ingredient, paraquat, was phased out of all SIPEF operations in July 2016.

SIPEF also focuses on avoiding the development of resistance to pesticides. The various active ingredients used are changed regularly, so that low concentrations of pesticides can continue to have maximum effect.

All workers, permanent or otherwise, involved with pesticides are trained and equipped with Personal Protective Equipment (PPE), and their health is monitored through regular medical checkups.



Enhancing soil health and fertility

Plants cannot grow without healthy soil, and SIPEF implements a broad range of BMPs to protect and enhance the fertility of its production areas. Soil health starts with soil conservation practices focused on minimising soil erosion, maintaining or improving soil structure, reducing rainwater runoff and nutrient loss, conserving moisture and increasing water infiltration.

At SIPEF's palm oil operations, all land preparations start with detailed topographic maps generated using digital elevation data, and obtained utilising the latest satellite imagery and drone technology. These maps are used to assess the planted areas and ensure that the appropriate BMPs are implemented for soil health and conservation.

To prevent soil erosion, SIPEF utilises preventative measures like legume cover crops and follows best practices including installing stop bunds (silt traps), silt trenches, bunds and slope protection like vetiver grass. This prevents sediments entering the waterways. By applying compost and other biomass to the soil, soil exposure is reduced, thus contributing to soil health and conservation.

An important aspect of maintaining and enhancing soil health is the use of mineral fertilisers. Used correctly, mineral fertilisers can dramatically increase yield. SIPEF therefore focuses on finding a balance between the application of mineral and organic fertilisers, while maintaining the soil's structure. Annual leaf samples and periodic soil samples are analysed for nutrient levels to determine the recommended application of fertiliser, in order to minimise fertiliser use while maintaining or improving productivity per hectare. This practice is also extended to the smallholders working with SIPEF.

Fertilisers represent one of the most significant costs of operations, and their use must be assessed in relation to overall soil conservation practices. To drive down the use of mineral fertilisers, organic matter is returned to the fields wherever possible.

SIPEF has also invested in a composting system at its Bukit Maradja operations, which processes 100% of the plantation's EFB and wastewater into organic fertiliser with a high nutrient content.

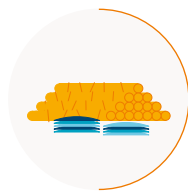
ENGAGING IN CIRCULAR PRACTICES: REUSING AND RECYCLING BY-PRODUCTS FROM PALM OIL PRODUCTION

Creating value sits at the heart of SIPEF's approach to sustainability, and the Group's business strategy. This principle is also applied at the operational level, where SIPEF strives to reuse and recycle the by-products from its production and processing activities.

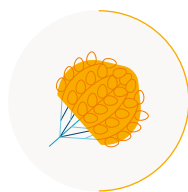
While the focus of external stakeholders has always been on the primary product, palm oil, there are many other by-products resulting from the oil palm production cycle.

These by-products can often be used as input resources for production, for instance as fertiliser or fuel, or to generate electricity.

The best use for each by-product is determined by reviewing the different recycling pathways and the details of each location, such as soil conditions and cost of transportation, in order to assess the economic performance of the conversion.

USES FOR BY-PRODUCTS FROM SIPEF'S OIL PALM PRODUCTION CYCLE

Pruned palm fronds and old palm trunks

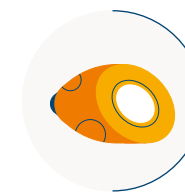
- All pruned palm fronds are left in rows next to the palms to compost.
- During replanting, when trees are replaced, old palm trunks are chipped and mulched back into the soil as an amendment.


Empty Fruit Bunches

- Where possible, empty fruit bunches (EFB), a by-product from processing at the Group's palm oil mills, are applied to the fields to return the remaining nutrients and organic matter content back to the soil.
- Composted EFB can be beneficial for certain soils, and can in some cases be mixed with mill effluent to create organic fertiliser. The composting system at SIPEF's Bukit Maradja operations is made up of eight ventilated bunkers and processes 100% of the plantation's EFB and POME into organic fertiliser with a high nutrient content.
- Other mill by-products can be used in the composting system, such as boiler ash and the deposits from the decanting systems. Maintaining aerobic conditions at a constant level is important to ensure that no methane is produced during the composting process.
- SIPEF's biomass pellet facility at SIPEF's Umbul Mas Wisesa operations is able to convert EFB into high-quality calorific pellets using a heating process, called torrefaction.


Palm Oil Mill Effluent

- Wastewater from mills, better known as Palm Oil Mill Effluent (POME), is used as a source of methane generated through anaerobic digestion, which extracts a significant amount of its organic matter content, or applied to the fields for aerobic digestion and re-absorption into the palms.

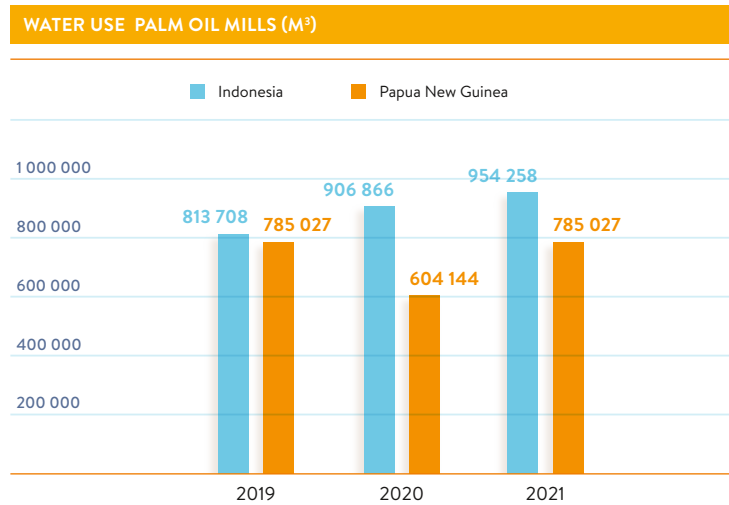

Palm nut mesocarp, endocarp and endosperm

- The palm nut mesocarp, the source of crude palm oil (CPO), contains significant amounts of fibre, all of which is burned in the mill boilers to generate electricity through steam turbines. 80% of SIPEF's mills run on this form of renewable electricity.
- The palm nut endocarp, the source of palm kernel shell, is sold to third parties as a biofuel. The calorific value of palm kernel is 18 836 KJ/kg. With 3 300 tonnes sold from Indonesia alone, this equates to over 62 million MJ.
- The palm nut endosperm, the source of palm kernel oil (PKO), is also used after the oil is extracted. This product is called palm kernel expeller, and is used as a component in animal feed.

While the above are the main current uses for by-products, there are several other uses being explored, tested and practised within the industry. Ongoing innovation and research and development will continue to help unlock a wealth of value from what was previously considered waste.

Water management

Water is a precious resource and SIPEF implements numerous BMPs to ensure it is managed as carefully as possible. The Group's approach focuses on preserving the availability and quality of water resources for the surrounding communities and environment, as well as for its own business. SIPEF does this by reusing water as much as possible to keep water consumption at a minimum. Pollution of surface and ground water is mitigated through good soil conservation practices, the establishment of riparian zones and wastewater treatment.



CUBIC METRES (M³)	2019	2020	2021
Plantations water use	3 601 692	4 012 702	3 901 644
Banana packing stations water use	231 400	211 674	218 112
CUBIC METRES (M³) / TONNE BANANAS			
Banana packing plants water usage intensity	116.7	135.6	128.3

SIPEF measures and aims to optimise water use in all of its operations. However, none of the Group's oil palm production areas are irrigated, and the operations in Indonesia and Papua New Guinea mainly use water for processing. The scope of data presented in this section therefore focuses on water management at SIPEF's palm oil mills, banana plantations and banana packing stations.

WATER USE MANAGEMENT

Since 2017, SIPEF has invested in improving water usage across palm oil operations, with an annual target of less than one cubic metre of water per tonne of FFB for processing. Six out of nine mills achieved this target in the reporting period.

Bananas remain the Group's most water-intensive product, primarily due to the use of irrigation. Almost 70% of the irrigation water used at the banana plantation in Ivory Coast is stored in dams during the rainy season, then reused and pumped during the dry season a few months later. The remaining amount comes from rivers alongside the farms.

Water for the banana packing stations is supplied from wells, due to health and food safety requirements. The water used is recycled after the packing process by using decantation tanks, then stored in the dams for irrigation in the future.

INDONESIA	DESTINATION	2019	2020	2021
PLPOM	Land application	929	856	426
BMPOM	Composting	1 239	1 545	1 235
UMWPOM	Discharge into water body	24	32	20
MMPOM	Discharge into water body	87	90	66
BTPOM	Discharge into water body	83	78	57
DMPOM	Discharge into water body	98	99	98
PAPUA NEW GUINEA	DESTINATION	2019	2020	2021
HPOM	Discharge into water body	71	78	109
NPOM	Land application	359	121	186
BPOM	Land application	100	449	212

MITIGATING WATER POLLUTION AND MANAGING EFFLUENT

Pollution of waterways is prevented using the soil conservation measures described in the section on enhancing soil fertility. All of SIPEF's crops are perennial, so there is rarely bare soil between the planted crops and leguminous cover crops are used where necessary. Maintaining riparian buffer zones is also important for absorbing runoff before it enters waterways. These buffer zones are made up of natural vegetation and vary in width (depending on stream or river width), in alignment with local regulations, sustainability certification requirements and BMPs.

Wastewater from palm oil mills (POME) is either used as a liquid fertiliser for land application or discharged into water bodies. This discharge is carefully monitored for compliance with local regulations and to ensure there are no negative impacts.

The most commonly used indicator of effluent quality is biochemical oxygen demand (BOD). BOD is a measure of the amount of oxygen the aerobic bacteria consume as a result of the organic matter content within the effluent. A high BOD indicates that the effluent is rich in nutrients and can foster the growth of bacteria, thereby

increasing the consumption of dissolved oxygen within the effluent.

BOD levels are regulated by law, and SIPEF uses its engineering controls and water treatment systems to ensure the levels stay within the required limits. When effluent will be discharged into natural water courses it is important to keep the BOD as low as possible, so that the effluent does not contribute to the eutrophication or oxygen starvation of aquatic ecosystems.

The limit for discharge of BOD into a natural water body is 100 mg per litre. When the effluent is used as a fertiliser and applied to the land, a higher BOD is favourable, as it indicates a higher nutrient load. In this case, the limit is 5 000 mg per litre.

SIPEF also uses other indicators, such as chemical oxygen demand (COD) and total suspended solids (TSS), to measure the quality of wastewater being discharged or used for land application (see page 136 in the Annex).



Respecting human and labour rights

The agricultural sector is responsible for the livelihoods of millions of people worldwide. The sector has also contributed to a number of additional positive social impacts, such as development in the rural areas where tropical commodities are grown. At the same time, the sector is vulnerable to significant social risks linked with human rights and exploitation.

SIPEF acknowledges that sustainable agriculture cannot be achieved without respect for human rights. Human rights are inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status. The Group believes in being a responsible employer and a good neighbour, and is dedicated to having a positive social impact in these roles.

As an employer, SIPEF aims to treat all employees fairly, with respect for human rights, and in line with local laws and international frameworks such as the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations' Universal Declaration of Human Rights.

Policies: Human rights and no exploitation

SIPEF's commitments to human rights are stated in its Human Rights Policy, Responsible Plantations Policy and Responsible Purchasing Policy. Specific policies are also in place to address child labour, forced or trafficked labour, freedom of association, occupational health and safety, equal employment opportunity and sexual harassment.

Collectively, SIPEF's policies are built around the following core principles and commitments:

- **No exploitation:** SIPEF does not tolerate child labour, forced labour or human trafficking. The minimum working age on all of SIPEF's estates and operations is 18. These policies apply equally to SIPEF, its contractors and third-party suppliers.
- **Fair labour practices:** SIPEF is committed to fair labour practices as per the ILO Conventions on Free and Fair Labour Principles, and as verified through its RSPO compliance. Third-party suppliers and contractors are required to prove that pay and employment conditions for workers or contract workers always at least meet legal or industry minimum standards.

- **Diversity and inclusion:** SIPEF provides equal opportunities for all and does not tolerate discrimination. SIPEF's suppliers are also required to prohibit any form of discrimination, including gender-related discrimination with regards to employment or pay.
- **Health and safety:** SIPEF is committed to providing a safe and healthy work environment for all employees. Third-party suppliers must also ensure that the working environments under their control are safe and without undue risk to health.

Compliance is ensured through the Group's management systems, and verified by both internal and external audits. Any cases of the violation of human rights, where substantiated, will result in disciplinary action up to and including dismissal, and may also lead to legal action.

SIPEF also has an effective grievance mechanism in place, through which employees can report any form of child labour, forced labour or human trafficking. The Group is receptive to all grievances raised by stakeholders, internal and external, and handles complaints impartially.

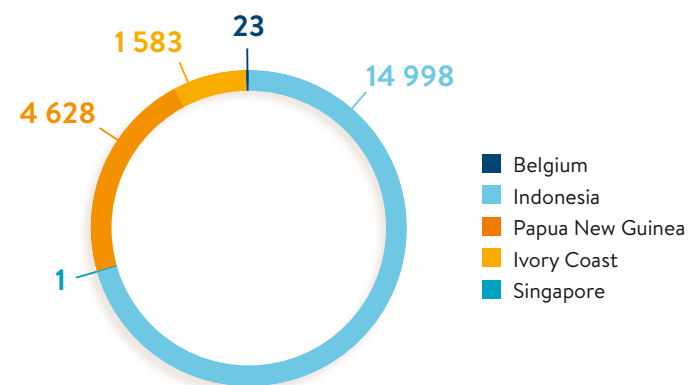
Further information on SIPEF's Grievance Policy and mechanism can be found in the chapter on Responsible Business and Transparency on page 113, and on the Company website: www.sipef.com/hq/sustainability/grievances-sipef-group

SIPEF's workforce

SIPEF's workforce is made up of 21 233 people, including management, full-time employees, and temporary workers in Belgium, Indonesia, Papua New Guinea, Ivory Coast and Singapore.

EMPLOYEES AT GROUP LEVEL			
GROUP EMPLOYEES	2019	2020	2021
Male	16 116	16 553	15 749
Female	5 395	5 081	5 484
TOTAL EMPLOYEES	21 511	21 634	21 233

EMPLOYEES BY COUNTRY 2021



PT Tolan Tiga in Indonesia employs the majority (71%), followed by Hargy Oil Palms Ltd in Papua New Guinea (22%), and Plantations J. Eglin (8%). Around 26% of SIPEF's employees are women.

Fair labour practices

SIPEF applies fair labour practices in all of its operations. Employment contracts are clear, in the local language and, at a minimum, in compliance with local laws. All employees have the right to one day of rest per six days worked. All employees, workers and their families have access to health care through insurance and privately managed clinics.

SIPEF meets all local regulations for wages and is compliant with the decent living wage calculations audited by the various certification standards to which the Group adheres. This includes workers on piece rate/quotas, for which the wage calculation is based on achievable quotas during regular working hours. In the absence of a locally relevant benchmark, the Group is working towards alignment with the definitions of the Global Living Wage Coalition (GLWC) following the certification standards' processes.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

SIPEF respects the rights to freedom of association and collective bargaining. There are different arrangements in each country, depending on local government regulations. As of 31 December, 78% of SIPEF's employees are covered by collective bargaining agreements. In the absence of a proper collective bargaining agreement or association, workers are free to join unions or organise according to country legislation. The Company has a process in place to engage with union representatives and enable access to Company management through channels of dialogue and engagement.



LIVING WAGE

SIPEF complies with the requirements of the RSPO, Rainforest Alliance and Fairtrade standards on living wages. Each of these standards uses the GLWC's definition and sets its own requirements on how and when the living wage must be paid.

- The **RSPO Principles and Criteria (P&C)** 2018 include requirements on providing a decent living wage. The RSPO is working on defining a benchmark for the oil palm sector for each country under the national interpretations.
- The **Rainforest Alliance Sustainable Agricultural Standard** requires that certified members work towards a living wage.
- The **Fairtrade standard** has put into effect a Fairtrade Base Wage for banana plantations as of July 2021. This is currently set at 70% of the take-home pay needed for a living wage, as established by the GLWC. By 2023, pay must reach 100% of the living wage benchmark.

A LIVING WAGE IS DEFINED BY THE GLWC AS FOLLOWS:

The remuneration received for a standard workweek by a worker in a particular place is sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.¹⁸

The GLWC publishes benchmarks that define the level of a living wage per region and per commodity. These benchmarks are developed by independent researchers and take into account the cost of living in a specific region. The living wage is often significantly higher than the legal minimum wage.

A benchmark has already been published for Ivory Coast, and Plantations J. Eglin is working to align wages for all of its employees with this benchmark.

18 The Global Living Wage Coalition. (Retrieved March 2022). *What is a Living Wage?* www.globallivingwage.org/about/what-is-a-living-wage/

EMPLOYEE HOUSING, CLINICS, SCHOOLS AND
CHILD CARE FACILITIES AS OF DECEMBER 2021



8 436

Houses



39

Clinics



44

Schools



15

Day care facilities



**EMPLOYEE HOUSING, EDUCATION
AND MEDICAL SERVICES**

Most of SIPEF's employees and their families live within its operations. The Company provides them with housing, clean water and medical services, and ensures access to education for their children.

SIPEF's plantations in Indonesia have also offered free childcare since 2017, to support working families and to give women equal opportunities in the workplace.

In Indonesia, all workers are covered under BPJS Kesehatan (*Badan Penyelenggara Jaminan Sosial Kesehatan*), the country's national health insurance programme. In 2021, SIPEF has focused significant efforts on ensuring that all temporary workers are also registered and covered accordingly, and verifying that regulations are followed by all parties. As of December 2021, 36 040 people (employees, temporary workers and family members) were registered as BPJSK participants at PT Tolan Tiga Indonesia.

SIPEF is further committed to contributing to providing access to affordable food for its employees. In Indonesia, the Company supplies permanent workers and their families with up to 46 kg of rice per household every month, and supports access to affordable products at the stores within the estates.

In Ivory Coast, all workers, employees and supervisors are provided a fixed monthly subsidy for the purchase of rice.

ADDRESSING GRIEVANCES

In 2020, a grievance was filed with the RSPO related to one of SIPEF's estates in South Sumatra, PT Agro Kati Lama (PT AKL). The grievance related to allegations about the rights, working conditions and safety of temporary workers employed by third-party contractors.

South Sumatra is a region with a complex social setting where there is a great demand for work from local communities. Temporary work is common and legally recognised. SIPEF's policy is to transition towards a more permanent work force, but until this transition can be completed, the Group engages with third-party contractors that provide temporary labour from the surrounding communities.

SIPEF has taken the allegations very seriously and has implemented a multi-pronged strategy to address the immediate complaints, while reviewing the policies and systems it has in place.

In the short term, PT AKL assisted in the payment and other responsibilities that needed to be performed by the contractors. This included conducting the administration of payroll, issuing pay-slips, enlisting temporary workers in social security programmes, facilitating the payment of social security contributions and ensuring all workers are issued personal protective equipment (PPE).

To investigate the issue further, SIPEF engaged *Linkar Komunitas Sawit* (LINKS) to conduct an independent review at PT AKL. LINKS is a social and developmental NGO that works to support

multi-stakeholder efforts for social sustainability management in the oil palm sector in Indonesia. The review included 205 stakeholder interviews carried out independently to ensure unbiased participation. A report and an Action Plan have been shared with all parties.

At the same time, SIPEF assessed its own internal procedures against the issues brought by the complainant, and is looking at the overall process and implementation. This has led to the roll out of new employee training across Indonesia, focusing on Company procedures and implementation practices, and occupational health and safety (OHS) management. Audits were carried out by regional sustainability teams to verify the effectiveness of this training, and these audits will continue annually from now on.

Throughout the process, dialogue with the complainant has continued through a process mediated by the RSPO. Due to covid-19, several online meetings were held with a mediator in 2021. The objective is to work collectively on site with all parties involved aiming at the resolution of this case. It is expected that the case will be resolved in 2022, at which point it will be classified as a 'post-conflict monitoring' case by the RSPO.

The Action Plan developed lists several actions, including the design of a programme that will contribute to improving livelihoods for local communities. Progress against the Action Plan will be monitored by LINKS through biannual visits.



Diversity and inclusion

SIPEF is committed to a non-discriminatory workplace and complies with all relevant anti-discrimination and equal employment laws and regulations of the countries where it operates. The Group promotes equal rights for men and women, including supporting women in applying for training programmes that lead towards roles in management.

In Indonesia, for example, there is a long-running cadet programme designed to take in recent college graduates and fast-track them into SIPEF's middle management career path. SIPEF believes the initiative can have a positive impact on a profession that is traditionally male-dominated, and the Company actively encourages women to participate.

The intake of female cadets has increased significantly since the start of the initiative. In 2014, the first female cadets successfully completed the programme, and represented 12% of the total number of graduates. By comparison, female cadets made up 28% of the total number of successful graduates in 2021.

Health and safety

SIPEF ensures its employees are provided with a safe and healthy work environment. To prevent accidents, the Group invests in continuous training, the provision of appropriate PPE, and rigorous internal supervision and control systems. All risks are regularly analysed and assessed, and any occupational accidents are investigated to prevent them from being repeated.

Particular attention is given to the handling of chemicals such as pesticides. Workers are given special training, supervision and PPE. Pregnant and breastfeeding women do not work with chemicals. All SIPEF employees have access to annual medical examinations, and these examinations take place more frequently for those who handle chemicals.

Each operating unit (OU) has a qualified person in charge of OHS who is responsible for implementing a Safety Management Plan. Each OU also has its own health, safety and environment committee, which meets on a monthly basis, and is made up of representatives from those who work or live within the area. Participants can put forward comments and complaints at the monthly meetings regarding health, safety and environmental issues.

Company doctors independently record the lost time injury frequency rate (LTIFR) for each unit. Regular meetings are held at the estate level to discuss any lost time injury (LTI) incidents and how they can be prevented in the future.

In 2021, the OHS systems of all operating units have been standardised in line with the OHS 45001 and the Australian Standard. Under the Occupational Health and Safety Administration (OHSA) standard used for reporting, the LTIFR is calculated as the number of LTI plus fatalities, divided by the number of hours worked, multiplied by a factor of 1 000 000.

SIPEF regrets to report that there was one fatal employee accident in Indonesia in 2021. In October 2021, a SIPEF employee was harvesting near power lines at the Bunga Tanjung estate in Bengkulu. The sickle hit the power lines, and the employee passed away at the polyclinic. An accident investigation has been completed and measures have been implemented to prevent a similar incident from happening in the future. Ongoing awareness-raising is conducted to reinforce existing procedures that ensure the safety of all of SIPEF's workers.

LOST TIME INJURY FREQUENCY RATE BY COUNTRY (PER 1 000 000 HOURS WORKED)

COUNTRY	2019	2020	2021
Indonesia	3.27*	2.86*	2.43
Papua New Guinea	27.96	23.76	22.67
Ivory Coast	14.50	21.44	16.38

*NOTE: Lost time injury frequency rate data for Indonesia for 2019 and 2020 have been restated.

COVID-19 VACCINATION PROGRAMME

In 2021, SIPEF continued to advance its comprehensive programme to provide free access to covid-19 vaccinations for its employees and their dependents. In Indonesia, where around 42% of the national population had been fully vaccinated, SIPEF made the most progress: 92% of targeted SIPEF employees and dependents had been double vaccinated against covid-19 by December 2021. A booster programme will begin in 2022.

In Ivory Coast, 45% of employees had been double-vaccinated and 15% had received a single dose by the end of the third quarter of 2021. Limited vaccine availability restricted the programme from expanding further, and the number of vaccinated individuals therefore remained the same in the last quarter. Nevertheless, SIPEF's vaccination programme is having a positive impact, as just 8.2% of the national population in Ivory Coast had been fully vaccinated by December 2021. The Group will continue to advance its vaccination programme in 2022 when more supply becomes available.

In Papua New Guinea, SIPEF has focused on providing clear information and establishing supporting policies in order to increase vaccine uptake among employees and their dependents. More time will be needed to allow vaccine confidence to grow in order to increase the vaccination rate, which is currently below 10% of the targeted number. Hesitancy towards vaccination may also partly explain the low uptake at a national level, with only 2.5% of the country having been fully vaccinated by December 2021.



Respecting community rights

Agriculture plays a vital role in rural communities worldwide by contributing to poverty alleviation, providing employment opportunities and enabling development in rural areas. However, it can also be disruptive and have negative impacts if it is not managed sustainably.

Industrial agriculture remains essential to meeting the demands of a growing population, but it also depends on the availability of significant areas of land. Without appropriate community engagement and consent processes in place, agricultural development can lead to conflict with local communities linked with the loss of customary land use rights, and food security and inequality. A sustainable approach is also critical for ensuring that activities do not cause the degradation of natural resources and ecosystems on which communities depend.

SIPEF makes it a priority to be a good neighbour and believes it is important to support and develop long-term relationships with the local communities surrounding its operations. The Group is committed to upholding indigenous and local communities' legal and customary land tenure rights, as well as their rights to resources, territories, livelihoods and food security.

SIPEF also strives to ensure that local communities can benefit from its activities. As well as providing employment, SIPEF provides and maintains schools, roads, health centres, bridges and places of worship.



COMMUNITY SURVEYS AND SOCIAL IMPACT ASSESSMENTS

In 2020 and 2021, two independent SIAs were carried out to precede the conversion of Bandar Pinang and Sei Jerinjing estates from rubber to oil palm. The SIAs formed part of a suite of independent studies that are required as part of the RSPO requirements for new plantings.

Social surveys were undertaken in each of the villages surrounding these estates, focused on evaluating the potential impact of oil palm development in the area. The survey results included the concerns of these communities, which were incorporated in an integrated social and environmental management and monitoring plan, designed to minimise the impacts of the conversion and guide a well-integrated transition. The SIA also included participatory mapping of High Conservation Values (HCVs) within the proposed conversion areas, for which special management and monitoring requirements are to be implemented.

Community engagement

The development and maintenance of long-standing, harmonious relationships inside and outside of estates is an essential part of managing the operations of the SIPEF group. SIPEF regularly and proactively engages with local communities and other key stakeholders. Social Impact Assessments (SIA) are carried out for new developments and as part of the Group's compliance with sustainability standards and certification programmes. Surveys are also conducted annually to gain an understanding of stakeholder perceptions of the Group. Results are reviewed using a risk management matrix, and evaluated through a continuous improvement cycle.

FREE, PRIOR AND INFORMED CONSENT

A thorough Free, Prior and Informed Consent (FPIC) process is absolutely critical to the long-term success of any new operation. All SIPEF plantations and those of its suppliers must adhere to FPIC principles, as defined by the RSPO and the Rainforest Alliance, and as detailed in SIPEF's Responsible Plantations Policy. This includes, for example, the communities' right to say no to any new development, the right to legal representation of choice, and the right to compensation where existing operations have had a proven negative impact. The process of obtaining FPIC can take many years, but it contributes to building a long-lasting working relationship with local communities.

The concept of FPIC does not end with the transfer of land use rights. An ongoing stakeholder engagement process tracks the impact on communities, in line with the SA8000 social accountability methodology. These engagements are audited annually for representativeness, transparency and other criteria.

ADDRESSING LAND CONFLICTS AND COMMUNITY GRIEVANCES

Land conflicts are addressed through SIPEF's conflict resolution mechanism, which is embedded in the Group's [Grievance Procedures](#).

Conflict resolution processes are implemented in any cases of land conflict that arise. These processes must be agreed upon by all parties to the conflict. SIPEF's conflict resolution mechanism and approach also ensure that all parties have the right to the legal representation of their choice.

There is a documented system in place for any negotiations concerning compensation for loss of legal, customary or user rights. This system enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

Where there are or have been disputes, all parties are provided with proof of legal acquisition of title, as well as evidence that mutually agreed compensation has been paid to all people who held legal, customary or user rights at the time of acquisition. Evidence is also made available

to show whether compensation was accepted following a documented process of FPIC.

Details of any grievances related to land conflicts are available on the [SIPEF Grievance Dashboard](#).



Community development

SIPEF invests significant resources in the provision of opportunities and services that support community development. Each operating unit (OU) has a budget that can be used to respond to local community needs. Plantation managers have open and constructive talks with local stakeholders to decide how funding can best be spent.

Over the years, the Group has continued to construct and maintain schools, clinics, roads and other types of infrastructure. All facilities are fully accessible to employees, workers and their families, most of whom are also members of local communities. Many of the educational and medical facilities are also accessible to other community members.

Communities within the vicinity of the Group's operations are mostly engaged in farming, including oil palm. SIPEF supports their activities when possible and appropriate. In Indonesia, for example, SIPEF supplies planting material and land management services to families through its village smallholder programme (*Kebun Masyarakat Desa*), and guarantees access to the market on favourable terms.

Education

Free transport to state schools is arranged for the children of all Group employees, where relevant. In remote areas where there are no state schools, SIPEF establishes and operates its own schools.

As of December 2021, SIPEF is operating a total of 44 kindergartens, primary and secondary schools in Indonesia, Papua New Guinea and Ivory Coast, 95% of which are accessible to community children.

- In a joint project with the Papua New Guinea Incentive Fund, **Hargy Oil Palms Ltd (HOPL)** has built an additional school complex in one of the most remote areas of West New Britain, where more than 200 primary school children are now receiving education.
- **PT Tolan Tiga Indonesia** operates around 38 kindergartens, primary and secondary school facilities. On several occasions, the company has also subsidised teacher salaries and granted land to the local authorities so that schools can be enlarged.
- In Ivory Coast, **Plantations J. Eglin** has invested in supporting the education of communities by building and equipping 4 primary and nursery schools, and constructing housing for the teaching staff of these schools.

SCHOOLS ESTABLISHED BY SIPEF

Facilities accessible to employee children	44
Facilities accessible to community children	42
Total number of facilities/buildings	44

Medical care

SIPEF pays particular attention to the provision of medical care. SIPEF’s Indonesia operations provide 23 polyclinics, which employ over 50 healthcare workers, including doctors, nurses and midwives.

In Ivory Coast and Papua New Guinea, medical care is paid for in full by the Company, which works with its own doctors and nurses at local clinics and care centres set up on the plantations. All facilities in both locations are accessible to both employees and community members. During 2021, SIPEF’s Papua New Guinea operations treated over 100 000 patients, who were seen by 25 healthcare employees within 13 Company clinics.

MATERNITY WARD RENOVATION IN PAPUA NEW GUINEA

Over the course of 2019-2021, HOPL led on a project to significantly improve maternity care at the Bialla Health Centre, which provides medical services to the community. The Bialla Health Centre operates in a community of approximately 50 000 people in West New Britain, Papua New Guinea.

An existing building has been repurposed into a fully functional maternity ward that provides a safe and accessible facility for women to give birth. The project was funded by donors and carried out in cooperation with the West New Britain Provincial Health Authorities. HOPL supported the project by providing building materials and manpower to improve the existing building structure, as well as bedding and other required materials.

Infrastructure

Maintenance of public roads is crucial to the smooth operation of SIPEF’s estates, but also brings many benefits to local communities. In Papua New Guinea and Indonesia, the Group works with local government to maintain public roads surrounding its areas of operation.

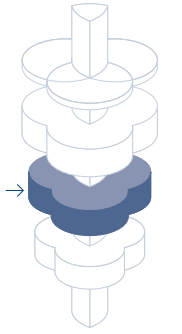
At some estates in Indonesia, SIPEF also consults with communities on where to build new roads on the outskirts of its concessions. Some of the estate roads are also open to the public during the day. This cooperation greatly reduces the risk of accidents inside the estates, while giving more freedom of movement to communities.

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





Responsible sourcing and smallholder production



Smallholder farmers play a vital role in global food systems, producing around one-third of the world's food supply. They also account for around 40% of global oil palm cultivation.

Oil palm smallholders face a variety of challenges in their journey towards more sustainable production. They tend to have markedly lower yields and far fewer resources at their disposal than commercial plantations, including financial support, tools, fertiliser and planting materials. They also often lack access to knowledge of or training on applying sustainable agricultural practices. Without sufficient incentives to leave certain areas intact, the risk of smallholder expansion into forests, peatlands and other critical ecosystems is also increasing.¹⁹

This section outlines SIPEF's approach to engaging with smallholders and managing associated risks in its supply base. Updates have also been provided on the implementation of SIPEF's [Responsible Purchasing Policy](#) (RPuP), focusing on smallholder certification progress.

Smallholder farmers play a vital role in global food systems, producing around one-third of the world's food supply. They also account for around 40% of global oil palm cultivation.

¹⁹ The Sustainable Palm Oil Choice. (2021, April). *What causes deforestation in Indonesia, the world's largest palm oil producer?* www.sustainablepalmoilchoice.eu/deforestation-causes-in-indonesia-palm-oil/.

Smallholder engagement

Supporting and engaging with smallholders can help to address poverty and have a positive impact on livelihoods through increased yields, improved production quality, higher incomes and access to international markets. At the same time, it can contribute to reducing the impacts of agricultural production on natural ecosystems, helping to achieve the sustainability goals and zero deforestation commitments set out by sustainability leaders in the industry.

As of 31 December 2021, SIPEF collaborates with a total of 10 004 oil palm, rubber and tea smallholders in Indonesia and Papua New Guinea.

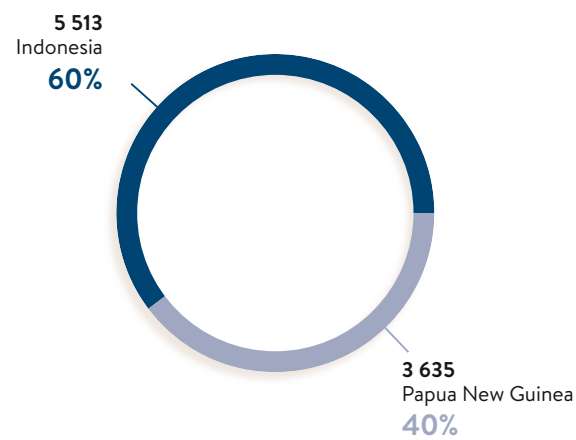
As the vast majority (9 148) of the smallholders SIPEF works with produce oil palm, the Company's approach is primarily geared towards oil palm production. SIPEF's oil palm smallholder supply base covers a production area of over 20 000 hectares. A total of 16% of the fresh fruit bunches (FFB) processed at SIPEF's mills is produced by smallholders.

SIPEF has established a number of smallholder oil palm programmes and services focused on inclusivity, Best Management Practices (BMPs), certification and lowering cost barriers. These programmes and services are tailored to location and smallholder type, and contribute to enabling the smallholders to participate in sustainable industries and to benefit from the Group's technical expertise. Emphasis is placed on achieving and maintaining RSPO certification, and increasing yields and production efficiency.

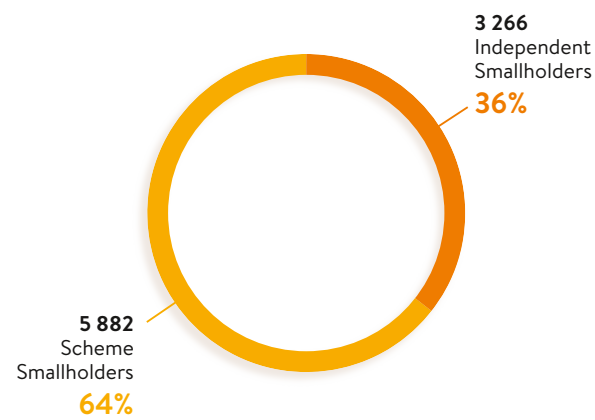
The Group engages with different types of smallholders through its subsidiaries, Hargy Oil Palms Ltd (HOPL) in Papua New Guinea and PT Tolan Tiga Indonesia:

- All smallholders working with HOPL are associated smallholders, in alignment with previous RSPO smallholder classification definitions. Based on the current RSPO smallholder classification, these smallholders are certified as scheme smallholders.
- In Indonesia, PT Tolan Tiga manages smallholder estates under its company-managed programme, as well as its village smallholder programme. Both types follow the RSPO definition for scheme smallholders.

OIL PALM SMALLHOLDERS BY COUNTRY



SCHEME VS. INDEPENDENT OIL PALM SMALLHOLDERS



- The smallholders in Indonesia who manage their own production areas and have the option to sell to SIPEF are associated buy/sell smallholders. The smallholders that SIPEF supports with certified seed supply are associated seedling smallholders. Following RSPO definitions, both types are classified as independent smallholders, and their crop is currently not included in SIPEF's physical supply chain.

Further information on how SIPEF works with smallholders can also be found on the Group's website: www.sipef.com/hq/sustainability/smallholders/





Papua New Guinea

SIPEF's oil palm plantation in Papua New Guinea, HOPL, works with 3 635 associated oil palm smallholders, managing a production area of 14 890 hectares. This represents more than 50% of the company's planted area. In 2021, these smallholders produced around 39% of the FFB processed in HOPL's three mills.

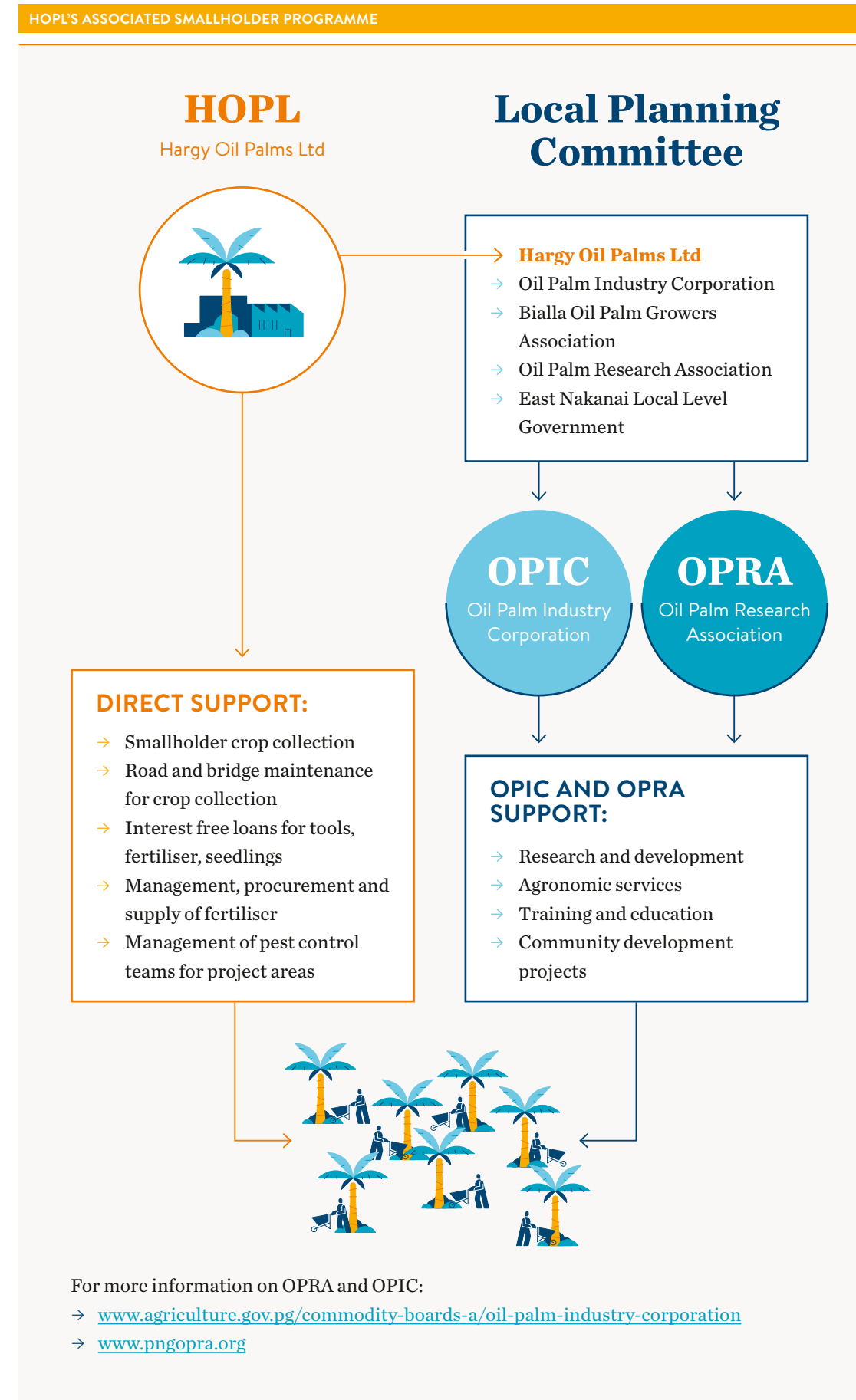
Associated smallholders working with HOPL are in principle independent, as they own the land they farm and take full ownership of the choice of crop and management decisions. However, due to their geographic location, they can only sell to mills within their vicinity, and therefore have a standing arrangement with HOPL. As such, they are classified for certification purposes as scheme smallholders.

An overview of HOPL's smallholder programme is provided in the following section and on the company's website: www.sipef.com/sipef-papua-new-guinea/sustainability/smallholders/

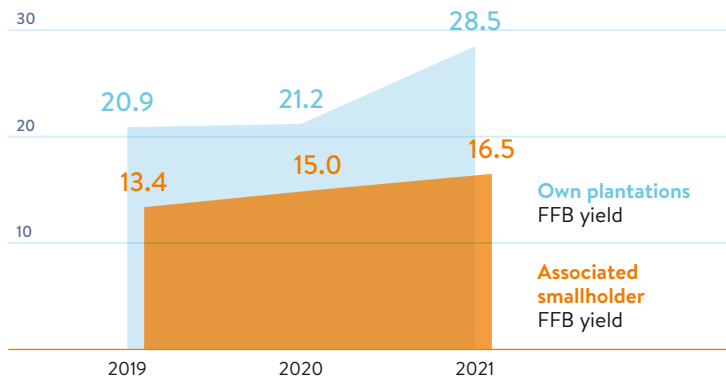
HOPL'S ASSOCIATED SMALLHOLDER PROGRAMME

HOPL works with smallholders both directly and through the Local Planning Committee, which is made up of representatives from the Oil Palm Industry Corporation (OPIC), the Bialla Oil Palm Growers Association (BOPGA), the Oil Palm Research Association (OPRA), the East Nakanai Local Level Government (ENLLG), and the company.

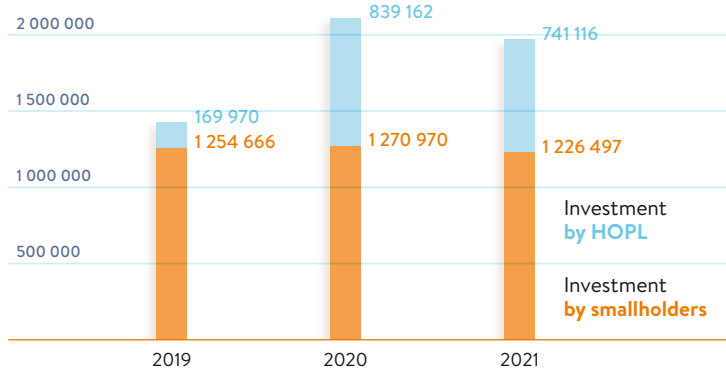
OPIC provides extension services and OPRA provides research and development services relevant to smallholders. The central role of both organisations is to increase smallholder productivity, promote improved farm management techniques, provide advice and education regarding oil palm production methods, and enhance the well-being of smallholders. Services include research on integrated pest management, pest and disease control, outreach and awareness, and projects related to livelihoods and community development.



HOPL FFB YIELD 2019 - 2021 (FFB TONNES/HA)



ANNUAL INVESTMENT (PGK) IN CAPACITY BUILDING AND RESEARCH FOR SMALLHOLDERS IN PAPUA NEW GUINEA



HOPL SMALLHOLDER FIELD DAYS

As part of its commitment to supporting smallholders, HOPL regularly hosts smallholder field days. These events bring together smallholder growers, relevant HOPL departments and a variety of external organisations, including those focused on extension services and research and development, like OPIC and OPRA. They focus on training, raising awareness and networking, with the objective of assisting smallholders with increasing their productivity, sustaining their livelihoods, and improving their compliance with RSPO certification and HOPL's policies.

The last field day was held in July 2021. Sessions were held on a variety of topics, including: productivity, fertiliser application, pest management, smallholder crop transportation, RSPO certification compliance, and grievance management. Financial institutions were also invited to present on savings and banking services.

In addition to field days, HOPL hosts meetings and conducts numerous trainings throughout the year, to ensure its associated smallholders continue to stay up-to-date with the latest developments and BMPs. A total of 253 smallholder meetings and trainings were organised in 2021.

One of the main goals of the associated smallholder programme at HOPL is to support smallholders in sustaining their current planted area, while achieving a production rate of 20 tonnes per hectare by 2025. Production trends in the last three years indicate that HOPL's associated smallholders are making progress towards achieving this goal, although it is predicted that replanting will become a pressing issue in the coming years. With the number of smallholder blocks increasing, and palm oil production being a primary source of income, replanting is not being done on time.

Since 2017, HOPL has increased its direct involvement in the extension services provided to smallholders. Together, HOPL and its associated smallholders invested a total of PGK 1 967 613 in capacity building and research in 2021.

Indonesia

PT Tolan Tiga Indonesia currently works with a total of 6 369 oil palm, rubber and tea smallholders. For oil palm production, the company works with 5 513 smallholders through four different programmes.

PT TOLAN TIGA INDONESIA SMALLHOLDER PROGRAMMES

Company managed smallholders

- 1 943 smallholder members
- Planted area: 4 643 hectares



4 643 ha

The company managed programme follows a model traditionally set by the government-originated plasma schemes in Indonesia. Under this programme, PT Tolan Tiga is in full control of all aspects of the management and production of the crops.

Associated buy/sell smallholders

- 2 438 smallholder members
- Planted area: 5 667 hectares



5 667 ha

Under the associated buy/sell programme, farmers typically manage their own smaller parcels of land. They are not locked into any formal company partnerships and are technically free agents to sell their FFB to whomever they choose. However, they are encouraged to sell their FFB to the company, which agrees to the purchase on the basis of a transparent and published formula.



2 312 ha



686 ha

Village smallholders

- (Kebun Masyarakat Desa)
- 304 smallholder members
- Planted area: 686 hectares

The village smallholders programme is another type of plasma smallholder programme. Through the Agro Muko operation the company works with surrounding villages to develop small oil palm blocks, which are either fully or partially managed by PT Tolan Tiga Indonesia's plantations.

Associated seedling smallholders

- 828 smallholder members
- Planted area: 2 312 hectares

Associated seedling smallholders both own and have full management control of their production plots. PT Tolan Tiga Indonesia is engaging with these smallholders as part of its commitment to increase the number of smallholders in its supply chain. With the wide diversity of smallholder activities and systems across Indonesia, the complexity of the arrangements will mean these smallholders can choose to not be physically linked to the supply chain, and their integration will take time.

More information on how PT Tolan Tiga Indonesia works with smallholders can be found on the company's website: www.sipef.com/sipef-indonesia/sustainability/smallholders/



VILLAGE SMALLHOLDERS - KEBUN MASYARAKAT DESA (KMD)

PT Tolan Tiga's Village smallholder programme is focused on the villages surrounding its Agro Muko operations. Under this programme, small oil palm blocks are developed called *Kebun Masyarakat Desa* (KMD), or villagers' estates, which are either fully or partially managed by PT Tolan Tiga Indonesia's plantations. The programme consists of 304 smallholders and is fully RSPO certified.

PT Tolan Tiga Indonesia pre-finances the development of the plots and later buys the production at market prices, with an agreed-upon deduction to pay

off the low interest loan. This brings in significant additional revenue to the village cooperatives, which is often used for communal facilities and developments. Monthly accounts are communicated to the community cooperatives, and the amounts paid by PT Tolan Tiga Indonesia are published in the local newspapers.

The scheme is extremely popular, and even villages far from the Group's estates volunteer to join.

Smallholder certification

As of 31 December, around 80% of SIPEF's total oil palm smallholder production area is RSPO certified. This represents 4 297 smallholders, on 16 243 hectares of production area. Around 17% of the Group's total certified FFB is produced by smallholders.

Papua New Guinea

All of the smallholders working with HOPL and supplying its three mills are certified for compliance with the RSPO. They first received their certification at the same time as HOPL's own plantations in 2009, and have remained committed to its preservation. This was the second group of smallholders to be certified on such a scale globally.

A premium sharing structure is in place with the smallholders, which is linked to the sale of certified products. Certified smallholders receive a sustainability premium from HOPL, based on their FFB contributions to the mills.

Indonesia

In Indonesia, nearly 30% of the smallholders supplying FFB to SIPEF's mills are certified, representing a production area of 1 353 hectares. When taking into consideration the full scope of smallholders SIPEF is working with, including those not supplying SIPEF's mills, around 12% are RSPO certified.

A key challenge with regard to achieving 100% certification is linked to the Indonesian regulation that requires an equivalent of 20% of any new concession rights agreement (*Hak Guna Usaha* - HGU) areas to be allocated for smallholders. In particular, the regulation was amended in 2017 to also include all renewals of HGU concessions.

RSPO CERTIFIED FFB PRODUCTION OF SMALLHOLDERS AND OWN PLANTATIONS (TONNES)



AVERAGE PREMIUM PAID BY HOPL TO SMALLHOLDERS

(PGK / TONNE FFB)	
2019	12.6
2020	12.43*
2021	13.07

* NOTE: Average premium paid for 2020 is a restatement from previous reports.

To ensure compliance, SIPEF has added and engaged new smallholders, and is working with them on their integration into the Company's certified supply base. In the meantime, crops from these smallholders are processed separately by third-party mills, in order to maintain the fully-certified status of SIPEF's own mills.

Managing risks in SIPEF's supply base

SIPEF's third-party suppliers must comply with SIPEF's RPuP, which frames the Group's conditions for working with smallholders on their journey towards certification.

Together with the Responsible Plantations Policy, the RPuP forms the basis for the criteria and procedures to select and monitor smallholders in SIPEF's supply base. These criteria and procedures are specifically adapted to the local contexts of Indonesia and Papua New Guinea, the two locations where SIPEF works with third-party suppliers.²⁰

Selection criteria

SIPEF engages in a screening process to determine whether the land and practices of any new smallholders, with whom the Group is planning to engage, are compliant with SIPEF's policies. The process is also used to evaluate the smallholders' potential for future RSPO certification.

- **Plot locations:** location must be known and mapped. No planting on peat, on steep slopes, within a riparian zone, or within 100 metres of an area designated for forestry use or within 500 metres of a protected area.
- **Other criteria:** proof of legal authorisation of land use, membership of an association, compliance with SIPEF policies on human rights, fair labour and no exploitation.

If these criteria are met, SIPEF can enter into a Memorandum of Understanding (MoU) with the smallholders.

PT Tolan Tiga Indonesia works with a checklist to be completed by the smallholders as part of the screening process, as well as for monitoring compliance during internal audits. The checklist also helps smallholders understand the policies and commitments involved in their engagement with the company. Smallholders evaluated as eligible must also sign an MoU, which includes a commitment to critical and continuous improvement criteria, through their representative association.

HOPL also works with a checklist, but primarily for monitoring the compliance of its existing smallholders. The company is currently not adding any new growers to its programme due to the requirements of the RSPO New Planting Procedure (NPP). A request has been submitted by smallholders to the RSPO and the High Carbon Stock Approach (HCSA) to review existing farmers, who operate land based on shifting agricultural practices.

The internal audit checklists can be found on SIPEF's Company website at: www.sipef.com/hq/sustainability/traceability-and-risk-management/

New developments

Under the company-managed programme in Indonesia, the existing production areas are managed entirely by PT Tolan Tiga Indonesia and fall under the internal control system the company has in place for its own operations. Any new smallholder development under this programme will go through the RSPO NPP. This ensures that there is compliance with all of the key criteria including assessing soil suitability, integrated

High Conservation Value (HCV)/High Carbon Stock (HCS), land use change, social impact and greenhouse gas (GHG) assessments.

Unlike the company-managed smallholders in Indonesia, smallholders in Papua New Guinea manage their own farms. The smallholders themselves therefore have to comply with SIPEF's policies and the RSPO Principles & Criteria (P&C). HOPL also requires that any new smallholder developments undergo the NPP. However, there have been no new plantings due to the complexity of land use in Papua New Guinea, in connection with the NPP requirements.

Monitoring compliance

PT Tolan Tiga Indonesia monitors its smallholders for compliance through regular outreach, support and assessments. Assessments are carried out utilising the same screening checklists used when starting engagement with new smallholders. The objective of the outreach activities is to raise awareness of the policies and graduate growers into the scope of the certified supply base, once they are ready for RSPO certification.

In Papua New Guinea, HOPL provides associated smallholders with regular training, and conducts block inspections and internal audits. These smallholders are also audited annually by an RSPO Certification Body, utilising a sampling intensity formula.

The block inspections evaluate the smallholder's implementation of BMPs, and are conducted by extension officers who are part of HOPL's Smallholder Agricultural Advisory Services (SHAAS) team. The internal audits evaluate smallholder compliance with RSPO requirements, and are carried out by the Sustainability department as part of HOPL's internal audit plan. These audits also cover social indicators relevant to smallholders following the National Interpretation of the P&C in Papua New Guinea, including no child labour and grievance management.

Results of the audits and inspections are communicated to growers by the SHAAS team, which also supports the smallholders in addressing any issues of non-compliance identified.

Managing breaches

When a breach of policies or regulations is found, SIPEF prioritises maintaining engagement and providing the opportunity for smallholders to take remedial action. This is important to drive improvement, which SIPEF has found to be much more effective than exclusion.

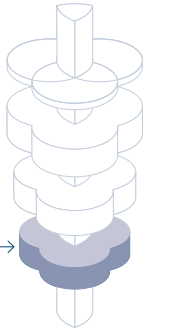
Non-compliances are evaluated on a case-by-case basis to understand their origins and subsequently determine the appropriate actions to be taken.

If breaches are found, the crop is segregated from the certified supply chain.

²⁰ Overviews of the compliance and risk management approaches for suppliers by country of operation are available at: www.sipef.com/hq/sustainability/traceability-and-risk-management/



Responsible business and transparency



SIPEF believes that business can be a force for good. The private sector has the innovative potential to find solutions to the world's toughest challenges, and to make a significant contribution to sustainable development. The Group operates with the highest regard for ethical principles, and continues to prioritise transparency towards its stakeholders on how it conducts its business.

In addition to the intrinsic importance of responsible business practices, SIPEF is aware of the legal, financial, reputational and operational risks associated with any instances of poor practice. The Company is committed to fostering a culture of ethical conduct amongst its employees, in alignment with all relevant laws and internal policies. SIPEF has also set up the appropriate systems and channels for employees and other stakeholders to communicate their concerns and provide feedback, or report any misconduct.

During 2021, SIPEF continued to strengthen its commitments and approach to corporate and sustainability governance. Recent years have also seen the introduction of new regulatory requirements on transparency and sustainability reporting. SIPEF strives to align with and anticipate these evolving requirements, both globally and within the European Union.







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Corporate governance

SIPEF has a strong corporate governance structure in place with several policies addressing critical topics, such as responsible and ethical behaviour, privacy, bribery and corruption, and

whistleblowing. These policies collectively set out the Group's commitments to ethical business conduct and corporate governance best practice.

	Corporate Governance Charter	The Charter describes the most important elements of SIPEF's corporate governance, including the governance structure of the Company.
	Ethics Policy	The Ethics Policy specifies SIPEF's commitment to transparency, anti-bribery and anti-corruption, compliance with all relevant international and national laws, and the prohibition of using the Group's facilities or working hours to conduct personal business.
	Code of Conduct	Adopted by the Board in 2019, the Code of Conduct sets out the principles of conduct in terms of responsible and ethical behaviour for all staff, including consultants and contracting parties of SIPEF.
	Whistleblowing Policies	SIPEF's Group level policy and procedures on whistleblowing are outlined in the Code of Conduct. The Group's subsidiary PT Tolan Tiga Indonesia also has a local level whistleblowing policy in place, which has been published on its website in both English and Bahasa Indonesia.
	Grievance Policy	The Grievance Policy outlines SIPEF's commitments associated with handling internal and external grievances. It states that the employees of the Group, and any other stakeholders, can report grievances freely and without fear of negative consequences. SIPEF's commitment to handling grievances through transparent and unbiased mechanisms is also included in the Group's Responsible Plantations Policy.
	General Privacy Policy	SIPEF's Privacy Policy has been effective since 25 May 2018. The policy defines how SIPEF uses, stores and protects personal data. It is aligned with the requirements applicable in the European Union under the General Data Protection Regulation (EU Regulation 2016/679).

The above policies and documents are available on SIPEF's company website:

- www.sipef.com/hq/investors/shareholders-information/corporate-governance
- www.sipef.com/hq/sustainability/sipef-corporate-policies

Anti-bribery and anti-corruption

SIPEF understands the importance of creating a fair environment for business, free from the distorting, anti-competitive effects of bribery and other forms of corruption. The Company is aware of the seriousness of potential consequences for the Group in terms of legal, financial, reputational and operational impacts.

Financial penalties can amount to thousands or millions of euros. Negative media coverage can seriously harm the reputation of the Group and have a potential impact on the stock price of SIPEF. Moreover, operations can be halted for a few hours, days, months or even fully stopped, for example if a land permit is revoked.

The Group has robust policies, mechanisms and measures in place to address any risks associated with corruption in the industry and locations in which the Group operates. Internal sanctions, up to dismissal, are issued for breaching Company regulations. The worst cases are reported to the relevant authorities, and the Company cooperates fully in cases of prosecution. Internal procedures and internal audit programmes are continuously under review to prevent and detect internal and external fraud.





Ethics Policy

SIPEF's Ethics Policy was first drawn up in 2017, and applies to SIPEF and its suppliers.

The Policy focuses on the following principles and commitments:

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

Code of Conduct

Anti-bribery and anti-corruption have an important place in SIPEF's Code of Conduct. The Code sets out the principles of conduct in terms of responsible and ethical behaviour for the employees and management of SIPEF. It serves as a minimum set of guidelines, and is supported by other more specialised policies on specific topics, such as SIPEF's Ethics Policy.

The Code covers various topics and issues linked with ethical conduct, including: attitude at work, relations with clients and suppliers, conflicts of interest and insider trading, use of corporate funds, bribery and improper payments, discrimination and equal treatment, whistleblowing, and data protection and privacy.

As required by the Belgian Code and the Corporate Governance Charter, the board of directors of SIPEF monitors compliance with the Code of Conduct once a year. SIPEF has also introduced a code of conduct in all of the countries where it is active.

Whistleblowing procedures

Employees who have concerns about suspected misconduct are encouraged to come forward without fear of punishment or unfair treatment. All reported concerns are handled with the utmost confidentiality and the name of the whistleblower is not disclosed without consent.

SIPEF and the subsidiaries of SIPEF are required to make sure that any concern reported is properly followed up and investigated, if appropriate, and that the necessary corrective actions are taken.

Training on policies

Since 2017, the Group has provided training for its employees, with the target of ensuring that employees at every level of the business understand the relevance and importance of the Group's anti-corruption policies.

Grievance mechanism

SIPEF's grievance mechanism ensures all stakeholders, internal and external, can be confident that their grievances will be heard and handled impartially, and will not be met with reprisal. A Group policy on grievances has been implemented and communicated to the entire workforce, as well as to other stakeholders.

All grievances are addressed in a transparent and timely manner, directly between the complainants and the respective operation. A specific system is in place for cases involving sexual harassment, with an emphasis on preserving privacy and ensuring fair proceedings.

Grievances received from NGOs, or grievances considered to be significant, are communicated on the Grievance Dashboard of the SIPEF company website, including information about the status of each case, and whether and how cases have been resolved.

The Grievance Dashboard can be accessed at: www.sipef.com/hq/sustainability/grievances-dashboard-active-andor-progressing

EU taxonomy: Consolidated disclosures pursuant to Art. 8 Taxonomy Regulation

The EU taxonomy is a classification system for environmentally sustainable economic activities, developed by the European Commission to help scale up sustainable investment and implement the European Green Deal.²¹

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards sustainable projects and activities. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals, as it establishes clear definitions and criteria for what is considered to be 'sustainable'. This includes definitions and criteria for the environmental objectives 'Climate change mitigation' and 'Climate change adaptation'.

THE TAXONOMY REGULATION ESTABLISHES SIX ENVIRONMENTAL OBJECTIVES:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

For more information: ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

As a non-financial parent undertaking, SIPEF has assessed the Taxonomy-eligibility of its economic activities for the reporting period 2021. The following section presents the proportion of the Group's turnover, capital expenditure (Capex) and operating expenditure (Opex) associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation), in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

SIPEF's core business activities: Taxonomy-non-eligible

SIPEF has assessed all Taxonomy-eligible economic activities listed in the Climate Delegated Act based on the Company's activities as an agro-industrial group. The Climate Delegated Act focuses on economic activities and sectors that have the most potential to achieve the objectives of climate change mitigation²² and climate change adaptation. The sectors covered include energy, selected manufacturing activities, transport and buildings.

SIPEF's assessment of Taxonomy-eligibility focused on economic activities defined as the provision of goods or services on a market, thus (potentially) generating revenues. In this context SIPEF, as an agro-industrial group, defines the growing of oil palm, rubber, tea and bananas, and the production of palm oil, palm kernels, palm kernel oil, rubber and tea as the core of its business activities.

²¹ European Commission. (Retrieved December 2021). *EU taxonomy for sustainable activities*. https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

²² Climate mitigation refers primarily to the need to avoid producing greenhouse gas emissions, the reduction of greenhouse gas emissions or to increase greenhouse gas removals and long-term carbon storage.

After a thorough evaluation involving all relevant departments and teams, it was concluded that SIPEF's core economic activities are not covered by the Climate Delegated Act and as such, are Taxonomy-non-eligible.

As stipulated in the Climate Delegated Act adopted in June 2021, the criteria for agriculture have been temporarily excluded from the Delegated Regulation, pending further progress on the negotiations underway on the Common Agricultural Policy (CAP). SIPEF therefore expects to be able to report at least some of its core business activities as Taxonomy-eligible under the objectives of climate change mitigation and climate change adaptation in the future.

SIPEF discloses this information on a voluntary basis, as the Group believes that this information is helpful for users of its consolidated non-financial statement to gain a better understanding of its business activities.

Although SIPEF's core activities are not currently covered by the Climate Delegated Act, and not Taxonomy-eligible, the Group remains committed

to reducing greenhouse gas emissions linked with its business activities, and to managing the risks and impacts associated with climate change. An overview of the Group's existing initiatives with respect to climate change mitigation and adaptation has been provided on page 50 of this report.

Key Performance Indicators

The key performance indicators (KPIs) included in the assessment are the turnover KPI, the Capex KPI and the Opex KPI. For the reporting period 2021, it is required that these KPIs are disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities, pursuant to Art. 10 (2) of the Art. 8 Delegated Act.

SIPEF's turnover is Taxonomy-non-eligible because the Group's economic activities are, to date, not covered by the Climate Delegated Act. Subsequently, the capital and operating expenditure related with these activities are also Taxonomy-non-eligible (see table below for totals of each KPI).

PROPORTION OF TAXONOMY-ELIGIBLE AND TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES IN TOTAL TURNOVER, CAPEX AND OPEX

	TOTAL (KUSD)	PROPORTION OF TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES (%)	PROPORTION OF TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES (%)
Turnover	416 053	0%	100%
Capital expenditure (Capex)	68 692	0%	100%
Operating expenditure (Opex)	33 391	0%	100%

Accounting policies

The assessment of the Taxonomy-eligibility and Taxonomy-non-eligibility of SIPEF's Turnover, Capex and Opex was carried out in accordance with the specifications and definitions set out in Annex I of the Art. 8 Delegated Act. The accounting policies utilised in this process are described as follows:

TURNOVER KPI

The proportion of Taxonomy-eligible economic activities in the Group's total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on the Group's consolidated net turnover in accordance with IAS 1.82(a). For further details on the Group's accounting policies regarding the Group's consolidated net turnover, cf. page 20 of Annual Report part 2 (Financial Statements).

With regard to the numerator, SIPEF has not identified any Taxonomy-eligible activities as explained above.

Reconciliation

The Group's consolidated net turnover can be reconciled to the consolidated financial statements, cf. income statement on page 10 of Annual Report part 2 (Financial Statements – 'Revenue').

CAPEX KPI

The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by the Group's total Capex (denominator). Regarding the numerator, an explanation is provided below.

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included (but this is not applicable in 2021). Goodwill is not included in Capex as it is not defined as an intangible asset in accordance with IAS 38. For further details on the accounting policies regarding the Group's Capex, cf. page 16 of Annual Report part 2 (Financial Statements).

Reconciliation

The Group's total Capex can be reconciled to the consolidated financial statements, cf. page 12 of Annual Report part 2 (Financial Statements – 'consolidated cash flow') as the total of acquisition of intangible assets, acquisition of biological assets and acquisition of property, plant and equipment.

OPEX KPI

The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by the total Opex (denominator). Regarding the numerator, an explanation is provided below.

Total Opex consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. This includes:

- Research and development expenditure, which is not applicable to the SIPEF group. Although the SIPEF group does have research and development expenditures concentrated in its minority subsidiaries Verdant Bioscience Singapore and PT Timbang Deli, these are included in the consolidation as equity consolidated companies, which are not included for the Opex calculation.
- The volume of non-capitalised leases, which was determined in accordance with IFRS 16 and includes expenses for short-term leases and low-value leases, cf. page 53 of Annual Report part 2 (Financial Statements).
- Maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment and biological assets (bearer plants). These were determined based on the maintenance and repair costs allocated to the respective assets. The maintenance of the biological assets - bearer plants contains all costs related to keeping the biological assets (bearer plants) in a good productive state. Primary examples of this include all expenses linked with fertiliser application, pruning, pest and disease control.

The related cost items can be found in various line items in the Group's income statement, including cost of sales (maintenance of operational PP&E and biological assets – bearer plants) and general and administrative expenses (such as maintenance of IT-systems), if applicable.

In general, this includes labour costs, costs for services, and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to PP&E.

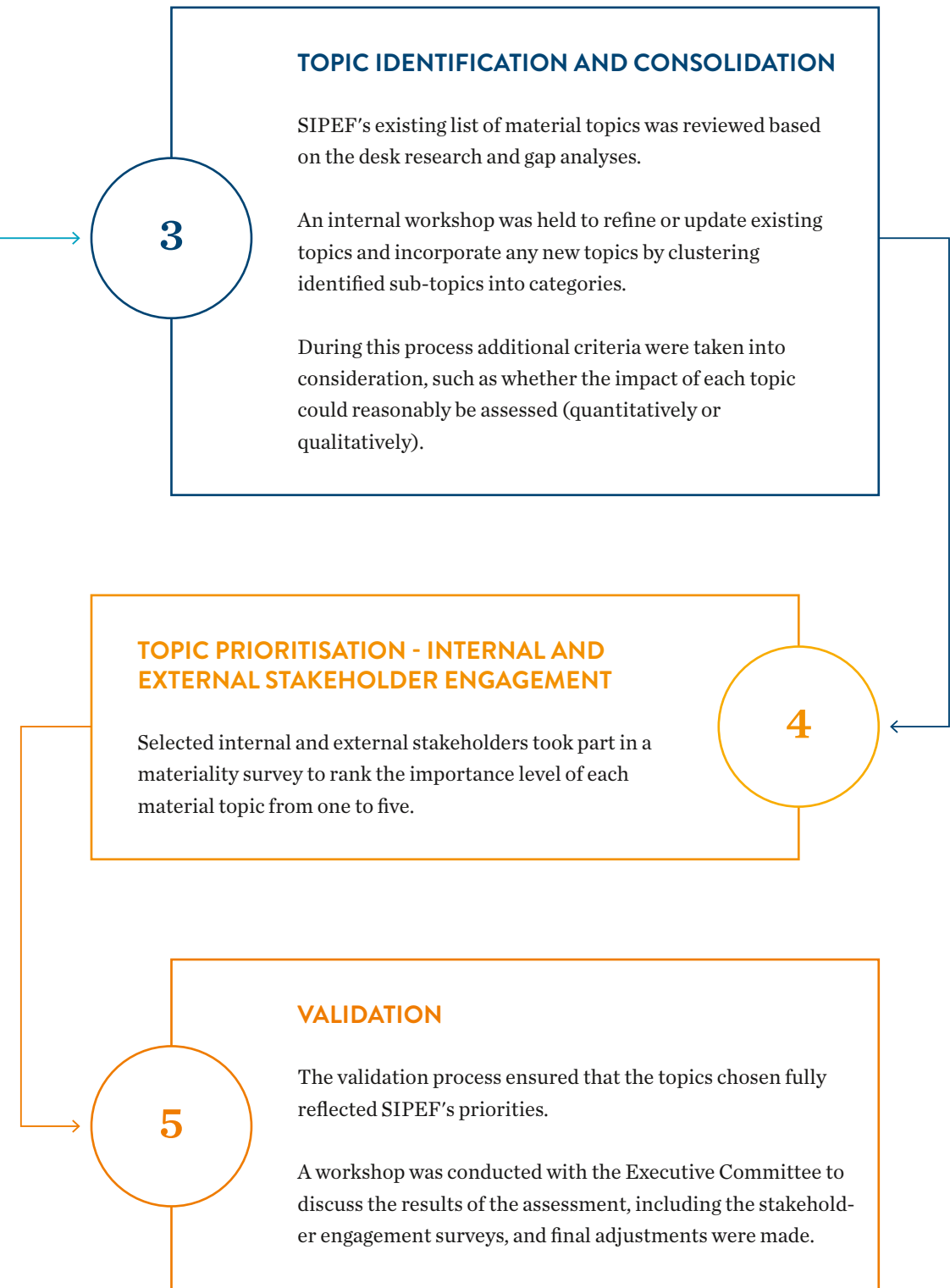
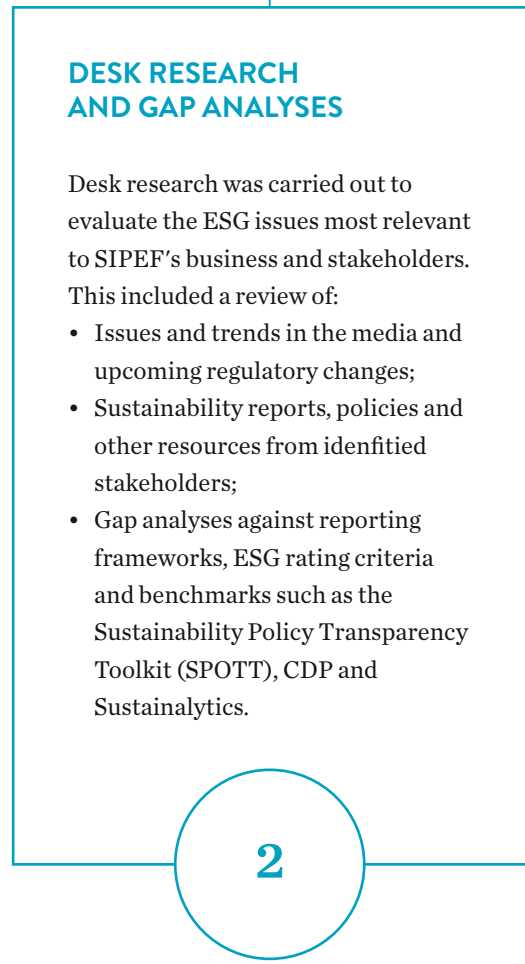
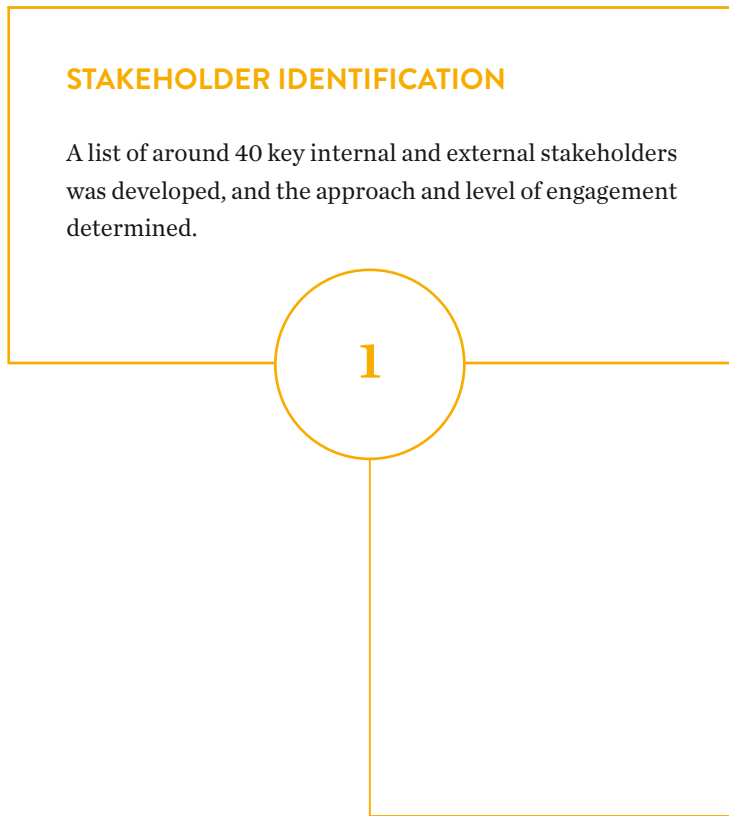
As the SIPEF group has not identified Taxonomy-eligible economic activities, the Group does not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities in the numerator of the Capex KPI and the Opex.

Annex

Materiality Assessment in 2021

The materiality assessment is the foundation of a strong ESG strategy, and SIPEF has placed significant focus on reviewing its material topics in 2021. This included improving SIPEF’s materiality assessment process, which has evolved from previous years to take into account wider internal and external stakeholder views.

OVERVIEW OF MATERIALITY ASSESSMENT PROCESS IN 2021



Stakeholder Engagement

A broader stakeholder engagement process was an important addition to the materiality assessment in 2021. A survey was carried to consult 15 internal and 16 external stakeholders from SIPEF’s employee and customer bases, investors and financial institutions, as well as experts, NGOs, and multi-stakeholder initiatives.

External stakeholders were asked to rate the importance of each topic from one to five from the perspective of their own organisations. The internal survey incorporated the concept of ‘double materiality’, inviting participants to assess the 22 material topics from one to five across two dimensions. The first dimension was the level of SIPEF’s ESG impact linked with each topic, and the second was the level of potential impact of the issues on SIPEF’s business.

The average scores for both internal and external stakeholders were used to classify the topics into sub-groups of ‘Priority’ and ‘Important’ topics. The threshold for the priority category was set at topics that scored an average of four and above.

To validate the results, the scores were plotted into materiality matrices. The first plotted internal stakeholder scores across the two dimensions of double materiality, and the second plotted the level of importance for each topic for internal versus external stakeholders. The matrices were used to analyse the different stakeholder views and make any final necessary adjustments to the priority levels assigned in the material topics list.

2021 Material Topics

The highest rated topics for both internal and external stakeholders were similar to those evaluated to be of high importance in 2020: Human Rights and Labour Standards, Traceability, Deforestation and Smallholder Engagement. With the growing global focus on climate action, Climate Change was a newly added topic that was also classified as a priority issue. Replacing the 2020 topic GHG Emissions, it expands the scope to include both climate change mitigation and adaptation.



Notably, none of the topics had an average score that ranked below three, meaning all the topics were considered important for the majority of the stakeholders consulted.



The final selection of material topics have been presented in a simplified format for 2021, classified according to two levels of priority. This can be found on page 16.




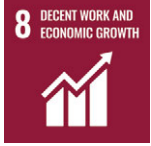
United Nations Sustainable Development Goals (SDGs)


SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
<p>SDG 1: No Poverty</p> 	1.4 - By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	<p><i>Community Rights</i></p> <p><i>Community Development</i></p>	<p>SIPEF ensures that prior to any new developments, Free, Prior and Informed Consent (FPIC) has been provided by local communities. Wherever possible, the Company also provides community members with opportunities to benefit from its activities, including through employment and development opportunities in the rural and remote areas in which the Group operates.</p> <p>Most of SIPEF's employees and their families live within its operations, and the Group provides them with housing, clean water and medical services.</p>


SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
<p>SDG 2: Zero Hunger</p> 	2.3 - By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	<p><i>Smallholder Engagement</i></p> <p><i>Productivity and Quality</i></p>	SIPEF has established smallholder oil palm programmes and services focused on enabling smallholders to participate in sustainable industries and to benefit from SIPEF's technical expertise. Emphasis is placed on achieving and maintaining RSPO certification and increasing yields and production efficiency. SIPEF's services include: agronomic advice, training and the provision of quality seedlings.
	2.4 - By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality	<p><i>Productivity and Quality</i></p> <p><i>Fertiliser and Pesticide Use</i></p> <p><i>R&D and Innovation</i></p> <p><i>Regenerative Practices</i></p>	SIPEF implements Best Management and regenerative practices, and nature-based solutions. These practices focus on improving soil fertility, optimising inputs, recycling by-products, and increasing product quality and productivity. The Group is also committed to investing in R&D and innovation that will enable progress towards these objectives, as well as enhance the quality of planting materials and resilience of future crops.
<p>SDG 3: Good Health and Well-being</p> 	3.8 - Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	<p><i>Human Rights and Labour Standards</i></p> <p><i>Community Development</i></p> <p><i>Health and Safety</i></p>	SIPEF is operating 39 polyclinics in Indonesia, Papua New Guinea and Ivory Coast. In Ivory Coast and Papua New Guinea, medical care is paid for in full by SIPEF. All facilities in both locations are accessible to both employees and community members.


SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 4: Quality Education 	4.1 - By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes	<i>Community Development</i>	SIPEF has established 44 kindergartens, primary and secondary schools in Indonesia, Papua New Guinea and Ivory Coast. All facilities are accessible to employee children and 95% are also accessible to children from surrounding communities. SIPEF also provides free day care for employee children in Indonesia.
	4.2 - By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education		
SDG 6: Clean Water and Sanitation 	6.3 - By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	<i>Water Management</i>	SIPEF mitigates pollution of surface and ground water through good soil conservation practices, the establishment of riparian zones and wastewater treatment.
	6.4 - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	<i>Water Management</i>	SIPEF optimises water use across operations, including reusing water as much possible to keep water consumption at a minimum. Almost 70% of the irrigation water used at the banana plantation in Ivory Coast is stored in dams during the rainy season, then reused and pumped during the dry season a few months later.

SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 7: Affordable and Clean Energy 	7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix	<i>Climate Change</i>	Generation of electricity from renewable energy sources, including from steam turbines and methane capture facilities fitted with biogas plants at SIPEF's palm oil operations. In 2021 SIPEF generated 44 311 658 kWh of electricity from renewable energy sources, all of which was used for powering its palm oil mills or for general use by nearby communities.

SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 8: Decent Work and Economic Growth 	8.5 - By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	<i>Human Rights and Labour Standards</i>	SIPEF meets all local regulations for wages and is compliant with the decent living wage calculations audited by the various certification standards to which the Group adheres. This includes workers on piece rate/quotas, for which the wage calculation is based on achievable quotas during regular working hours. The Group is working towards alignment with the definitions of the Global Living Wage Coalition (GLWC) following the certification standards' processes.
	8.8 - Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	<i>Health and Safety</i>	SIPEF ensures its employees and workers are provided with a safe and healthy work environment. To prevent accidents, the Group invests in continuous training, the provision of appropriate PPE, and rigorous internal supervision and control systems. All risks are regularly analysed and assessed, and any occupational accidents are investigated to prevent them from being repeated.

SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 12: Responsible Consumption and Production 	12.2 - By 2030, achieve the sustainable management and efficient use of natural resources	<i>Productivity and Quality</i> <i>Sustainability Standards and Certification</i>	Credible third-party certification is an important aspect of SIPEF's sustainability approach. The Group applies the highest benchmarked international standards, including the RSPO and Rainforest Alliance standards. The Group also implements Best Management, regenerative and circular practices. This includes practices focused on improving reusing by-products and waste, and implementing nature-based solutions where possible.
	12.4 - By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	<i>Fertiliser and Pesticide Use</i>	SIPEF engages in Integrated Pest Management (IPM) for both its oil palm and banana production. Pesticides are used as a last resort when IPM and other methods are not able to prevent outbreaks of pests and diseases above the economic threshold.

SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 13: Climate Action 	13.1 - Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<i>Climate Change</i> <i>Fire Prevention and Management</i>	SIPEF is engaging in the following climate change adaptation initiatives under its current approach: <ul style="list-style-type: none"> • No new planting on peatlands and implementation of best management practices on existing plantings on peatland • SIPEF has a fire risk alert monitoring system, as well as comprehensive firefighting procedures in place • Strengthening natural defences against storm surges, coastal erosion and coastal flooding through the rehabilitation of coastal buffers
	13.2 - Integrate climate change measures into national policies, strategies and planning	<i>Climate Change</i>	SIPEF is engaging in the following climate change mitigation initiatives under its current approach: <ul style="list-style-type: none"> • A composting facility for palm oil residues • Methane capture facilities and biogas plants that generate renewable electricity • A biomass pellet facility • Biodiversity, conservation and reforestation programmes in Indonesia, Papua New Guinea and Ivory Coast

SDG GOAL	SDG TARGET	RELEVANT MATERIAL TOPICS	SIPEF'S ACTIVITIES
SDG 15: Life on Land 	15.1 - By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	<i>Deforestation</i> <i>Ecosystem Conservation and Restoration</i> <i>Peatlands</i>	Conservation areas are identified and protected within the areas of SIPEF's concessions where the Group has management control. The Group is committed to No Deforestation and no new plantings on peatland, and HCV and HCSA assessments are carried out prior to any new developments. SIPEF is also committed to monitoring biodiversity in all set-aside areas within its concessions, and to implementing its no hunting policy on its own estates and in the cultivated areas of its third-party suppliers.
	15.2 - By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	<i>Ecosystem Conservation and Restoration</i> <i>Deforestation</i>	Through the SIPEF Foundation, the Group finances and supports two long-term biodiversity projects in Indonesia. Both are based in West Sumatra near SIPEF's Agromuko estates. One is focused on the protection of 12 672 hectares of natural forests, and the other is a sea turtle conservation programme. In addition, Plantations J. Eglin In Ivory Coast manages a reforestation programme covering an area of 126 hectares.
	15.3 - By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world	<i>Deforestation</i>	
	15.5 - Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	<i>Biodiversity</i> <i>Ecosystem Conservation and Restoration</i>	

Base Data

About SIPEF

Planted area

OIL PALM OPERATIONS (HECTARES)	2019	2020	2021
SIPEF GROUP			
Planted area – own plantations	73 977	76 473	77 163
Mature	59 531	63 489	64 181
Immature	14 446	12 984	12 982
INDONESIA			
Planted area – own plantations	60 270	62 785	63 558
PAPUA NEW GUINEA			
Planted area – own plantations	13 707	13 689	13 605
BANANA OPERATIONS (HECTARES)			
IVORY COAST			
Planted area – own plantations	796	780	794

Responsible production and processing

PRODUCTIVITY AND QUALITY

Production volumes

OIL PALM OPERATIONS (TONNES)	2019	2020	2021
SIPEF GROUP			
Total FFB production	1 384 671	1 458 913	1 658 840
FFB production – own plantations	1 175 434	1 220 469	1 385 858
FFB production – smallholders	209 237	238 443	272 982
INDONESIA			
Total FFB production	944 281	979 506	1 059 857
FFB production – own plantations	919 919	950 853	1 019 009
FFB production – smallholders	24 362	28 652	40 848
PAPUA NEW GUINEA			
Total FFB production	440 390	479 407	598 983
FFB production – own plantations	255 515	269 616	366 849
FFB production – smallholders	184 875	209 791	232 134

Production volumes

BANANA OPERATIONS (TONNES)	2019	2020	2021
IVORY COAST			
Total banana production	32 849	31 158	32 200

Oil Extraction Rates

PALM OIL MILL OPERATIONS	2018	2019	2020	2021
Indonesia	22.73%*	23.33%*	22.79%*	22.99%
Papua New Guinea	24.34%	23.33%	24.63%	25.58%
GROUP	23.36%*	23.26%*	23.42%*	23.96%

* NOTE: Data for Indonesia and Group for 2018, 2019 and 2020 have been restated.

Average percentage of free fatty acids in SIPEF's palm oil production

PALM OIL MILLS	2018	2019	2020	2021
INDONESIA				
PLPOM	2.65%	2.97%	3.14%	3.42%
BMPOM	3.14%	3.06%	3.13%	3.13%
UMWPOM	3.62%	3.98%	3.31%	3.65%
MMPOM	3.46%	3.55%	2.97%	3.32%
BTPO	3.86%	3.47%	3.40%	4.00%
DMPOM	3.71%	3.65%	3.57%	3.40%
PAPUA NEW GUINEA				
HPOM	3.68%	4.03%	3.03%	2.71%
NPOM	4.30%	3.98%	3.70%	3.06%
BPO	4.23%	4.26%	3.18%	3.64%

SUSTAINABILITY STANDARDS AND CERTIFICATION

Number of certificates

CERTIFICATIONS	2018	2019	2020	2021
RSPO: Roundtable on Sustainable Palm Oil	8*	8*	8*	8
ISCC: International Sustainability and Carbon Certification	5	4	4	4
ISPO: Indonesian Sustainable Palm Oil	5	6*	6*	7
ISO 14001:2015	1	1	1	1
ISO 9001:2015	1	1	1	1
GLOBALG.A.P.	1	1	1	1
Rainforest Alliance	5	5	5	5*
Fairtrade		1	1	1
Sedex	1	1	1	1
FSSC 22000-4.1		1	1	1
Halal Assurance System		1	1	1
TOTAL	27*	30	30*	31

* NOTES:

- RSPO certificate data from 2018, 2019 and 2020 have been restated to accurately reflect that HOPL certificates are multi-site.
- ISPO certificate data from 2019 and 2020 have been restated. ISPO certificates are issued by company name and are not reflective of number of mills certified.
- The three certificates for SIPEF's rubber estates are only valid until July 2021, due to Rainforest Alliance having discontinued certification for rubber.

RSPO certified area of oil palm operations

OIL PALM OPERATIONS (HECTARES)	2019	2020	2021
SIPEF GROUP			
Total RSPO certified area	96 975	95 139	96 342
RSPO certified area – own plantations	81 909	80 073	80 099
RSPO certified area – smallholders	15 066	15 066	16 243
INDONESIA			
RSPO certified area	62 613	60 791	60 992
RSPO certified area – own plantations	61 440	59 618	59 639
RSPO certified area – smallholders	1 173	1 173	1 353
PAPUA NEW GUINEA			
RSPO certified area	34 362	34 348	35 350
RSPO certified area – own plantations	20 469	20 455	20 460
RSPO certified area – smallholders	13 893	13 893	14 890

RSPO certified production volumes of oil palm operations

OIL PALM OPERATIONS (TONNES)	2019	2020	2021
SIPEF GROUP			
Total RSPO certified FFB	1 323 079	1 381 092	1 555 758
RSPO certified FFB – own plantations	1 121 244	1 150 582	1 297 632
RSPO certified FFB – smallholders	201 835	230 510	258 126
INDONESIA			
RSPO certified FFB	882 689	901 685	956 775
RSPO certified FFB – own plantations	865 729	880 966	930 783
RSPO certified FFB – smallholders	16 960	20 719	25 992
PAPUA NEW GUINEA			
RSPO certified FFB	440 390	479 407	598 983
RSPO certified FFB – own plantations	255 515	269 616	366 849
RSPO certified FFB – smallholders	184 875	209 791	232 134

RSPO certification progress palm oil mill operations

PALM OIL MILL OPERATIONS	2019	2020	2021
INDONESIA (NUMBER OF MILLS)			
RSPO certified mills – Identity Preserved	5	5	5
RSPO certified mills – Mass Balance	1	1	1
ISPO certified mills	6	6	6
INDONESIA (TONNES)			
CSPO production	201 992	199 877	210 276
CSPK production	41 751	42 076	42 801
PAPUA NEW GUINEA (NUMBER OF MILLS)			
RSPO certified mills – Identity Preserved	3	3	3
PAPUA NEW GUINEA (TONNES)			
CSPO production	102 835	118 123	153 203
CSPK production	21 784	24 706	30 803

ENVIRONMENTAL DATA

Total Group net emissions per year (Scopes 1 & 2)

YEAR	SCOPE 1	SCOPE 2	TOTAL
tCO₂e			
2019	409 166	4 632	413 798
2020	527 069	8 860	535 929
2021	616 937	11 418	628 355

NOTE: Verification and validation of the data following the ISO 14064 methodology was not possible in 2021. Data presented are therefore an estimate.

Energy generated from renewable sources in 2021

COUNTRY	BIOGAS FACILITIES	STEAM TURBINES	TOTAL
Kilowatt hours			
Indonesia	6 039 602	21 090 622	27 130 224
Papua New Guinea	N/A	17 181 434	17 181 434
TOTAL	6 039 602	38 272 056	44 311 658

Global Forest Watch tree cover loss monitoring data 2021

COUNTRY / PROVINCE	WITHIN OWN CONCESSIONS			WITHIN SUPPLIER AREAS		
	GFW ALERTS	VERIFIED INCIDENTS OF TREE COVER LOSS	VERIFIED AREA OF TREE COVER LOSS (HA)	GFW ALERTS	VERIFIED INCIDENTS OF TREE COVER LOSS	VERIFIED AREA OF TREE COVER LOSS (HA)
Indonesia	577	168	117	N/A	N/A	N/A
North Sumatra	18	0	0	N/A	N/A	N/A
Bengkulu	197	20	6	N/A	N/A	N/A
South Sumatra	362	148	111	N/A	N/A	N/A
Papua New Guinea	0	0	0	29	29	24
TOTAL	577	168	117	29	29	24

Number of hotspots vs. confirmed fires within concessions and supplier areas 2020-2021

COUNTRY / PROVINCE	WITHIN OWN CONCESSIONS				WITHIN SUPPLIER AREAS			
	HOTSPOTS		ACTUAL FIRES		HOTSPOTS		ACTUAL FIRES	
	2020	2021	2020	2021	2020	2021	2020	2021
Indonesia	107*	35	5	1	0	0	0	0
North Sumatra	72	5	0	0	0	0	0	0
Bengkulu	10	9	0	0	0	0	0	0
South Sumatra	25*	21	5	1	0	0	0	0
Papua New Guinea	0	2	0	2	1	8	0	1
TOTAL	107*	37	5	3	1	8	0	1

* NOTE: Data on number of hotspots within concessions in 2020 for Indonesia have been restated.

Conservation area within concessions by country

COUNTRY (HECTARES)	2019	2020	2021
Indonesia	5 575	5 217	5 510
Papua New Guinea	3 426	3 426	3 483
Ivory Coast	128	128	226
GROUP	9 129	8 771	9 219

Palm oil mills and banana operations water use

PALM OIL MILLS	2019	2020	2021
CUBIC METRES			
Indonesia	813 708	906 866	954 258
Papua New Guinea	785 027	604 144	785 027
BANANA OPERATIONS			
CUBIC METRES			
Plantations	3 601 692	4 012 702	3 901 644
Banana packing stations	231 400	211 674	218 112
CUBIC METRES / TONNE BANANAS			
Banana packing stations water usage intensity	116.7	135.6	128.3

Palm oil mill water usage intensity

PALM OIL MILLS	2019	2020	2021
CUBIC METRES / TONNE FFB			
Indonesia			
PLPOM	0.61	0.68	0.68
BMPOM	0.88	0.89	0.92
UMWPOM	0.90	1.62	1.40
MMPOM	1.24	0.91	0.95
BTPOM	0.70	0.69	0.66
DMPOM	1.02	1.14	1.06
Papua New Guinea			
HPOM	1.08	0.95	0.95
NPOM	1.00	1.20	1.13
BPOM	1.64	1.56	1.70

Quality indicators of treated palm oil mill effluent by destination in 2021

PALM OIL MILLS	DESTINATION	BIOLOGICAL OXYGEN DEMAND	CHEMICAL OXYGEN DEMAND	TOTAL SUSPENDED SOLIDS
MILIGRAMMES / LITRE				
Indonesia				
PLPOM	Land application	426	781	N/A
BMPOM	Composting	1 235	2 544	N/A
UMWPOM	Discharge into water body	20	44	4
MMPOM	Discharge into water body	66	194	50
BTPOM	Discharge into water body	57	254	33
DMPOM	Discharge into water body	98	349	76
Papua New Guinea				
HPOM	Discharge into water body	109	1 774	2 299
NPOM	Land application	186	4 726	12 865
BPOM	Land application	212	5 386	10 998

SOCIAL AND COMMUNITY DATA

Employees at Group level

GROUP EMPLOYEES	2019	2020	2021
Male	16 116	16 553	15 749
Female	5 395	5 081	5 484
TOTAL EMPLOYEES	21 511	21 634	21 233

Employees by country

COUNTRY	2019	2020	2021
Belgium	23	24	23
Indonesia	15 420	15 622	14 998
Papua New Guinea	4 692	4 575	4 628
Ivory Coast	1 376	1 413	1 583
Singapore	N/A	N/A	1

Lost time injury frequency rate by country (per 1 000 000 hours worked)

COUNTRY	2019	2020	2021
Indonesia	3.27*	2.86*	2.43
Papua New Guinea	27.96	23.76	22.67
Ivory Coast	14.50	21.44	16.38

* NOTE: Lost time injury frequency rate data for Indonesia for 2019 and 2020 have been restated.

Number of fatalities as a result of work-related injury

COUNTRY	2019	2020	2021
Indonesia	0	2	1
Papua New Guinea	1	0	0
Ivory Coast	0	0	0

Number of houses provided to employees

HOUSES PROVIDED BY SIPEF	2019	2020	2021
Indonesia	4 897	5 114	5 365
Papua New Guinea	2 290	2 269	2 305
Ivory Coast	675	783	766
TOTAL NUMBER OF HOUSES	7 826	8 166	8 436

Number of schools operational in 2021

SCHOOLS ESTABLISHED BY SIPEF	2019	2020	2021
Indonesia	35*	38*	38
Papua New Guinea	2	2	2
Ivory Coast	4	4	4
TOTAL NUMBER OF SCHOOLS	41	44	44

* NOTE: Data for number of schools in Indonesia for 2019 and 2020 have been restated.

Number of clinics operational in 2021

CLINICS PROVIDED BY SIPEF	2019	2020	2021
Indonesia	22*	23*	23
Papua New Guinea	13	13	13
Ivory Coast	3	3	3
TOTAL NUMBER OF CLINICS	38	39	39

* NOTE: Data for number of clinics in Indonesia for 2019 and 2020 have been restated.

Responsible sourcing and smallholder production

Smallholders by crop in 2021

CROP	NUMBER OF SMALLHOLDERS	SMALLHOLDER PLANTED AREA (HA)
Oil palm	9 148	28 126
Tea	489	470
Rubber	367	650
ALL CROPS	10 004	29 246

Oil Palm smallholder programmes by country in 2021

SMALLHOLDER PROGRAMMES	NUMBER OF SMALLHOLDERS	PLANTED AREA (HA)	FFB VOLUME PRODUCED (TONNES)
SIPEF GROUP			
Scheme smallholders	5 882	20 219	265 258
Independent smallholders	3 266	7 979	2 970
GROUP TOTAL	9 148	28 198	268 228
INDONESIA			
Company managed programme	1 943	4 643	23 738
Village smallholder programme (<i>Kebun Masyarakat Desa</i>)	304	686	9 386
Associated buy/sell programme	2 438	5 667	2 970*
Associated seedling programme	828	2 312	N/A*
INDONESIA TOTAL	5 513	13 308	36 095
PAPUA NEW GUINEA			
Associated smallholder programme	3 635	14 890	232 134
PAPUA NEW GUINEA TOTAL	3 635	14 890	232 134

* NOTE: FFB production volume from the associated seedling programme and the majority of FFB production volume from the associated buy/sell programme are currently not included in SIPEF's supply base.

Annual investment in capacity building and research for smallholders in Papua New Guinea

ANNUAL INVESTMENT (PGK)	2019	2020	2021
Investment by HOPL	169 970	839 162	741 116
Investment by smallholders	1 254 666	1 270 970	1 226 497
TOTAL AMOUNT INVESTED	1 424 636	2 110 132	1 967 613

RSPO certified smallholders, areas and production volumes

OIL PALM SMALLHOLDERS	2019	2020	2021
SIPEF GROUP			
Number of RSPO certified smallholders	4 312	4 309	4 297
RSPO certified smallholder area (ha)	15 066	15 066	16 243
RSPO certified smallholder FFB volume (tonnes)	201 835	230 510	258 126
INDONESIA			
Number of RSPO certified smallholders	665	663	662
RSPO certified smallholder area (ha)	1 173	1 173	1 353
RSPO certified smallholder FFB volume (tonnes)	16 960	20 719	25 992
PAPUA NEW GUINEA			
Number of RSPO certified smallholders	3 647	3 646	3 635
RSPO certified smallholder area (ha)	13 893	13 893	14 890
RSPO certified smallholder FFB volume (tonnes)	184 875	209 791	232 134

Responsible business and transparency

Proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, Capex and Opex

TAXONOMY-ELIGIBILITY	TOTAL (KUSD)	PROPORTION OF TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES (%)	PROPORTION OF TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES (%)
Turnover	416 053	0%	100%
Capital expenditure (Capex)	68 692	0%	100%
Operating expenditure (Opex)	33 391	0%	100%

Notes

For further information

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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.

The official Annual Report of the SIPEF group in ESEF-format can be found on the SIPEF-website, under the section “investors”. All other formats are considered to be unofficial versions of the Annual Report.

Concept and realisation: Focus advertising

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