Annual Report 2020

PART 3 - **SUSTAINABILITY REPORT**

SIPEF

Intro

About this report

SIPEF's 2020 Sustainability Report covers the environmental, economic and social performance across all the operational and management activities within the Group. This includes the oil palm, rubber, tea and banana operations in Indonesia, Papua New Guinea and Ivory Coast, as well as the activities of the Head Office in Belgium. The purpose of this report is to reiterate the commitments SIPEF has made, and which are entrenched in the Responsible Plantations Policy[1](RPP) of the Company.

The Sustainability Report was integrated for the first time into the 2019 Annual Report, in accordance with the legal requirement to report on non-financial information. It covered the performances of the Group in 2018 and 2019, and was the transition from the last bi-annual sustainability report of SIPEF published on its website, to today's Annual Report. From the 2020 Annual Report on, the Sustainability Report will focus on the annual performances of the Group in the financial year covered.

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

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

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

1 www.sipef.com/hq/sustainability/policies/responsible-plantations-policy/

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Materiality matrix

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

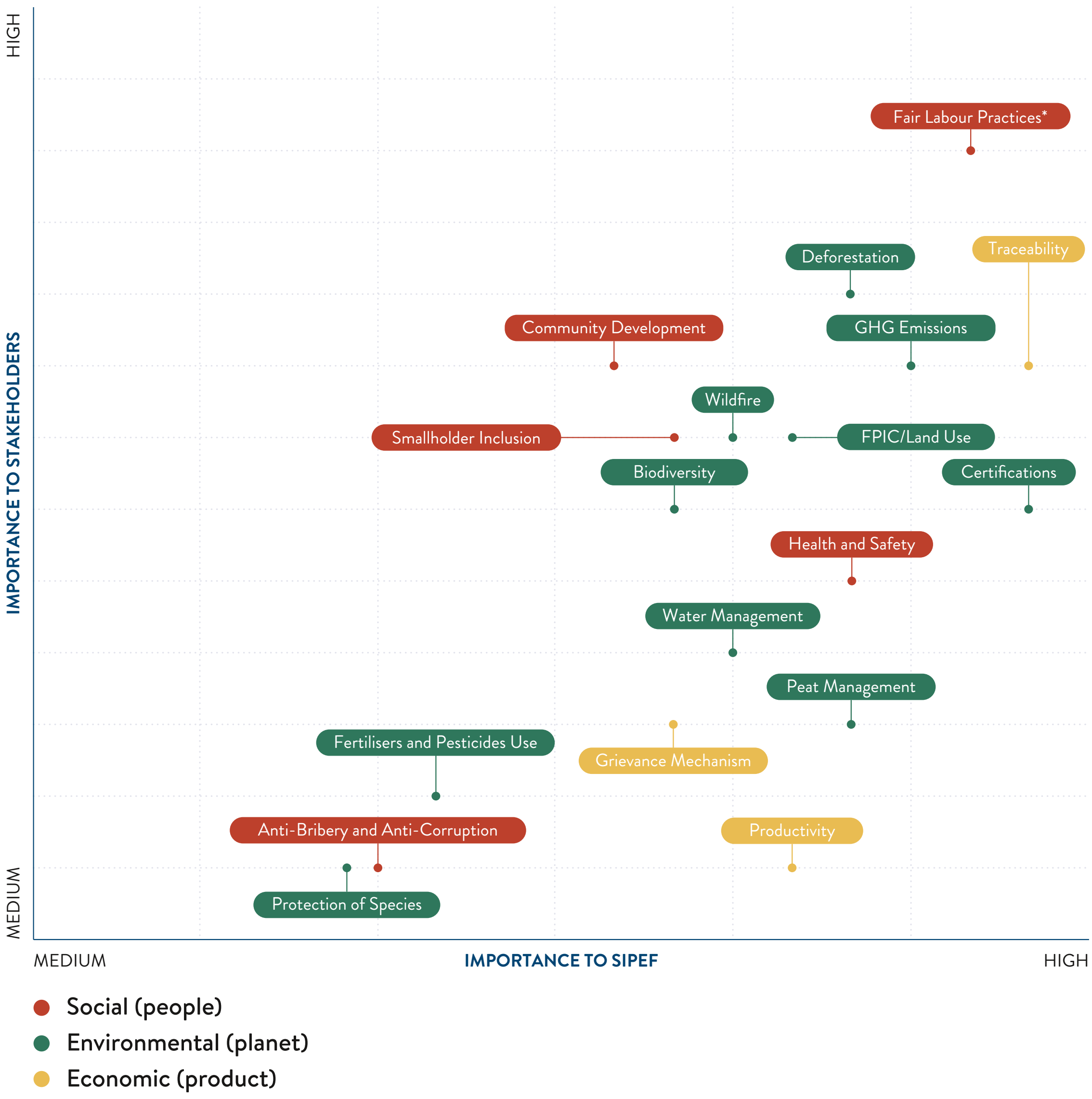
In March and April 2017, the senior management of SIPEF, through three intensive workshops, classified the different items based on their importance for the Group. Every year, all items of the materiality matrix are reviewed, amended, reclassified or completed, if necessary, depending on the latest insights on the sustainability front. As progress has been achieved over the years, the focus in the sustainability arena has drifted towards new areas where improvement can be achieved. The Group is embracing this, as it allows the recalibration of its efforts in improving its operations.

When preparing the 2020 Sustainability Report, the SIPEF sustainability team, guided by PricewaterhouseCoopers consultancy, jointly benchmarked customers, social and environmental NGOs, as well as peer plantation companies. Amongst others, SIPEF has reviewed multi-stakeholder initiatives such as the Roundtable on Sustainable Palm Oil (RSPO), the Palm Oil Innovation Group (POIG), as well as benchmarks, more precisely those in the Sustainable Palm Oil Transparency Toolkit (SPOTT) published by the Zoological Society of London.

Due to this critical screening, the material aspects of the business could be determined for the stakeholders and the Company. SIPEF is aware that the analysis of its different stakeholders and continuous dialogue with them is of the utmost importance for the continuation of the activities of the Group.

The Company is of the opinion that the materiality of the different topics of this matrix has not changed since 2019 and still applies to 2020.

MATERIALITY MATRIX SIPEF



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

Message from the managing director

I am delighted to present the SIPEF Sustainability Report for the financial year 2020. For the second year running this report is incorporated in the Company's Annual Report. I am convinced of the importance of presenting the Sustainability Report as an integral part of the Group's annual reporting. This is the only way to gain full insight into the Group's activities and their impact on the environment. Sustainability has been an essential part of the business model of the Group from the very beginning, and is a key aspect of the whole existence and the achievements of the Company. Respect for the planet and people is an inextricable facet of SIPEF's labour-intensive tropical agricultural plantation activities.

In this Sustainability Report, SIPEF wishes to explain how its existing sustainability policy has evolved and, above all, how the most recent developments and applications are put into practice. It is important to note that in its agro-industrial activities the Group cultivates crops that take a number of years to reach maturity, so the impact on the natural and social environment can only be assessed in the long term too. The Group is committed to working to improve its results, and to integrate its sustainability efforts and tailor them to its activities.

As a tropical agricultural enterprise, SIPEF remains focused on the sale of palm products: crude palm oil (CPO), crude palm kernel oil (CPKO) and palm kernels (PK), always through certified sales channels. These channels are regulated by the Roundtable on Sustainable Palm Oil (RSPO) and the International Sustainability and Carbon Certification (ISCC), for use in the food industry and for the production of green energy. Incidentally, this marketing policy also applies to the Group's other products: tea, rubber and bananas. In 2019, Plantations J. Eglin in Ivory Coast was awarded the Fairtrade label for its Motobé banana plantation to go with its Rainforest Alliance certification. The other two banana plantations, Agboville and Azaguié, were awarded Fairtrade certification in 2020. So, the Group can be proud all its banana activities are now Fairtrade certified. This is yet more proof that SIPEF is constantly focused on improving social and ecological standards across all its activities. In the future, SIPEF will continue to endeavour to supply all its products in certified physical supply flows with full traceability.

The Group's hard work has been recognised by the Zoological Society of London (ZSL). SIPEF's score rose sharply in the Sustainable Palm Oil Transparency Toolkit (SPOTT) ranking, due to improvements in how it communicates and how it expresses certain sustainability engagements. As a result, SIPEF was able to maintain its position among the most sustainable companies in the palm industry in 2020. The Group continues to work hard to maintain and, indeed, improve this ranking by launching new projects and encouraging new ideas.

In recent years, SIPEF has shown its engagement by taking various steps to reduce greenhouse gas (GHG) emissions. The possibility of reducing carbon emissions is currently being examined. Setting a realistic goal first and foremost requires good insight into the historical and current emissions of the Group. However, before any targets and reduction strategies can be established, SIPEF needs a uniform methodology to establish a benchmark for GHG emissions.

Since 2014, the RSPO GHG calculator has been used to estimate the historical GHG emissions for SIPEF RSPO certified oil palm plantations. However, the GHG calculator does have a few shortcomings. Each version generates different results from the same input. Furthermore, the GHG calculator is not geared to the wider industry standards that most companies follow, such as ISO 14064 and the GHG protocol.

The Group can be proud all its banana activities are now Fairtrade certified.

-- FRANÇOIS VAN HOYDONCK

After studying the various methodologies, SIPEF has decided to develop a system to calculate the carbon performance of its cultures: oil palm, rubber, tea and bananas, based on the ISO 14064 methodology and the reporting tools.

This enables SIPEF to estimate its future emissions for each crop. These estimates are then used to establish the following realistic emission reduction goals and the strategy to achieve them. The Group's original ambition was to generate these figures for the first time in 2020. However, covid-19 has delayed the audits, so the first results calculated on the basis of this methodology cannot be published until 2021.

SIPEF has been following the steps to reduce its GHG emissions for many years. For example, in its diversity project the Company has contributed to nature conservation in Indonesia and remains active in research and development to improve afforestation. More than 12 000 hectares of protected forest bordering the Kerinci Seblat National Park are constantly monitored by the local employees of SIPEF Biodiversity Indonesia (SBI) in Bengkulu. This is one of the valued achievements of projects to reforest recently damaged jungle reserves, with all the long-term benefits going to the people of the neighbouring villages. The goal of another valuable nature conservation project, albeit one on a more modest scale, is to ensure that turtles are able to lay their eggs on beaches in Bengkulu that are patrolled by SIPEF employees.

Over the years, vigorous efforts have been made to reduce the GHG emissions of the mills. Five of the nine mills have already been equipped with an installation to capture methane gas, and in 2018, a pilot project was completed with a biogas engine that supplies power to the local grid. But due to the incoherent renewable energy policy of the public utilities in Indonesia, with contract adjustments that mean that current electricity prices do not cover production costs in full, it has been very difficult for the Group to continue to support the Government's sustainable renewable energy strategy.

The Group recently conducted a study into renewable alternatives to fossil fuels, which resulted in the biocoal project. SIPEF decided to invest in the production of 10 000 tonnes of torrefied pellets per year by the Umbul Mas Wisesa Palm Oil Mill. In the mill, the empty fruit bunches (EFB) are converted into a cost-effective industrial biomass. This feedstock is used as fuel in biomass boilers. The EFB torrefaction process is integrated into the mill, so the biomass is not lost or degraded after the spreading of the EFB in the field, which was previously customary. As a result, no methane is emitted. The torrefied EFB pellets are also an ideal replacement for other types of biomass or coal, and this requires no investment in steam boilers. The installation of the machines and equipment was completed in 2020. Due to the coronavirus measures, the start of operations was delayed until 2021.

SIPEF's investment in Verdant Bioscience Pte Ltd (VBS) remains a very important driver of innovation for the Group. VBS was set up in 2013 by SIPEF, along with other industry partners, to develop and market high-quality, high-yield oil palm seed. This will enable SIPEF to meet the growing demand for vegetable oils going forward, without needing to enlarge its total cultivated area, while also lowering production costs per unit and increasing profitability. There is long-term potential for substantially improving yields from palm oil, which is already the vegetable oil with the world's highest yield per hectare. Higher yields from VBS seed will be a very significant step forward with regard to the environment, and will contribute to meeting market demand for vegetable oil, while relieving the pressure on forests and biodiversity.

After Sime Darby's sale of its 52% shareholding in VBS in 2020, SIPEF was delighted to welcome first Ackermans & van Haaren (AVH), which took a 42% stake, and a few months later PT Dharma Satya Nusantara TBK (DSN), which took a 10% stake, as new partners in the shareholder base of VBS. This means VBS will be able to make a long-term contribution to the future success of the Group's activities in the palm oil industry, along with BioSing's dedicated team of researchers, AVH as a solid long-term majority shareholder and DSN as an operational industry peer.

Over the years, vigorous efforts have been made to reduce the GHG emissions of the mills. Five of the nine mills have already been equipped with an installation to capture methane gas.

-- FRANÇOIS VAN HOYDONCK

The long-term prospects for palm oil remain generally favourable, based on the growing global population, particularly in the southern hemisphere, where increasing consumption is coupled with rising demand for oil and fat as basic ingredients in the daily diet. Palm oil is capturing a larger share of the demand for vegetable oils and biofuels across the globe, except in Europe. This is mainly due to the efficiency and low production costs of palm oil compared with other liquid oils. Generally speaking, palm oil production requires between five to eight times less land than other crops to produce the same quantity of oil. Palm oil is also a very stable, naturally solid fat with a long shelf life and a very high melting point, which makes it a versatile product for the food industry. So, palm oil must be seen as an essential part of a balanced diet for a growing and increasingly prosperous global population. For all these reasons, the cultivation of oil palms and the production of palm oil must be encouraged and developed in a sustainable way.

SIPEF will enable to meet the growing demand for vegetable oils going forward, without needing to enlarge its total cultivated area.

-- FRANÇOIS VAN HOYDONCK

The increasing demand for palm oil in the past 20 years has led to the uncontrolled enlargement of palm production areas and put pressure on the available land in those countries where oil palms are most productive. This has led to deforestation and the increased use of peatland, especially in Malaysia and Indonesia, where the expansion has been greatest.

However, after the formation of the RSPO in 2005 and the introduction of other subsequent certifications, in recent years palm oil has become one of the most regulated agricultural activities. The RSPO standards were actually tightened in 2018. The most recent version of the RSPO Principles and Criteria contains a zero deforestation standard and prohibits the expansion into peatland. The new standards also contain the special rules for protecting and any recovery of the existing peatlands that were converted into oil palm plantations in the years prior to the introduction of the RSPO standards. The RSPO has tightened its standards on working conditions and employee rights, with the introduction of the Decent Living Wage requirement. SIPEF supports these positive developments and, with the introduction in 2014 of its Responsible Plantations Policy, which is updated annually, encourages the application of the latest standards, most of which go further than the aggregated certifications currently imposed.

In recent years palm oil has become one of the most regulated and sustainability-oriented sectors of global agricultural activities.

-- FRANÇOIS VAN HOYDONCK

Given the recent developments in sustainability and the standards employed in the industry, the European Parliament is unjustly targeting the palm oil industry for its contribution to global deforestation. Various studies show that extensive livestock farming, particularly agriculture, but also cacao and coffee cultivation, forestry and the enlargement of soya and rapeseed areas, play a big role in the deforestation of wooded areas. There is, therefore, no reason to single out palm oil as the only unsubsidised biofuel crop. In recent years, the palm industry has become one of the most tightly regulated and sustainability-focused industries in the global agrarian economy.

SIPEF continues to rise to the expansion challenge in South Sumatra by converting village land with rubber trees to oil palm plantations, after assessing the High Conservation Value (HCV) and the High Carbon Stock Approach (HCSA), in line with the RSPO's recently updated New Planting Procedures (NPP), as part of the Free, Prior and Informed Consent (FPIC) approach with regard to local villagers and communities. Generating development opportunities and employment in the long term, and fighting poverty in local communities in areas of Sumatra that have until now not been given such opportunities, remained one of SIPEF Group's primary goals in 2020.

SIPEF is aware that it is part of the community in all areas where it is active, and that it has a duty to change the lives of its employees, their families and the local communities for the better. The Company wishes to continue to play a positive role, by assuming its responsibility for the problems that occur and dealing with them in an amicable and transparent way, within the framework of appropriate complaints procedures in the spirit of the RSPO. Adjustments have continually been made to maintain the highest possible standards with regard to the wellbeing of employees and their families. These include constructing and improving housing for managers and workers of the Group, all within the context of a long-term commitment and creation of shared value, which is an important step on the path towards a sustainable and successful business. One of the projects worthy of mention is the upgrade and renovation of a maternity ward in West New Britain, Papua New Guinea. A total of 38 300 euros was raised for this project, which was launched by SIPEF in 2019 on the occasion of its centenary. This sum was invested in the Bialla Health Centre (BHC), which provides basic medical and healthcare services to around 50 000 people in the local region, including a maternity ward. In close consultation with the West New Britain Provincial Health Authorities (WNBPHA), a building was converted into a functional maternity ward, a safe and accessible place for women to give birth. The remaining funds were used to purchase appropriate medical equipment. The facility was 90% complete at the beginning of 2021, and was set to be given to the community and opened in March 2021.

Given the labour-intensive nature of the Company's activities, the employees have always been one of the most valuable assets, and this will continue to be the case going forward. They continue to play a key role in the Group's success and further growth. Their wellbeing and rights, as well as a safe and healthy workplace, are therefore very important in every aspect of the activities.

As well as complying with local laws, the tenets of Group policy and the Principles and Criteria of the RSPO, SIPEF also aspires to be a trailblazer in terms of safety and risk control, bearing in mind the value it attaches to the wellbeing of its employees and contractors. The Company makes every effort to raise safety awareness and equip all employees with the skills they need to minimise the risk of occupational accidents.

The organised protection of almost 20 000 members of staff of the Group and their families against coronavirus infection remained the biggest challenge.

-- FRANÇOIS VAN HOYDONCK

Unfortunately, the industry is not always able to count on similar efforts by palm oil consumers, although the exclusive use of certified, traceable palm oil could allay concerns about damage to the environment and/or the social aspects with regard to employment. SIPEF hopes to be able to change the mindset of consumers in this regard, with a number of campaigns conducted through industry associations. Therefore, SIPEF remains very actively involved in the organisations that work to improve the reputation of palm oil in Europe and the rest of the world, and promote the use of certified sustainable palm oil in the food industry, the energy sector, and among consumers in general.

Lastly, it should be noted that, like all companies around the world, SIPEF was confronted with covid-19 in 2020. Generally speaking, the pandemic did not have any direct negative financial impact on the operational activities of SIPEF group in 2020, except for a sudden sharp fall in the price of palm oil in the second quarter. All production units of the Group also remained operational. The pandemic brought into sharp focus the importance of the Group's organisational and medical presence in the various regions. The organised protection of almost 20 000 members of staff of the Group and their families against coronavirus infection remained the biggest challenge. Large-scale outbreaks were prevented by the strict enforcement by SIPEF management in each country of the in-house measures, which typically went further than the measures imposed by local authorities.

As a listed European company, SIPEF provides assurances to its investors that people and the planet are respected by means of the renewed certification of all its activities and products.

-- FRANÇOIS VAN HOYDONCK

The travel restrictions resulted in further delays to some planned industrial investment projects. In particular, the necessary enlargement of the processing capacity at the Dendymarker palm oil mill in South Sumatra was put off until 2021. As stated above, the uniform calculation of the GHG emissions of the whole Group was not completed in 2020 either, while the start of operations at the high-yield biocoal plant for pellets produced in North Sumatra was delayed until April 2021.

The necessary audits for the certification of Group products were generally delayed by covid-19. The same goes for the transition from Rainforest Alliance certification for rubber to the Forest Stewardship Council (FSC) certification, which was originally scheduled for 2020. This will now be done in 2021.

The Group is determined to continue to be a sustainable business role model. As a listed European company, it provides assurances to its investors that people and the planet are respected by means of the renewed certification of all its activities and products.

The Group promotes a balanced view of the nutritional value of palm oil. SIPEF clarifies the ecological and social criteria used by sustainable producers. It stresses the high value creation of the industry in the production countries, the consequence of the highly labour-intensive nature of its activities, often in remote areas far from more developed towns and cities.

The Group is therefore convinced that the sustainable production of palm oil is the only way forward. What makes it important is that all stakeholders support the RSPO or other credible initiatives, so that consumers worldwide continue to opt for sustainable palm oil.

Lastly, I would like to thank you personally for your interest in the Group's sustainability efforts. However, I would particularly like to thank the SIPEF employees for their daily efforts to keep moving the Group forward, day after day, in the journey towards greater sustainability in every aspect of the business. I would also like to thank the board of directors for its continual support, guidance and engagement during this journey towards sustainable agriculture in the broadest sense. My thanks also go to all Group stakeholders, including NGOs, for their active and valuable assistance and input, which has meant and continues to mean a lot to SIPEF.

FRANÇOIS VAN HOYDONCK
managing director

Targets and achievements

	TARGET	KPI	GOAL	STATUS
HISTORY	No use of paraquat	Litres/kg of paraquat used	No use of paraquat by 2015	Achieved January 2015 in Papua New Guinea and July 2016 in Indonesia
	Implementation of advanced composting system	% of Empty Fruit Bunches (EFB) and Palm Oil Mill Effluent (POME) applied onto the field	100% by 2020	Achieved November 2016: 90% is achievable with current installation. Low crop 100% can be done and high crop 90%. The retention time is too short or would need more EFB.
	Roll out ISO 9001 certification in Indonesia	ISO certificate	Scope to cover all OU	Achieved in 2018
	Achieve RSPO certification for UMW smallholders in 2019	RSPO certification for smallholders in UMW	RSPO group certificate for smallholders	Achieved in 2018
	Enlarge fire fighting departments in Indonesia, according to new legislation	Government required installations per estate	Increase of fire installations in key areas	Achieved in 2018/2019
	Achieve Fairtrade certified banana plantation in 2019	Fairtrade certification for bananas	Certificate	Achieved, Motobé in Ivory Coast received the certificate late 2019
2020	Have at least one more power generation plant from biogas in Indonesia	Biogas facility with gas engine producing electricity	Increase in number	Delayed, PLN has reduced the import tariff by approximately 40%, which means that the biogas facility is no longer financially viable
	Establish Plasma smallholder groups for HGU renewal in Agromuko	Plasma smallholder group	20% smallholders with MoU*	At 16% and on target with HGU renewals.
	Establish Plasma smallholder cooperation for HGU application in Musi Rawas	Plasma smallholder group with MoU*	20% smallholders with MoU*	In progress

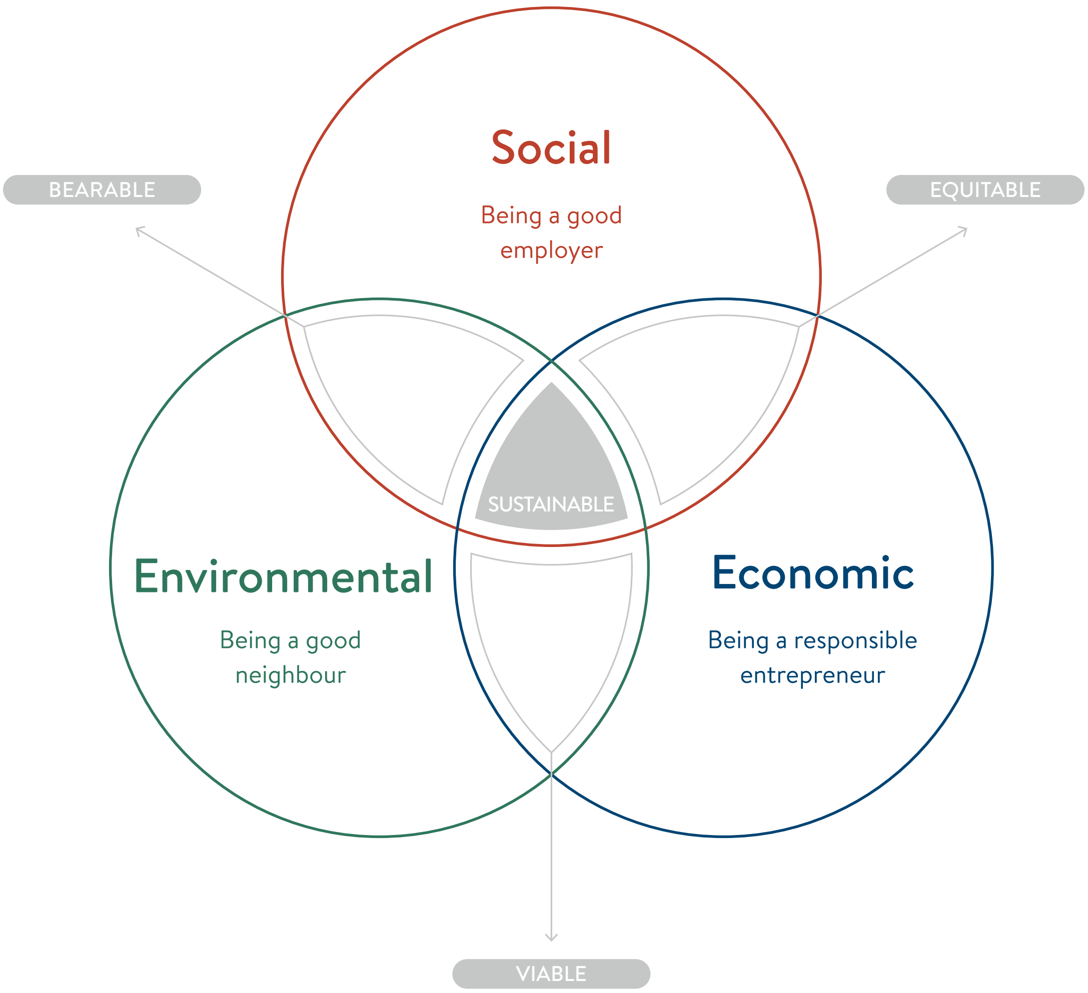
* Memorandum of Understanding

	TARGET	KPI	GOAL	STATUS
2020	Build a biocoal facility in UMW to utilise the EFB that cannot be distributed in peat soil plantations	Convert 100% of fibre from UMW into biopellets	100% conversion of waste fibre into biopellets	Commissioned December 2020, but in operation in first half 2021
2020	Calculate the total GHG footprint for the Group, in order to establish the base for future reductions	Tonnes CO_2 equivalent	CO_2 equivalent estimated for all crops since 2015	In progress, but delayed due to covid-19
2020	No work related fatalities	Fatality	0	2 fatalities
2021	All banana plantations Fairtrade certified	Fairtrade certification	Bananas 100% Fairtrade certified	Achieved in 2020
2021	Achieve RSPO certification for DIL smallholders in 2021	RSPO certification for smallholders in DIL	RSPO group certificate for smallholders	In progress
2021	Measure Group Lost Time Accident Frequency Rate (LTAFR) and Total Recordable Injury Frequency Rate (TRIFR)	Loss Time Injury Frequency Rate (LTIFR) & Total Recordable Injury Frequency Rate (TRIFR)	Declare results as a base to set future reduction in annual LTAFR and TRIFR	Ongoing
2021-2022	Improve the watershed management within Company lease boundaries	Water use (tonnes water/tonnes product)	CPO < 1; tea, rubber to be determined	Ongoing
2021-2022		Incidence of Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD) and Total Suspended Solids (TSS) above legal limit at point of release	Zero incidence of non conformance	Ongoing
2021-2024	Improve the management of High Conservation Value (HCV) and High Carbon Stock (HCS) within lease boundaries through use of tools such as SMART and Global Forest Watch (GFW)	Hectares tree cover loss in HCS/HCV areas in Company and supplier managed areas	Zero hectares tree cover loss	Ongoing, started with GFW in 2020
2021-2024		Establish ranger teams to actively manage HCV and HCS within lease boundaries	Formation of ranger teams per region before year end 2022	Ongoing

	TARGET	KPI	GOAL	STATUS
2021-2024	Achieve zero incidence of fires on Company managed areas	• Number of fires within Company managed areas and within areas of its suppliers • Number of hotspots within Company managed areas and within areas of its suppliers • Number of real fires within Company managed areas and within areas of its suppliers • Number of days in red alert	Zero fires per year in Company managed areas, reduction of fires in areas managed by its suppliers	Ongoing
	Establish a plan to reduce GHG basis for the footprint calculation	Percentage of reduction against base level	Percentage reduction to be determined	Ongoing
2021 -2026	Achieve RSPO certification for nucleus Musi Rawas estates	RSPO certification for Musi Rawas	RSPO certificate	Ongoing
2021-ONGOING	Promote good Integrated Pest Management (IPM) practices	Monitor toxicity of pesticide usage (kg or litre active ingredient x LD50)/ m^2 of applied area	Targets to be determined	
		Number per species utilised per hectare	Targets to be determined	
	Regular working days and hours are within safe levels as per Government labour regulations	Overtime hours worked	Overtime targets to be determined, guided by the standard of a work week, not exceeding 60 total hours, except under extraordinary circumstances	Omnibus law will provide new guidance on this requirement
		Days worked	One day rest per every 6 days worked; otherwise appropriate compensation is paid	
	Non-discriminatory practices implemented in the workplace, promoting female and permanent employees	Opportunities for female workers	Reporting of number of female workers	Ongoing
		Use industry benchmarks for permanent workers in industry	Reporting of number of permanent workers	Ongoing
2022-2023	Roll out ISO 9001 certification across the Group	ISO certification	All OUs achieve ISO 9001	On track
2025-2030	Methane capture systems in all existing mills to reduce GHG emissions	Methane capture systems in all palm oil mills	9 methane capture systems	On track

SIPEF's approach to sustainability

By definition, the business of SIPEF is driven on a sustainable basis and reflects the three dimensions of sustainable development: the environmental, the social and the economic dimension. Sustainability has been an essential aspect of the Group's business model and strategy since the formation of the Company more than a century ago.



ENVIRONMENTAL

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

SOCIAL

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

ECONOMIC

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

The Group cultivates perennial crops, and most oil palms and rubber trees are planted with a minimum productivity scope of 20 to 25 years. As the plantations are operating for the long term, SIPEF needs to carefully consider the environmental, economic and social pillars within its business model (see page 29 of the Company Report). If the Group does not recognise the importance of any one of these pillars, the business will not be sustainable. SIPEF believes that through cooperation with its customers, social and environmental NGOs, producers, surrounding villagers, researchers and other willing stakeholders, it can develop and promote the adoption of responsible and sustainable standards for the industry. In the palm oil sector, the RSPO is the most relevant multi-stakeholder, not-for-profit organisation, which focuses on advancing the production, procurement, finance and use of sustainable palm oil products. The organisation develops and implements global standards for sustainable palm oil, through open dialogue and cooperation with every stakeholder in the supply chain. It verifies, assures and periodically reviews these standards. Therefore, the Group is 100% committed to the RSPO Principles and Criteria and strives to surpass them. In 2009, SIPEF was amongst the first companies in the world to receive RSPO certification for Hargy Oil Palms Ltd, both for its own estate as well as for all of its approximately 3 700 smallholders.

The tea and banana markets of the Group are certified, based on the Rainforest Alliance scheme. Since there is no specific certification system available for rubber, SIPEF engaged Rainforest Alliance in 2017 to audit its rubber operations against these criteria, which are fully in line with the Sustainable Agriculture Network (SAN) standards. As Rainforest Alliance will not focus on rubber after 2021, SIPEF is switching to Forest Stewardship Council (FSC) certification of its rubber estates and factories in 2021. A gap audit on MAS Palembang was conducted in January 2021, and it is expected that the final audit can be finalised in the first quarter of 2021.

Besides being a good neighbour, the Group is convinced of the necessity to keep good relations with the local authorities of the countries in which it operates, and to behave as a good citizen.

This implies 100% compliance with all regulations of these countries, including legal and tax rules. As a consequence, by paying taxes in the countries of production, SIPEF contributes to the prosperity of the local communities and to the economy of these countries.

1. Responsible plantations policy

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

The four pillars of the RPP of SIPEF are:

- Responsible social practices
- Responsible plantation and processing management
- Responsible development of new activities
- Full traceability

The RPP applies to the exploitation of all plantations managed by SIPEF, regardless of ownership share, as well as all activities of smallholders and surrounding farmers, which deliver products to the mills and factories of SIPEF. The RPP is revised annually due to evolving legal, social and environmental requirements, and, where possible, SIPEF strives to go beyond the industry standards. In 2020, the board of directors confirmed the RPP and decided to supplement it with a Responsible Purchasing Policy.

2. Responsible purchasing policy

The Responsible Purchasing Policy (RPuP) was only formalised by the board of directors on 21 September 2020, but has been applied practically in the Group for several years. It confirms the commitment of the Group to purchase only Fresh Fruit Bunches (FFB) being sourced from plantations that are either already RSPO certified or are able to become RSPO certified within the RSPO Time Bound Plan. The policy is relevant to any third-party supplier of FFB sourced by SIPEF.

SIPEF restricts the third-party suppliers to smallholders with whom it has a memorandum of understanding (MoU), whose production location is known and mapped, who are eligible for RSPO certification and comply with SIPEF's Responsible Purchasing Policy.

The local procedures in relation to the assessment, selection, monitoring and expulsion of third-party smallholders are based on criteria linked to human rights, labour and environmental issues.

3. Best management practices

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

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

4. Certifications

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

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

Number of certifications for the last decade

CERTIFICATIONS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
RSPO: Roundtable on Sustainable Palm Oil	5	5	5	6	7	7	7	9	9	9
ISCC: International Sustainability and Carbon Certification (*)	2	2	4	4	5	5	5	5	4	4
ISPO: Indonesian Sustainable Palm Oil					2	4	5	5	5	8
ISO 14001:2015	1	1	1	1	1	1	1	1	1	1
ISO 9001:2015								1	1	1
GLOBALG.A.P.	1	1	1	1	1	1	1	1	1	1
Fairtrade									1	1
Sedex	1	1	1	1	1	1	1	1	1	1
Rainforest Alliance						2	3	5	5	5
FSSC 22000-4.1									1	1
Halal Assurance System									1	1
TOTAL	**10**	**10**	**12**	**13**	**17**	**21**	**23**	**28**	**30**	**33**

* The table shows a decline in 2019 regarding the previous year, as Dumai terminal is no longer ISCC certified. It should be pointed out that SIPEF no longer ships through this port.

COMMENTS:

As from 2019 on, SIPEF has been showing the number of actual certificates, which can include one or more OUs, and not the OUs that were certified.

Compared to last year, the only change in the number of certificates is related to an increase of three ISPO certificates. This was due to the fact that three stand-alone palm estates without a mill, but which deliver their production to a SIPEF mill, also hold separate ISPO certificates.

Similarly, the South Sumatra palm estates from the Musi Rawas region are in the process of becoming ISPO certified in the course of 2021.

While the journey of sustainable agriculture started over a hundred years ago, it was only in the 21st century that SIPEF started engaging with credible third-party certification standards, as a means of communicating its commitment to sustainability and listening to a wider group of stakeholders, while continuing its journey of constant improvement. In 2004, SIPEF certified its oil palm production areas in Papua New Guinea, using the ISO 14001 standard. In 2006, the certification under the GLOBALG.A.P. standard provided coverage for the banana estates. The first two RSPO certifications were awarded in Papua New Guinea in 2009. That was an especially big step for Hargy Oil Palms Ltd, because as much as half of the fruit bunches processed in the mills came from approximately 3 700 certified smallholders. They received their certification at the same time in 2009, and remain committed to its preservation. It was the second group of smallholders to be certified on such a scale globally.

In 2010, the first two Indonesian palm oil mills obtained RSPO certification followed by all mills until 2017, in which year SIPEF acquired the already RSPO certified palm oil extraction mill and supply base in PT Dendymarker Indah Lestari (DIL). Parallel to this, SIPEF received its first ISCC certification in Indonesia in 2010, Indonesian Sustainable Palm Oil (ISPO) in 2015, Rainforest Alliance for all its tea and rubber in 2016 and finally the Food Safety System Certification (FSSC) for its tea and Fairtrade for its first banana estate, Motobé, in 2019. The same year, the tea factory in Cibuni also received Halal Assurance certification as per customer requirements. In 2020, the other two banana estates, Azaguié and Agboville, joined the Fairtrade certification process, making the Group's entire banana operation 100% Fairtrade certified.

33

Number of certifications of SIPEF in 2020

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

These standards are described in more detail below.

SIPEF recognises that traceability to supply base and trading in only certified sustainable physical palm oil is the ultimate measure of certified sustainability. SIPEF is therefore committed to providing the market with 100% Identity Preserved (IP) palm products. The only exception to this is the mill at DIL, which is Mass Balance (MB) certified because part of the supply base is not certified yet. Uncertified plantations include new developments, which have followed the RSPO new planting procedure but are awaiting the issuance of a land use permit (*Hak Guna Usaha* -HGU), as well as a group of smallholders at DIL that are not yet certified. These smallholders are scheduled to be certified by the end of 2021. The current planning is to certify the majority of the new developments at Musi Rawas by 2023, including the smallholders, with the full scope achieved by 2026. The certification of the Musi Rawas plantations will progress when they reach maturity and fulfil requirements for the issuance of the final lease agreement approved by the Government.

As a consequence, 4% of the crude palm oil (CPO) was not certified in 2020.

Further challenges in Indonesia are due to a regulation that requires an equivalent of 20% of HGU areas, both new and renewed HGUs, to be exploited by smallholders. This requires SIPEF to add new smallholders to its supply base before it can assure, they are RSPO certified.

Roundtable on Sustainable Palm Oil (RSPO)

The RSPO was established in 2004 to promote the production and the use of sustainable palm oil. The initial founders were World Wide Fund for Nature (WWF), Unilever, AAK, Migros and the Malaysian Palm Oil Board (MPOB). Its strategy was to reduce the negative impacts of palm oil expansion, principally deforestation, while promoting its positive socio-economic impact. Since the introduction of the RSPO standard, it has been revised twice in accordance with International Social and Environmental Accreditation and Labelling (ISEAL) requirements. In the latest revision the RSPO standard has become a zero-deforestation standard through requiring its members to implement the High Carbon Stock Approach (HCSA). This approach was developed by a coalition of producers and NGOs including Greenpeace, Rainforest Action Network, WWF and others (See www.highcarbonstock.org for more information.). The current RSPO standard also prohibits expansion onto peatlands, and provides special provisions for the protection and eventual restoration of existing peatlands that were developed into palm oil before the establishment of the RSPO. In addition to this, the RSPO has strengthened its standard requirements with respect to labour and employment rights, with the introduction of the Decent Living Wage requirement, as calculated using the Anker methodology endorsed by the Global Living Wage Coalition (GLWC). A separate standard has also been recently developed for independent smallholders. This new standard has reduced the number of indicators needed for compliance and utilises a stepwise approach to achieving certification. Independent smallholders are given several years over which their progress is rewarded through RSPO market access, enabled by selling RSPO credits through their online PalmTrace accounts. An emerging issue regarding the new RSPO standards, and their definition of smallholders being limited to either 'scheme' or 'independent', is creating difficulties for compliance by the associated smallholders in Papua New Guinea. These smallholders are audited as if they were scheme smallholders, whereas in practice, they are closer to being independent, i.e., they own their land, choose the crop they want and carry out all the work on their plots themselves.

At this time, the palm oil sector has the most demanding global standards amongst all agricultural crops. Given that palm production is the main activity of SIPEF, this standard is of the utmost importance for the Group. SIPEF has a target of achieving RSPO certification for 100% of its palm oil mills and its supply base, including smallholders. The Company has been a member of the RSPO since 2005. It continues to actively contribute to RSPO's operations by holding a seat on the Board of Governors on behalf of the 'Rest-of-the-World' growers, which includes Papua New Guinea and the Solomon Islands. Furthermore, SIPEF is a co-chair member of the Jurisdictional Working Group, and an active member of the Biodiversity and High Conservation Values (BHCV) Working Group, the Peat Working Group and the No Deforestation Joint Steering Group (NDJSG). SIPEF has participated in the two reviews of the RSPO Principles and Criteria and is a member of the RSPO National Interpretation Forum in Papua New Guinea.

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

Other recognised certifications, standards and sector organisations

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

INDONESIAN SUSTAINABLE PALM OIL (ISPO)

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

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION (ISCC)

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

Since early 2017, the Head Office of the Group in Antwerp has also been certified, as every member in the supply chain needs to be audited according to the new supply chain standard. This certification has been renewed on a yearly basis after an audit.

THE CLEAN DEVELOPMENT MECHANISM (CDM)

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

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

BELGIAN ALLIANCE FOR SUSTAINABLE PALM OIL (BASP)

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

RAINFOREST ALLIANCE

Rainforest Alliance is a well-recognised seal of certification, based on the demanding Sustainable Agriculture Standard (SAS) of the Sustainable Agriculture Network (SAN). Being Rainforest Alliance certified is a confirmation of environmental, social and economic excellence. SIPEF has made the decision to adopt Rainforest Alliance certification for its banana and tea production, to support the coordination of practices in the Group. The Cibuni tea estate (Indonesia) received its Rainforest Alliance certification in the first half of 2016, and the banana operations (Ivory Coast) received Rainforest Alliance certification in the middle of 2016, both of which have been renewed annually since then. SIPEF engaged Rainforest Alliance to conduct audits at its rubber estates in 2016. After the initial gap analysis, the first rubber estate and factory in Palembang were certified in August 2017 and the other two rubber estates of the Group were certified in the course of 2018. All certificates remained active throughout 2020. The Rainforest Alliance communicated that it is dropping rubber from its portfolio of crops and has recommended that rubber producers opt for the Forest Stewardship Council (FSC) as the best standard for this. The transition to FSC has been delayed due to the covid-19 pandemic, and physical audits were delayed but are scheduled to take place in the first semester of 2021. Unfortunately, there is no tangible market demand yet for sustainably certified rubber, albeit there is some growing interest from a few customers.

FOREST STEWARDSHIP COUNCIL (FSC)

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

Since Rainforest Alliance indicated its intention to focus from 2021 on crops other than rubber, and on specific requests from SIPEF's customers, in 2021, SIPEF is progressing towards the FSC certification of its long-term Rainforest Alliance certified rubber estates and factories. MAS Palembang estate was due to be audited on 12th February 2021.

SUSTAINABLE NATURAL RUBBER INITIATIVE (SNR-I)

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

GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER (GPSNR)

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

GLOBALG.A.P.

GLOBALG.A.P. is an internationally recognised set of farm standards dedicated to Good Agricultural Practices (GAP). It is a non-profit organisation whose mission is to work on the continuous improvement of GAP at farm level, to ensure confidence in the safe and sustainable production of food for the benefit of consumers. GLOBALG.A.P. certification covers food safety and traceability, environment (including biodiversity), workers' health, safety and welfare, animal welfare, and includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS) and Hazard Analysis and Critical Control Points (HACCP). The banana estates of SIPEF, 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. So far, the certification has been renewed every year.

FAIRTRADE

Fairtrade certification serves as an alternative to conventional trade and is based on the partnership between producers and consumers, with the goal of improving lives and reducing poverty through ethical trade practices. The Fairtrade certification system aims to assure consumers that their purchase meets specific social, economic and environmental standards.

In 2019, one of the three banana sites of SIPEF, Motobé of Plantations J. Eglin in Ivory Coast, was certified. The two other estates, Agboville and Azaguie, received the Fairtrade certification in 2020; however, market demand is developing at a slow pace. This means that the entire banana operations of the Group are all Fairtrade certified. It is the intention of the Company to develop this standard with its customers in the European market.

FOOD SAFETY SYSTEM CERTIFICATION (FSSC)

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

In 2019, Cibuni received Food Safety System Certification (FSSC 22000) version 4.1, which has remained in place since then.

HALAL ASSURANCE SYSTEM

Halal is an Arabic word that means 'permissible'. A Halal certified product is one that is permissible or acceptable, in accordance with Islamic dietary law.

The Assurance System guarantees the integrity of Halal food at the processing stage, thereby confirming the production of Halal and quality food.

SIPEF obtained this certificate to comply with the specific request of the tea customers, and the Cibuni tea estate was Halal certified in September 2019, which remains valid till September 2021.

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO)

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

In 2004, the environmental management system that the Group uses in Papua New Guinea was ISO 14001 certified. In 2018, with the exception of Musi Rawas and DIL, the SIPEF companies in Indonesia achieved ISO 9001:2015. In 2019, the scope of the ISO 9001:2015 certificate was extended to include all the companies.

SEDEX

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

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

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

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

On the basis of all these certificates, today the Group holds 33 certifications, which were granted to all the operational units nine palm oil mills and related supply base including smallholders, two palm kernel mills, three rubber factories, one tea plantation and the three banana sites. Several certification applications are currently still under consideration, for example, Forest Stewardship Council (FSC) certification for the rubber activities.

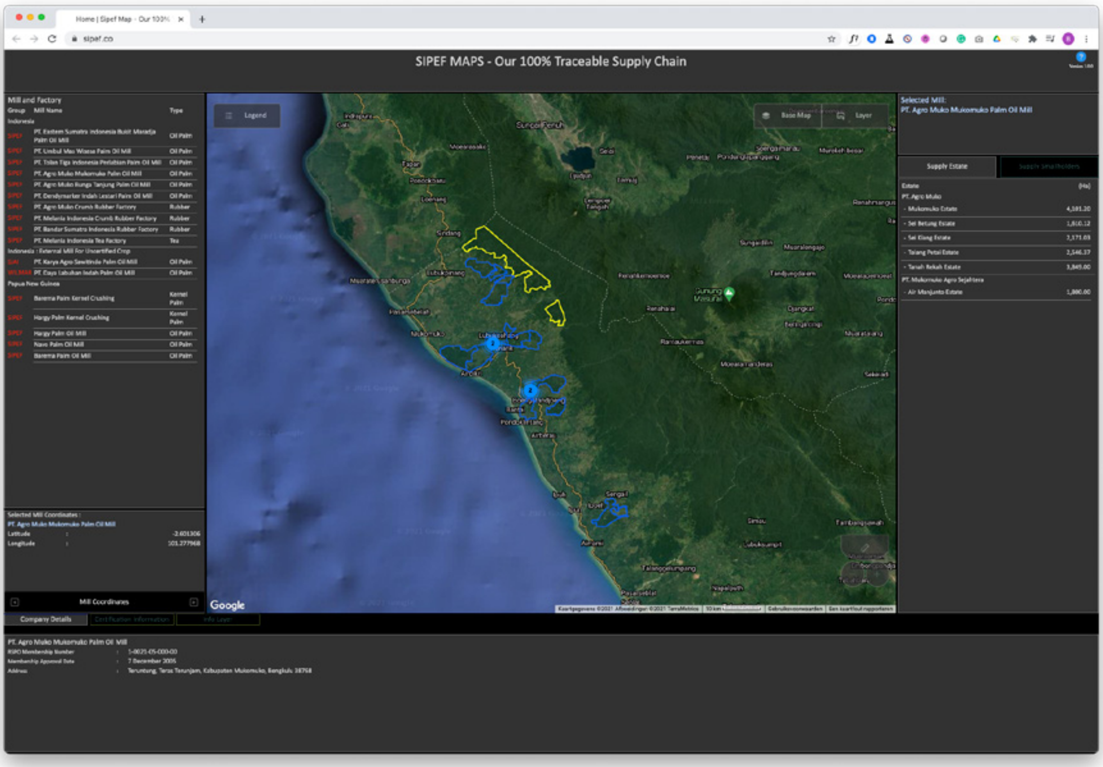
5. Traceability

Traceability is a key component of sustainability. Customers have the right to know the origin of the products of the Group. They want to ascertain that the products they buy contribute to sustainable development, environmentally, socially and economically.

SIPEF is a firm believer in and encourages full transparency of commodity supply chains. The Company discloses the origin of any shipment to its customers and to concerned stakeholders.

All commodities sold by SIPEF are fully traceable to their place of production, either an estate managed by SIPEF or an associated smallholder plot. These smallholders must in turn comply with the Responsible Purchasing Policy, which ensures that the entire supply base of the Group is or will become traceable and certified to the RSPO standards as soon as possible. It is important for smallholders that certification and the implementation of responsible practices are made accessible and workable for them. The Company actively supports smallholders to achieve certification, by providing free training and guidance. Improving skills and livelihoods builds stable, transparent supply chains for the mills, but more importantly, it builds stable, harmonious communities and partnerships.

RSPO also provides the framework for the procedures required to select, monitor and, if necessary, expel smallholders from the Group's supply base. As such, the entire supply base is traceable, even if some of it is not yet certified. If there is a supplier that is yet to be certified within the supply base of one of the Identity Preserved (IP) mills, the fresh fruit bunches (FFB) are sold to third-party mills, in order to maintain the IP status of the mills of the Group.



The SIPEF customers value traceability highly and the visibility it gives to the origin of the products they source. SIPEF is in a privileged position to fulfil its commitment to full traceability of the palm products, rubber, bananas and tea that it supplies.

All commodities entering the mills, the other factories and packing stations are fully identified and will not be processed if their origin is unclear.

In order to communicate the progress of the Group towards achieving a 100% certified sustainable and traceable supply base, SIPEF has developed an interactive mapping application called 'SIPEF Maps' (https://sipef.co/). The SIPEF Maps Traceability Tool allows the user to interact through Google Earth to locate all of the SIPEF palm oil mills and their supply bases. The user is able to either click on the mill and discover the supply base or click on the supply base and discover the mill it supplies. Additional information is provided related to the certification status and production capacity of the entity in question.

6. Governance structure

SIPEF has the necessary governance structure to carry out decisions related to the management of the plantations, as well as the application and adoption of the Responsible Plantations Policy (RPP), the Responsible Purchasing Policy (RPUP) and of the Code of Conduct.

The corporate governance of the holding company of the SIPEF group is described in detail in the Corporate Governance Statement on page 154 of the Annual Report 2020.

SIPEF has made a top-down commitment to sustainability, and has put the necessary structure in place to ensure the implementation and the constant evolution of this commitment.

This engagement starts at the board of directors, where Priscilla Bracht and Petra Meekers assume a particular interest in the sustainability policies of the SIPEF group.

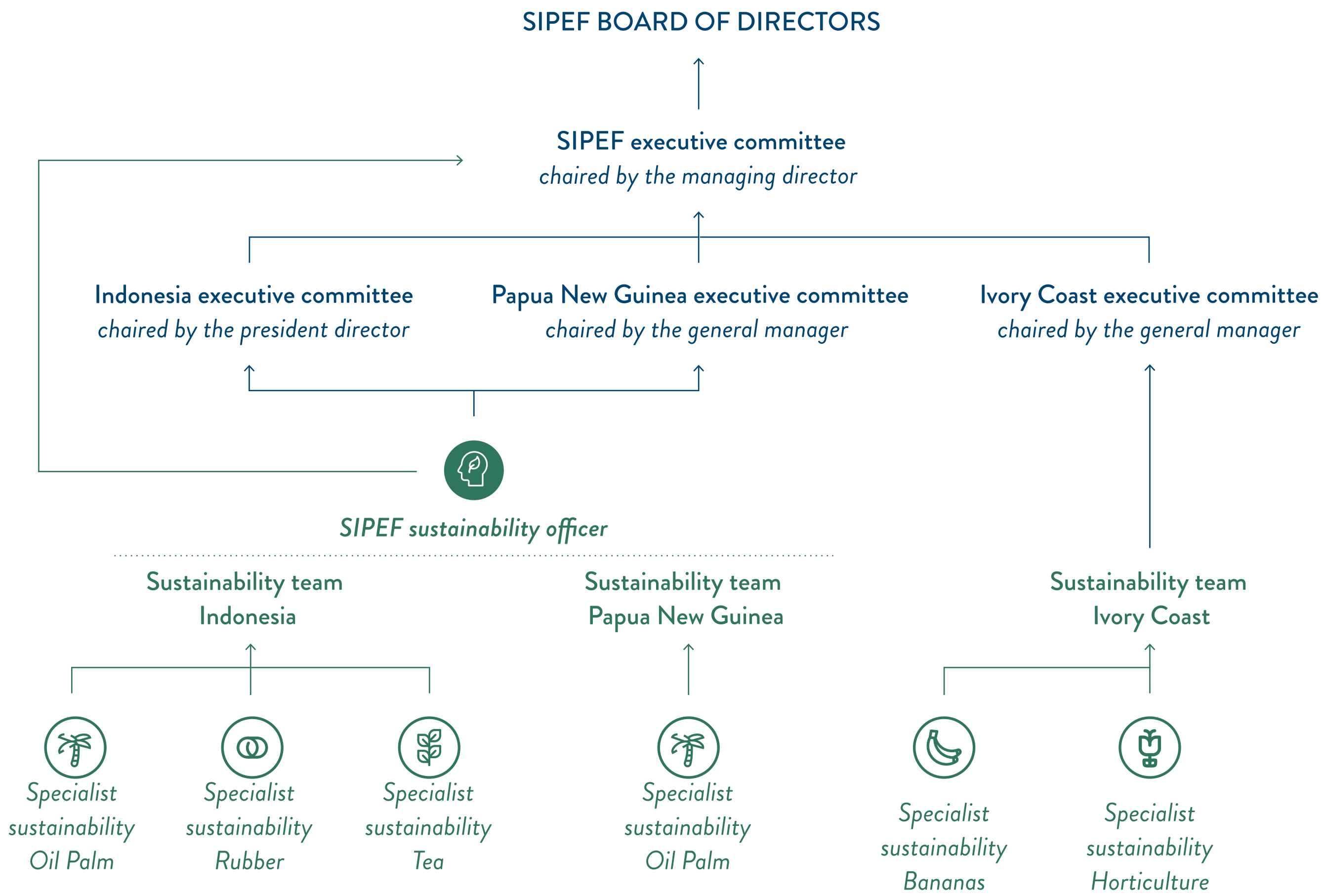
At Group level, three teams are in charge of the sustainability policy: the sustainability teams of Indonesia, Papua New Guinea and Ivory Coast. Each team is composed of experts who are responsible for the sustainability of the products cultivated in their respective locations. A sustainability officer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

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

Papua New Guinea and Ivory Coast have smaller teams, consisting of respectively six and two experts.

There is a matrix structure, where each sustainability team reports to the leading manager of the area, being the president director (Indonesia), the general manager (Papua New Guinea and Ivory Coast). Moreover, the teams of Indonesia and Papua New Guinea are directly managed by the Group sustainability officer, who reports directly to the managing director of SIPEF.

Monthly updates are also provided to the executive committee of SIPEF by the Group sustainability officer. A sustainability report is provided to the board of directors at least twice a year.



7. Reference model: UNSDGs

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

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

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

The current Sustainability Report represents the Statement of non-financial information, and replaces the bi-annual sustainability report which would normally have been published in early 2020 and was last published at the beginning of 2018.

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

Sustainable Development Goals (SDGs)

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

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

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

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

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

The RPP of SIPEF is in line with the rationale of the 17 SDGs and, more precisely, sustainable business and being successful go hand in hand.

RSPO contributes to the sustainable development goals by supporting seven key SDGs.

Moreover, there is an overlap between the goals of RSPO and SDGs, where RSPO concentrates on palm oil activities and the SDGs set out targets for all companies without distinction. As the activities of SIPEF are not limited to palm oil production, it is appropriate to apply a broader model than RSPO for the sustainability reporting, such as the SDGs.

The board of directors' meeting of 21 September 2020 pointed out eight of the 17 development goals as the ones that are connected to the Group's business:

As a result, the Sustainability Report in relation to the financial year 2020 is based on the following targets:

Further in the report, it is indicated to which SDG and which sub-sets of SDGs a material topic is linked. Actions to advance on one SDG will likely affect the achievement of other SDGs, as there is interaction among them. The link to these other SDGs will not be analysed in this report.

Environmental topics

Delivering the Sustainable Development Goals (SDGs) requires balancing demands on land between agriculture (SDG 2) and biodiversity (SDG 15).

Technological advances have increased both the human population and resource consumption to such an extent, that the scientific community is questioning whether the Earth has reached its carrying capacity. While this is a topic of heated debate, it is beyond question that efficient agricultural production is one of the core solutions to the environmental challenges facing humanity. It is in this spirit that SIPEF continually strives to improve its environmental impacts by eliminating deforestation and new planting on peat, in essence expanding inwards. This means using fewer resources to produce more product and, in the process, minimising waste production and pollution.

While the Group is striving for efficiency in all of its crops, the production of palm oil remains the most controversial. The sources of the controversy by and large have been due to palm oil plantations being the main vector of deforestation in Malaysia and Indonesia. It has been estimated that oil palm plantation expansion accounted for 50% of deforestation in these two countries from 1972 to 2015[2]. Tragically this has taken place in some of the most biologically diverse forests in the world, reducing the habitats of iconic species such as the orangutan (Pongo abelii) and tiger (Panthera tigris sumatrae) and, therefore, has attracted so much attention. Thankfully, the trends have changed and recent studies show a 40 percent decrease in deforestation in Indonesia's primary forests in 2018, compared to the average annual rate of loss from 2002-2016[3]. Government policies and the no-deforestation commitments made by responsible producers have contributed to this decrease in the rate of deforestation.

With the global demand for vegetable oils set to increase by 47%-94% by 2050[4], it is imperative that all other producers follow SIPEF's lead and commit to a zero deforestation policy. In addition to that, the world must rely on the most productive source of vegetable oils. Oil palms yield up to eight times as much per unit area, compared to the other main sources of vegetable oil. Palm oil supplies approximately 31% of the annual global demand for oils and fats (236 million tonnes[5]), but occupies only 8% of the land area occupied by all vegetable oil producing crops.

2 Gaveau, D. L. A. et al. Rapid conversions and avoided deforestation: examining four decades of industrial plantation expansion in Borneo. Sci. Rep. 6, 32017 (2016).

3 Wijaya, Arief, et al. "Indonesia Is Reducing Deforestation, but Problem Areas Remain." World Resources Institute, 30 juli 2019, www.wri.org/blog/2019/07/indonesia-reducing-deforestation-problem-areas-remain.

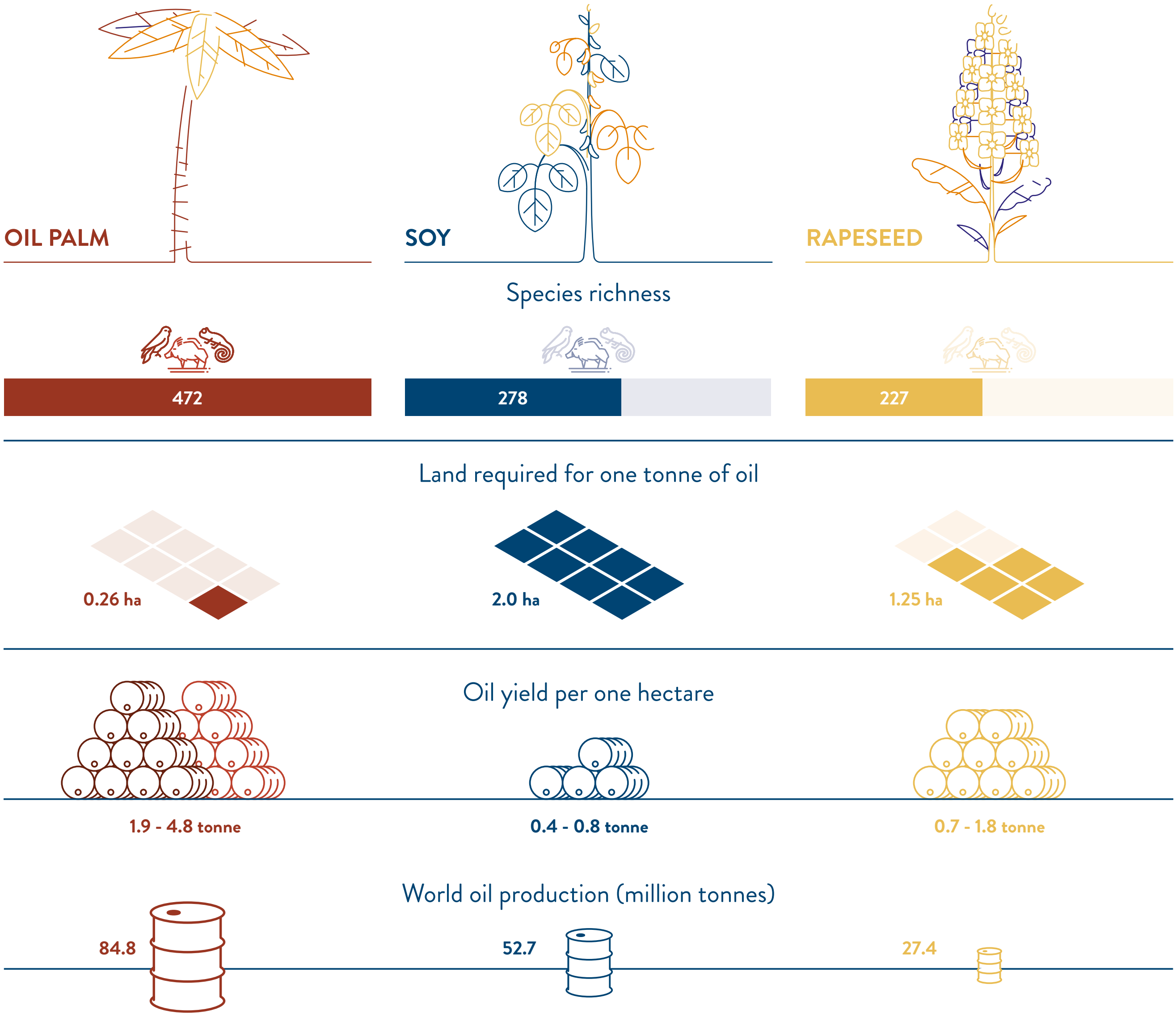
4 Jean-Marc Roda Senior scientist. "The Geopolitics of Palm Oil and Deforestation." The Conversation, 28 sept. 2020, theconversation.com/the-geopolitics-of-palm-oil-and-deforestation-119417.

5 Source: https://www.oilworld.biz/t/publications/data-base

Another recent study shows that between 2000 and 2013, just 0.2% of global deforestation in 'intact forest landscapes' was caused by oil palm development[6].

It is becoming increasingly clear to the scientific community that, rather than ban palm oil, it must embrace sustainable palm oil as the best source of vegetable oil, providing both global environmental benefits and local economic growth.

The Group monitors the aspects and impacts of its activities in relation to greenhouse gas (GHG) emissions, air emissions, land use, water use and pollution, and waste generation. For SIPEF, as for most companies, the impacts of these activities can be negative.



(WWW.THEOILPALM.ORG/DAVOS-AND-FOOD-SECURITY-THE-FACTS-ON-OILSEED-EFFICIENCY & WWW.WUR.NL/EN/NEWSARTICLE/NEW-LIGHT-ON-THE-SUSTAINABILITY-OF-PALM-OIL.HTM)

6 Potapov, P. et al. The last frontiers of wilderness: tracking loss of intact forest landscapes from 2000 to 2013. Sci. Adv. 3, e1600821 (2017)

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

The Company considers these SDGs to be an opportunity for its business to grow proactively into a world of constant change, and takes various actions, as mentioned hereunder, to align its achievements with the goals described in each.

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

1. Greenhouse gas emissions

Risks

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

The impact of human activities on the global carbon cycle and the resulting climate change, due to the increase in the concentration of GHG in the atmosphere, is posing an existential threat to future societies. Progressive nations are realising this and making ambitious commitments. The European Union (EU) has committed to reducing EU GHG emissions by at least 55% by 2030, compared to 1990 levels. Achieving this will include reducing emissions 'embedded' within its imports. SIPEF believes that its current actions to reduce its GHG emissions will both prepare the Group for this emerging stricter market, as well as directly contribute to SDG 13.

Link to the SDG's

13 -- Take urgent action to combat climate change and its impacts.

13.2 -- Integrate climate change measures into strategies and planning.

13.3 -- Improve education, awareness-raising and human and institutional capacity for climate change mitigation, adaptation, impact reduction and early warning.

Actions by the SIPEF group

In recent years, SIPEF has committed to a strategy of reducing its GHG emissions as enshrined in its Responsible Plantations Policy (RPP). In light of this, SIPEF has taken several steps to reduce the emission of GHG. It is currently assessing the Group's carbon footprint among the different crops. Then, the Group can determine its target for reducing the GHG emissions. It is recognised that it will require a good understanding of the historical and current emissions of the Group in order to establish a realistic target for that.

The historical GHG emissions for SIPEF's ISCC and RSPO certified palm oil estates have been estimated since 2011 and 2014, respectively. Both calculators estimate the major sources of GHG emissions and removal per mill and its supply base. The scope and boundaries include land use change and offsite emissions, such as the production and transport of fertiliser. Over the years, both the RSPO and ISCC have improved their calculators.

There are, however, a few shortcomings with these calculators. There are different assumptions regarding the scope utilised, and the emissions and removal factors included. The calculations are only checked for certified oil palm plantations and thus do not cover uncertified oil palm plantations nor any of the other agricultural crops. Lastly, experience has shown that as these standards issue new calculators the resulting calculations have changed. In order to provide a consistent and complete benchmark SIPEF has therefore decided to put in place a system to calculate the 'carbon' performance of all its crops, using the ISO 14064 methodology to report scopes 1, 2 and 3 emissions and removal factors. The ISO 14064 methodology provides an estimate of annual emissions and a footprint associated with each operating unit. This standard is part of the ISO family of environmental standards, and provides governments, businesses, regions and other organisations a complementary set of tools for programs to quantify, monitor, report and verify GHG emissions. The ISO 14064 standard supports organisations to participate in both regulated and voluntary programs, such as emissions trading schemes and public reporting, using a globally recognised standard. SIPEF is currently in the process of estimating its baseline emissions associated with each crop, and expects a reliable baseline figure and reduction targets to be published in the next sustainability report.

1. NO DEFORESTATION AND NO PEAT

The conversion of forest into agriculture increases atmospheric GHG through the release of carbon stored in the forest, with all the known consequences for nature and people. Tropical forests also harbour the highest amounts of terrestrial biodiversity on Earth. The loss of forest habitat through conversion to agriculture poses a major threat to biodiversity. SIPEF recognises deforestation as being a major negative impact of the establishment of new plantations. SIPEF's commitment to no deforestation is stated within its RPP. The commitment applies to all crops and includes smallholders. In order to effectively implement this policy SIPEF adheres to the RSPO requirements as per its New Planting Procedure (NPP). Amongst other things, the NPP requires all new plantings to be preceded by a High Conservation Value (HCV) and High Carbon Stock Approach (HCSA) assessment. These assessments go through a rigorous quality control system, which ensures that the results are reliable. The HCS methodology, in particular, has very specific guidelines for classifying and measuring the carbon content of any existing vegetation prior to the proposed development.

All of the plot data is utilised to assign carbon stock values to the vegetation classes that are mapped, based on satellite imagery and ground truthing. As per the HCSA methodology, the resulting map goes through a 'patch analysis', a 14-step decision tree which determines whether the mapped vegetation is to be considered HCS and therefore conserved.

SIPEF has spent considerable effort to implement HCSAs for the existing and planned new developments in Musi Rawas. A particular challenge faced there was brought on due to the HCS requirement being imposed retrospectively onto developments that have already gone through the RSPO NPP prior to the HCS requirement. For these cases, the RSPO allowed for the utilisation of Land Use Risk Identification (LURI), enabling clearing activities to continue while the review process of the HCSAs was ongoing. All the required HCSA assessments were completed with extensive field work. Over 300 field plots were installed to obtain estimates of carbon stock within the various vegetation types encountered.

The field plots included making an inventory of tree species and their diameters, as a means of estimating their biomass through the use of an allometric equation. All HCSA and HCV reports are put through the quality control process required by the RSPO. This process has proven to be extremely time-consuming, with both organisations in charge of conducting the reviews having huge backlogs of reports in process of being reviewed. SIPEF continues to work proactively with both the HCSA and HCV Resource Network (HCVRN) secretariats to address this bottleneck.

Global Forest Watch

This year marks the first year in which SIPEF has started utilising remote sensing to assist in the monitoring of its HCV management areas. SIPEF has started monitoring all of its HCV areas on the Global Forest Watch (GFW) platform. The platform utilises medium resolution, multispectral satellite imagery to record incidents of what is perceived as tree cover loss and tree cover gain. The image analysis is based on processing over approximately two million Landsat images over the time period of 2000-2019. Algorithms are developed, which train the image to recognise what is classified as bare ground versus tree cover over five metres in height.

The current software is not able to distinguish the difference between planted and natural vegetation. Initial findings based on the experience of utilising GFW to provide tree cover loss monitoring data for Company conservation areas have been mixed. The software still has 'bugs' and initial trials resulted in Group data being lost. Preliminary reports have been developed and, as is the case of fire hotspot monitoring, all reported incidents of potential tree cover loss have been investigated on site.

It has been found that like the fire hotspot data a high number of 'false positives' has been found. These are cases where the algorithms have picked up a case of tree cover loss that had not happened. A recent study assessing the reliability of the Global Forest Watch data set concluded the following: "The conclusion is that, when suitably calibrated for percentage tree cover, the Global Forest Change datasets give a good first approximation of forest loss (and, probably, gains). However, in countries with large areas of forest cover and low levels of deforestation, these data should not be relied upon to provide a precise annual loss/gain or rate of change estimate for audit purposes without using independent high-quality reference data". SIPEF continues to explore ways to utilise remote sensing imagery and other remote sensing information to assist with monitoring and management its conservation areas. In the end though, nothing beats having 'boots on the ground'.

As can be seen from the table above only 6 out of the 16 alerts were real. All of these were caused by encroachment by local communities, with most significant areas occurring in Papua New Guinea. Local perceptions prevail, that if forest is not utilised it is fair game for anyone with the energy and spirit to convert it into a food garden. While subsistence gardens from slash-and-burn agriculture with fallow forest result in what is considered HCV habitat, this fact still has found a comfortable place in the HCV concept, which is essentially driven from the developed countries. SIPEF acknowledges that developments on peatland are a significant source of GHG emissions in oil palm cultivation. Peat stores large amounts of carbon, which, when drained for agriculture, is converted to carbon dioxide through decomposition by aerobic bacteria (respiration) and in some cases causes fires (oxidation). Therefore, in addition to no deforestation, the RPP provides that SIPEF will not develop peat areas, regardless of the depth, in new estates.

FOURTH QUARTER 2020 GLOBAL FOREST WATCH TREE COVER LOSS MONITORING DATA

GFW ID	ESTATE	LATITUDE	LONGITUDE	DATE	HA CONFIRMED	REMARKS
GFW_01	Perlabian	2.05829	100.0816	12/10/2020	0.19	-
GFW_02	Sei Liam	-2.73096	102.95	12/10/2020	0	No deforestation detected
GFW_03	Sei Liam	-2.82423	102.9754	12/10/2020	1.5	Local communities plant palm in that area; estimated palm age 1.5 years.
GFW_04	Sei Liam	-2.79578	102.9857	12/10/2020	0	No deforestation detected
GFW_05	ARU West	-2.69817	102.6012	19/10/2020	0	No deforestation detected
GFW_06	ARU West	-2.69083	102.6187	19/10/2020	1.22	Local communities have planted in the Rawas River buffer zone - maybe rice - since 2015.
GFW_07	AKL North	-3.33692	102.9996	26/10/2020	0	No deforestation detected
GFW_08	AKL North	-3.34036	103.0365	26/10/2020	0	No deforestation detected
GFW_09	AKL North	-3.34086	103.0334	26/10/2020	0	No deforestation detected
GFW_10	AKL East	-3.36691	103.0042	26/10/2020	0	No deforestation detected
GFW_11	AKL East	-3.37169	103.0361	26/10/2020	0	No deforestation detected
GFW_12	AKL East	-3.38166	103.018	26/10/2020	0	No deforestation detected
GFW_13	AKL East	-3.3868	103.0265	26/10/2020	0	No deforestation detected
GFW_PNG_01	Pandi	-5.01827	151.4299	06/12/2020	7.51	Encroachment by local communities
GFW_PNG_02	Pandi	-5.01691	151.4325	06/12/2020	3.51	Encroachment by local communities
GFW_PNG_03	Pandi	-5.00904	151.4395	08/12/2020	0.1	Encroachment by local communities

However, SIPEF does own several historically developed peat estates. In those cases, the rate of decomposition and the fires are minimised through the maintenance of a high water table. SIPEF also works with its smallholders to ensure that any areas planted with peat follow the RSPO best management practices (BMPs).

All these peat estates are inventoried, documented and reported to the RSPO secretariat to enable the monitoring and promotion of BMPs as per the RSPO requirements.

2. GREENHOUSE GAS EMISSIONS FROM PALM OIL MILL EFFLUENT

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

Unfortunately, this process releases methane, which is a powerful GHG that is also an air pollutant, and has significant adverse impacts on ecosystems, air quality, agriculture, and human and animal health. In order to avoid the release of methane into the atmosphere, the gas is burned in flares or biogas engines. The latter replaces electricity from the grid, which in all the Group's operating areas is produced from coal or diesel-powered generators, when no grid connection is available.

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

It is the intention of the SIPEF group to equip all palm oil mills with methane capture and prevention systems in the future, as technology becomes available and affordable. Further investment in biogas engines depends on commitments from the electricity companies, as in early 2019 they stopped paying for the delivery of the electricity. This income is essential to make these investments a viable economic project.

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

1 -- The **Mukomuko palm oil mill** (MMPOM) became the first to be equipped with a bioreactor with methane capture. The methane was initially used as fuel for one of the boilers.

   The installation of a biogas-powered generator was then begun for the production of electricity. This power is used to operate the mill and for other Company activities, such as drying the rubber blocks produced in the nearby crumb rubber factory (CRF). The generator also produces electricity for the central workshop, management offices and Company housing. Furthermore, SIPEF used to supply electricity to the public electricity grid. However, these supplies were discontinued due to cessation of payment.

2 -- The **Perlabian palm oil mill** (PLPOM) was upgraded from using a covered lagoon to using a bioreactor to further improve methane capture and containment of the process.

3 -- Lastly, in **Bukit Maradja** a composting system became operational at the end of 2016 and produces high quality compost. The system combines empty fruit bunches (EFB) and mill effluent in a composting process which maintains the aerobic conditions at a constant level to minimise methane production. That is achieved by ventilating and turning the EFB and palm oil mill effluent as the compost moves through a series of specially designed bunkers. The oxygen and methane content as well as the temperature are constantly monitored and registered to ensure the process maintains aerobic conditions. The Bukit Maradja composting system is the first time that PT Tolan Tiga Indonesia has used this technology. The mill facility maximises the recycling of nutrients otherwise lost through effluent discharge. By putting composted EFB and effluent back into the field the use of chemical fertilisers is reduced. This eliminates the large amounts of N_20 otherwise emitted by nitrogenous chemical fertilisers. Nitrous oxide is a GHG which is 310 times as powerful as CO_2. Besides being a fantastic reduction of GHG emissions, the compost improves the 'soil DNA', which is a term used to describe the necessary biotic conditions to sustain high yields in the plantations.

The senior sustainability manager of PT Tolan Tiga Indonesia has successfully completed a MSc thesis on 'A Comparative Analysis of Performance and Environmental Variables between the Use of Organic and Inorganic Fertilizers in Palm Oil'. The study analysed data from 2014-2019, providing a good time period for comparison. The production, transport and application of compost has a cost, which is balanced by a saving of approximately 6 kg per palm, with the current application of inorganic fertiliser being reduced to 2 kg per palm within the composted area. The use of EFB compost as organic fertiliser has a significant effect on reducing GHG values by 4.022 kg CO_2, equivalent per tonne FFB.

3. GREENHOUSE GAS EMISSIONS FROM FOSSIL FUEL USE

Fossil fuel is a hydrocarbon-containing material of biological origin that can be burned for energy. Fossil fuels include coal, petroleum and natural gas. The use of fossil fuel for palm oil concerns diesel.

SIPEF is monitoring the use of fossil fuel by its operations and introducing measures to reduce this. SIPEF monitors its fuel use and strives to reduce this to increase the cost efficiency of its operations as well as reduce the GHG emissions associated with fuel usage.

As can be seen from the table below, the efficiency as measured in litres of diesel consumed per tonne of product sold, is improving.

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

FFB	PLANTATION	2018	2019	2020
Indonesia*	PLPOM	1.28	1.34	1.34
	BMPOM	0.34	0.43	0.58
	UMWPOM	1.62	0.40	0.25
	MMPOM	1.15	1.00	1.50
	BTPOM	0.58	1.00	0.49
	DMPOM	1.65	1.41	0.72
Papua New Guinea	HPOM	4.21	5.13	4.36
	NPOM	1.62	3.03	2.97
	BPOM	2.75	3.72	3.04
RUBBER**	**PLANTATION**	**2018**	**2019**	**2020**
	MMCRF	25.26	25.00	9.07
	BPRF	1.48	1.63	1.63
	MASRF	3.14	3.69	3.68
TEA	**PLANTATION**	**2018**	**2019**	**2020**
	CITF	0.41	0.42	0.04
AVERAGES		**2018**	**2019**	**2020**
	Palm Oil	1.69	1.94	1.69
	Rubber	9.96	10.11	4.79
	Tea	0.41	0.42	0.04

* The reduction in fossil fuel in UMWPOM is due to the use of electricity from PLN for mill start up, mill process and mill lighting after mill processing since July 2019. The increase in fossil fuel in MMPOM is due to 20 k hours servicing of the gas engine from the end of August 2020 until the end of October 2020. The result was that MMPOM had to generate electricity using diesel gensets for lighting after mill processing hours and for CRF operations. The reduction in fossil fuel in BTPOM is due to the use of electricity from PLN for mill lighting after mill processing hours, starting from May 2020. The reduction in fossil fuel in DMPOM is due to the use of electricity from PLN for mill lighting after mill processing hours, starting from the end of February 2020.

** The reduction in fossil fuel in MMCRF is due to greater and efficient use of biogas for CRF drier burners.

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

The rubber operations reduced drastically the use of fossil fuel in 2020 due to replacing the diesel burners with gas burners to dry the rubber.

Fossil fuel use for tea has historically been low, as hydro power was used to produce the estate's own electricity via water turbines for over 30 years, and fossil fuel was only used in the dry season when there was insufficient water. In 2018, the tea factories switched almost entirely to the public electricity grid.

The banana packing stations are entirely driven by electricity supply from the public grid.

2. Protection, conservation and restoration of terrestrial ecosystems and biodiversity

Risks

The most significant driver of loss in biodiversity and of the terrestrial ecosystems is agriculture, via land use change, such as deforestation, pollution, overexploitation, fire and climate change. Biodiversity, both natural biodiversity and genetic diversity of crops and livestock, is in sharp decline and at risk of extinction. Genetic diversity in agriculture is key to resilience against risks, such as diseases and droughts. Terrestrial ecosystems like forests, grasslands and wetlands provide food and natural fibres, but also clean the air and water, regulate the climate, provide pollinators for the crops, and fix and circulate nutrients to maintain fertile soils.

Link to the SDGs

15 -- Protect, restore and promote sustainable use of terrestrial ecosystems, manage forests sustainably, combat desertification, halt and reverse land degradation, and halt biodiversity loss

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.

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.

15.7 -- Take urgent action to end poaching and trafficking of protected species of flora and fauna, and address both the demand and supply of illegal wildlife products.

Actions by the SIPEF group

1. HCV/HCSA

As mentioned earlier in this report, SIPEF implements the High Conservation Value (HCV) and the High Carbon Stock Approach (HCSA[7]) methodologies to ensure that its plantation expansion does not result in the loss of areas of HCV, forests and ecosystem services.

The HCSA requires that areas that are identified as High Carbon Stock (HCS), must be protected. Subsequent to November 2018, all new developments are preceded by an integrated HCV/HCS assessment as part of the RSPO NPP. Ongoing new developments, which were assessed before the current RSPO standard was endorsed, and which the Group has in Musi Rawas, have had 'stand-alone assessments' submitted to HCSA to ensure that no HCS has been cleared after the changed RSPO standard requirement. The changes in the RSPO standard being imposed retrospectively have imposed particular challenges upon development progress.

7 www.highcarbonstock.org

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

2. CONSERVATION

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

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

The first is the **Turtle Conservation Project** at Air Hitam Conservation Park. This project is directly managed by the foundation in collaboration with the National Resource and Conservation Official of Bengkulu Environment and Forestry Department. It was launched in 2010, and is one of the very few protection projects in Sumatra to be implemented by the local population. Two villages work together as field operators to watch over a stretch of beach around five kilometres long, checking whether turtles have laid eggs there. The eggs are collected to safeguard them from scavenging lizards, and are hatched in controlled conditions before they are released. Changing ocean currents have washed pebbles up on the beach in recent years and this has reduced the area available to the turtles. Nonetheless, there was an upswing in brood numbers in 2018 and in 2019. Just 1 013 eggs were collected in 2017, but the number rose again to 2 935 in 2018 and to 4 922 in 2019, primarily eggs of the olive ridley turtles (*Lepidochelys olivacea*) (4 846 olive ridley turtle eggs and 76 leatherback turtle eggs). In 2019, 2 734 baby olive ridley turtles were released. In 2020, 4 318 eggs were collected, of which 3 934 were olive ridley turtle eggs and 384 were green turtle eggs. In total, 2 451 turtles were released: 2 201 olive ridley turtles and 250 green turtles. The relatively low fecundity rate is being investigated.

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

2 451

In total, 2 451 turtles were released in 2020

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

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

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

The first patrols and camera traps were operational in 2015. The purpose of the patrols is to fight the illegal felling of trees, the illegal planting of oil palms and poaching. In 2015, the SBI team racked up 1 083 person days in patrols, compared with 1 147 in 2018, 1 222 in 2019 and 1 398 in 2020. These figures show that illegal felling, encroachment and poaching clearly remain ongoing threats, and the close partnership with the Forestry Department and security services must be continued to control it.

In 2016, groups from the community began reforestation work in the project area. In the meantime, several groups of forest growers have been formed and the project has almost reached full capacity. Forest growers are an essential part of the project and are just as important for its long-term success as the patrols. Their close relationship with SBI ensures that the surrounding communities understand and, to a great extent, support the goals of the project. Supervised by SBI, forest grower groups manage part of the most affected areas, which are registered with the Forestry Department. Only tree crops are planted on the lots, with a mix of more than twenty types of fruit tree, rubber and timber species. Eight nursery gardens were being actively managed at the end of 2018, five by the foundation and three by the villagers. The planting of affected forest areas is continuing steadily, with 88 hectares of degraded areas in the process of restoration and 468 hectares of forest area enriched with high-value species. The SBI project is managing the second largest reforested area of all 16 ecosystem restoration projects. Oil palms growing illegally in the project area continue to be felled. In 2017, 1 438 palms were felled in the project area, 62 in 2018, 73 in 2019 and 82 in 2020. Felling is done with the consent of the growers, who understand the situation with regard to land rights and nature conservation. These growers are encouraged to leave the area and, in cases where this is not possible, they are provided with multipurpose trees to plant instead of oil palm. Most of these growers have joined the project groups. SBI is actively investing in training and capacity building to support alternative livelihoods that are conducive to the conservation objectives for the area.

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

USD 200 000

yearly budget of the Group for SIPEF Biodiversity Indonesia

3. REFORESTATION PROGRAM (IVORY COAST)

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

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

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

DETAILS OF THE FORESTATION PER SITE PER YEAR:

YEAR	AREA PLANTED (HA)		SPECIES PLANTED	OBSERVATIONS
	AZAGUIÉ	AGBOVILLE		
2010	5.5	21	*Gmelina arborea / Tectona grandis*	The total area planted in Agboville at the end of 2010 was 31 hectares. However, 10 hectares of teak failed to thrive due to excessive water in the low-lying areas. This species was then abandoned in favour of Gmelina.
2011	1	10	*Gmelina arborea*	10 hectares of Gmelina were planted instead of the 10 hectares of teak lost at Agboville in 2010.
2012	10	11.5	*Gmelina arborea*	
2013	17.7	28	*Gmelina arborea*	
2014	0	12	*Gmelina arborea*	
2016	4	4	*Gmelina arborea*	
2019	7.3	-	*Gmelina arborea*	
2020	-	-	-	
TOTAL	**45.5**	**86.5**		

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

In 2020, no new trees were planted, as it was decided to focus on a strategy of optimising and maintaining the forest resources. However, in 2021, it is the intention to continue to carry out the reforestation program by planting new trees.

Besides their environmental role, Gmelina and teak are also commercially valuable species. Gmelina is a very fast-growing species that can be exploited after 15 years, provided the proper forestry techniques are used. The trees can grow to 30-40 m in height, with a diameter of 80-140 cm, and are used for crates, fibre boards and particle board, sculptures, everyday furniture, matchsticks, instruments, high-quality pulp, pencils and so on. Plantations J. Eglin will continue its maintenance program for the 132 hectares already planted, in particular by thinning out small-diameter and supernumerary trees (See picture). In 2021, the company, in its reforestation programme, plans to develop 40 hectares of these available and as yet unexploited areas. Exploitation opportunities are being evaluated for the use of the products of thinning as charcoal or as a fuel for bakeries. This thinning should generate 2 000 tonnes of wood, and contact has been made with a company specialising in reforestation and sustainable forest management to optimise this approach in the medium to long term.

4. Reduction of firewood consumption (Ivory Coast)

Furthermore, wood is the leading cooking energy source in the rural areas where the sites are located. Plantations J. Eglin felt it appropriate to implement campaigns to reduce the wood consumption of households on the sites, alongside raising employee awareness and the creation of wooded areas. In 2018, an improved fireplace prototype was developed in a series of tests, and brought into general use in existing residential areas as well as new housing areas. At the end of 2020 and within three years, a total of 645 improved fireplaces were built to replace the three-stone fireplaces. In 2021, the company intends to continue these investments to improve the living conditions of its workers and reduce fuel consumption.

645

improved fireplaces were built to replace the three-stone fireplaces

These improved fireplaces have the following advantages:

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

5. Wildfire prevention

In all the operations of the Group specific attention is given to fire prevention, fire risk monitoring and firefighting. Particular focus is given to operations on peat. Cultivation of oil palm on peat requires drainage and makes the soil susceptible to fires and floods. Drained peatlands are hotspots for fires.

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

Moreover, extreme drought situations show the importance of the impact of climate change. Therefore, sustainable land development requires the intensification of future efforts to manage fires recorded in the concession areas controlled by SIPEF. The best way is to work with the surrounding stakeholders, including the authorities, to discourage any attempt to impact areas and to enhance cooperation with the local villagers to prevent fires of all kinds.

To control fire, the Group maintains vigilance over the managed estates, through manned fire towers, communication with field staff and investigation of all directly observed fires and potential fires or hotspots, identified by satellite in the Fire Information for Resource Management System (FIRMS)[8]. A strict reporting system is in place to document all fires on the estates. Automated hotspot alerts based on satellite imagery are received, and each alert is investigated. The fire risk status is updated every day and communicated to all levels of the workforce. Fire risk status signs are placed at numerous points in the estates, so that the employees and their families are kept aware. When the risk is considered high, fire spotters are deployed.

Below are the figures for the fire monitoring system in place within Indonesia.

TOTAL TO DATE (AS OF NOVEMBER)	
NASA hotspots	107
Hotspots reported to RSPO	22
Confirmed fires in concession	5
Hectares burned in concession	5.85

According to the detailed fire reports, the five confirmed fires within the Group concessions were all within the location permits in Musi Rawas, on land still owned by local communities. These fires are set by the owners of that land, usually in order to cultivate a crop. SIPEF does not have any jurisdiction over those areas. All of the fires are reported in detail both to the local police and to the RSPO, as has been the case for 22 of the original hotspot reports received. Note that only five of the 107 original alerts received have proven to be real fires, or less than 5%. The satellite technology, while impressive in many aspects, still needs a lot of improvement to help save company operations time and effort.

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

8 www.firms.modaps.eosdis.nasa.gov/

3. Use of chemicals

Risk

To grow properly, plants need nutrients, which normally can be found in the soil. Fertilisers are used daily to help crops grow. Various crops deplete soil nutrients in different ways and at different rates. Therefore, fertilisers are essential to the security of the food supply, but they must be used properly. When too much is applied, fertilisers can increase insect and disease problems. The excess also increases runoff from the field and can contaminate waterways and cause greenhouse gas (GHG) emissions.

The use of pesticides and other chemicals has become the most common approach to pest control. They can contain chemicals, which can migrate through the ground and be toxic to a number of organisms, including fish and invertebrates. Most pesticides do kill their target pests, but they also kill beneficial organisms living in the soil, such as pollinators, and pose health risks to wildlife.

Link to the SDGs

12 -- Ensure responsible consumption and production patterns.

12.2 -- By 2030, achieve the sustainable management and efficient use of natural resources.

12.4 -- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

12.5 -- By 2030, sustainably reduce waste generation through prevention, reduction, recycling and reuse.

Actions by the SIPEF group

1. FERTILISER

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

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

2. PESTICIDES

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

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

In all the crops of the Group, IPM systems are in place. IPM is a holistic concept where pesticides are one element of pest management, but not the only element. Specific, targeted agricultural practices are a part of pest management. For example, the rhinoceros beetle (Oryctes), a serious threat to young palms, can be controlled by chipping old palm trunks at the time of replanting, thus reducing the habitat of the Oryctes larvae. This logic prevents the overuse of insecticides. SIPEF encourages natural predators like the barn owl and black shouldered kites to thrive in its plantations and thereby keep the rodent populations down. The Agro Muko estates are investing heavily in owl boxes. To date, 130 owl boxes have been built and there is a 70% occupancy. The presence of owls helps keeping the rat population down and, in turn, reduces the reliance of the Group on rodenticides.

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

3. COMPOST

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

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

In 2020, 22 127 tonnes of palm oil mill effluent from the Bukit Maradja palm oil mill were recycled and used in the plantations as soil improver, instead of artificial fertiliser.

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

4. Water footprint

Risks

In Indonesia and Papua New Guinea the water is mainly used for processing the FFB and for the use of the employees and their families. In Ivory Coast water is used for the irrigation of the banana plantations and for the banana packaging process.

The wastewater can be a source of water pollution. If the effluent of the mills and the packaging stations is rich in nutrients, it can foster the growth of bacteria, thereby increasing the consumption of dissolved oxygen within the effluent. In that case, the effluent will contribute to the eutrophication or oxygen starvation of aquatic ecosystems.

6 CLEAN WATER AND SANITATION

Link to the SDGs

6 -- Ensure availability and sustainable management of water and sanitation for all.

6.3 -- By 2030, improve water quality by reducing pollution, eliminating dumping, minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally.

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.

Actions by the SIPEF group

1. REDUCTION OF WATER USE

Water is a precious resource and is managed as carefully as possible. Pollution of waterways is prevented by best management practices (BMPs), including erosion control through terracing when required and utilising leguminous cover crops. All of the Company crops are perennial so there is rarely bare soil between the planted crops. In addition to this, maintaining riparian strips of various widths, depending on local regulations and best-known practices, is useful in absorbing runoff before it enters the waterways.

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

Since 2017, the operations have gradually been improved, with a target of less than one tonne of water per tonne of FFB for processing. The data for some palm oil mills still includes the water used by the employees and their families (PLPOM, UMWPOM, MMPOM, BTPOM, HPOM and NPOM). Most of the operations are showing positive trends for water use in litres per tonne of product.

The banana plantation in Ivory Coast uses irrigation. Almost 70% of the irrigation water is stored in dams during the rainy season, then reused and pumped during the dry season a few months later. 30% comes from rivers alongside the farms. Water for the banana packing stations is 100% supplied from wells, due to health and food safety requests. 100% of the water is recycled after the packing process by using decantation tanks, then stored in the dams for irrigation in the future. At Plantations J. Eglin, the energy used to pump the water is 100% electricity, supplied by the Government.

Bananas remain the most water-intensive product by far, followed by palm oil, rubber and tea.

WATER USE IN LITRES PER TONNE FFB, RUBBER, TEA OR BANANAS				
FFB	PLANTATION	2018	2019	2020
Mills Indonesia	PLPOM	940	840	930
	BMPOM	850	900	890
	UMWPOM	1 060	1 350	1 620
	MMPOM	1 040	1 130	910
	BTPOM	710	700	690
	DMPOM	1 770	1 000	1 130
Mills Papua New Guinea	HPOM	870	1 260	1218
	NPOM	1 140	430	339
	BPOM	1 700	1 620	1 550
DRY RUBBER	PLANTATION	2018	2019	2020
Factories Indonesia	MMCRF	26	24	32
	BPRF	30	31	29
	MASRF	31	32	33
TEA	PLANTATION	2018	2019	2020
Cibuni factory	CITF	8	8	8
BANANAS		2018	2019	2020
	Eglin average	7 900	7 000	6 800

2. WASTEWATER DISCHARGE

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

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

BOD (BIOCHEMICAL OXYGEN DEMAND) OF POM (PALM OIL MILL) DISCHARGE PER OIL MILL (MG/LITRE)					
INDONESIA	PALM OIL MILL	WAY OF DISCHARGE	2018	2019	2020
	PLPOM	land application	1 117	929	856
	BMPOM	land application	1 115	1 239	1 545
	UMWPOM	into water body	53	24	32
	MMPOM	into water body	59	87	90
	BTPOM	into water body	73	83	78
	DMPOM	into water body	55	98	99
PAPUA NEW GUINEA	PALM OIL MILL		2018	2019	2020
	HPOM	into water body	144	71	78
	NPOM	land application	502	359	121
	BPOM	land application	125	100	449

5. Yield increase

Risks

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

In order to respond to this increasing demand without jeopardising the environment, the Group needs to improve the quality of its products and especially the yield.

Link to the SDGs

8 -- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

8.2 -- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8 DECENT WORK AND ECONOMIC GROWTH

Actions by the SIPEF group

1. PRODUCT QUALITY AND PRODUCTIVITY

I. Product quality

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

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

When oil palm fresh fruit bunches (FFB), which are exceptionally rich in oil and perishable, are damaged during harvesting, handling or transport, the main constituents of the oil are massively and rapidly hydrolysed. This results in the release of FFA that make the oil more acidic and lower its quality. The sooner the sterilisation process (steam cooking) is done after harvesting, maximum within 24 hours, the sooner this acidification is deactivated. Besides trying to shorten this delay, SIPEF also ensures a maximum reduction in the bruising damage that can occur at the time of harvesting and handling, as well as a reduction in the harvesting of overripe fruits.

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

AVERAGE PERCENTAGE OF FREE FATTY ACIDS IN PALM OIL.

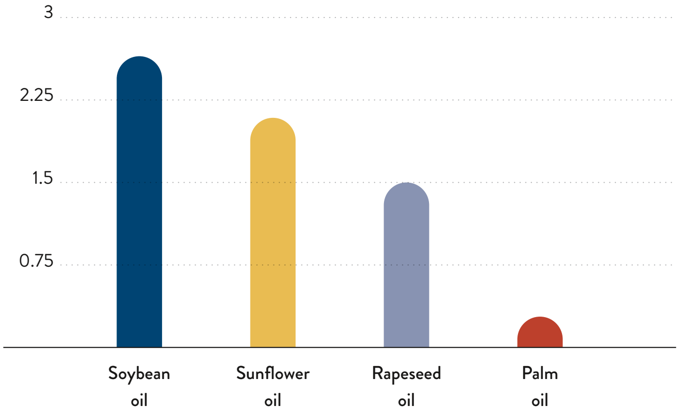
	PALM OIL MILL	2018	2019	2020
Indonesia	PLPOM	2.65	2.97	3.14
	BMPOM	3.14	3.06	3.13
	UMWPOM	3.62	3.98	3.31
	MMPOM	3.46	3.55	2.97
	BTPOM	3.86	3.47	3.40
	DMPOM	3.71	3.65	3.57
Papua New Guinea	HPOM	3.68	4.03	3.03
	NPOM	4.30	3.98	3.70
	BPOM	4.23	4.26	3.18

II. Productivity

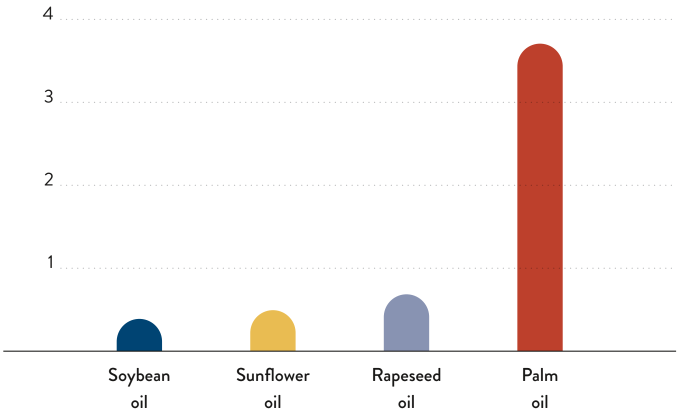
It has been shown that, as the world population is growing and countries increase their purchasing power, there is a proportional growth in the consumption of vegetable fats. It has been estimated that, by 2050, the global food demand will be around 350 million tonnes per year more than the 185 million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

SIPEF is attaining amazing yields in all of its estates. In particular, the yield per hectare and the respective oil extraction rates (OERs) in Papua New Guinea are leading in the industry and, hence, they are the benchmark for the Group's operations in Indonesia. Although there are differences in soil structure, SIPEF believes these targets can be met.

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



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



(WWW.THECONVERSATION.COM/THE-GEOPOLITICS-OF-PALM-OIL-AND-DEFORESTATION-119417)

OIL EXTRACTION RATES	2018	2019	2020
Indonesia	22.13%	23.01%	22.65%
Papua New Guinea	24.34%	23.33%	24.63%
GROUP	**23.23%**	**23.17%**	**23.64%**

2. VERDANT BIOSCIENCE PTE LTD

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

Global vegetable oil production amounted to around 234 million metric tonnes in 2019, with palm oil production being recorded at 75.72 million metric tonnes in 2019. Oil palm is by far the most efficient of the vegetable oil crops and is 6-10 times more productive (yield/hectare/annum) than other oil crops. In a commodity market, it is ‘cheap’, because of its high yield, and arguably the most versatile oil for the food industry. Indonesia and Malaysia are the largest palm oil producing countries. Expansion of production to meet demand by increasing land area puts forests, biodiversity, indigenous people and customary practices at risk. But expansion of production by increasing yield takes the pressure off forests, does not put biodiversity at increased risk, and does not threaten social order and human equity in developing countries, yet it meets the world demand for competitively priced vegetable oil.

The joint venture Verdant Bioscience Pte Ltd (VBS) of which SIPEF is a partner, leads in the research and development area for tropical plants, and its progress is exciting. VBS is grounded in a long and distinguished history in tropical plantation agriculture, and allied to the responsible application of objective science. Its corporate shareholders, including SIPEF, have similarly exemplary resumés in plantation agriculture. High yielding though it is, palm oil uniquely has the physiological potential to double or even triple the yield of crude oil.

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

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

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

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

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

In that context, in April 2017, SIPEF formally transferred the management of the Timbang Deli rubber plantation from PT Tolan Tiga Indonesia to VBS. In North Sumatra and Bengkulu, a network of test fields was built to develop optimal fertilisation plans and realise the cultivation potential of the F1 hybrids, to develop treatments against plagues and diseases, as well as to study various problems related to *Ganoderma*, a major disease of oil palms. SIPEF also calls on VBS for advice on fertilising the three crops (palm oil, rubber and tea) in all regions of Indonesia.

For more information see the Annual Report, page 100.

Responsible social topics

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

SIPEF recognises that it is, in all areas it operates, part of a global community, and that it has an obligation to bring positive change to the lives of the employees, their families and local communities.

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

The following table summarises the HDI scores of the countries in which SIPEF operated in 2020:

	HDI	Population (x 1 000)
Belgium	0.916	11 539.3
Indonesia	0.694	270 625.6
Ivory Coast	0.492	25 716.5
Papua New Guinea	0.544	8 776.1

(WWW.HDR.UNDP.ORG/EN/CONTENT/HUMAN-DEVELOPMENT-INDEX-HDI)

The indexes are calculated using national statistics and are generally higher (better) than the living conditions within the rural areas within which the SIPEF plantations are located. Generally, these are areas with low rates of employment and lacking in government services. Since agriculture is a permanent enterprise which relies on a productive workforce in order to remain economically viable, SIPEF places utmost importance on valuing its own workforce and the communities within which its enterprises are located. Social topics, like environmental topics, are managed using a systematic methodology as per the SA8000 standard[9]. This requires a systematic review of the perceived aspects and impacts, and the implementation of strategies to reduce the negative impacts, while promoting the positive ones. This methodology incorporates the effects of the activities of the Group on society, such as livelihoods, health, education, fair labour conditions and community cohesion.

Risks

The development of agriculture activities must not be detrimental to the rights and the well-being of the local population and communities, in terms of safety, health and general welfare. The authenticity and traditions of the local people must not be put at stake.

Ensuring that employees are treated fairly and in compliance with recognised social standards is essential to SIPEF for its long-term growth and its reputation.

Link to the SDGs

1 -- End poverty in all its forms everywhere

1.5 -- By 2030, build the resilience of the poor and those in vulnerable situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

2 -- End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

2.3 -- By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous people, 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.

3 -- Ensure healthy lives and promote well-being for all at all ages.

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.

3.9 -- By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

9 www.sa-intl.org/

8 -- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

8.2 -- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8.3 -- Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

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.

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.

Actions by the SIPEF group

1. FAIR LABOUR PRACTICES

According to the RPP of SIPEF 'fair labour practices' are the norm in all operations of the Group. SIPEF gives assurances that it will treat its employees fairly in all areas. Employment contracts are clear and, as a minimum, in compliance with local laws.

I. Health and safety

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

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

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

LTI FREQUENCY RATE	2018	2019	2020
Indonesia	6.77	5.04	2.90
Papua New Guinea	2.96	27.96	23.76
Ivory Coast	14.80	14.50	21.44

WORK RELATED FATALITIES	2018	2019	2020
Indonesia	1	0	2
Papua New Guinea	1	1	0
Ivory Coast	0	0	0
TOTAL	2	1	2

Due to the differing occupational health and safety (OHS) standards and local legal definitions being applied within the countries in which SIPEF operates, the lost time injury (LTI) rates among operating units (OU) are currently not comparable. To address this the OHS systems are being standardised by following the guidelines provided by the OHS 45001 and the Australian Standard.

Under the Occupational Health and Safety Administration (OHSA) standard used for reporting, the lost-time injury frequency rate (LTIFR) is calculated as the number of lost-time injuries (LTI) plus fatalities, divided by the number of hours worked, multiplied by a factor of 1 000 000 which is the current industry standard used to enable the comparison between companies.

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

There were two workplace fatalities in the Group in 2020. Both were in Indonesia. The first occurred when a security guard in Agro Rawas Ulu East Estate was taking shelter in a nursery monitoring post. There was heavy rain and strong winds, when suddenly lightning struck the post and the victim died at the scene. The action plan involved installing a safety sign advising of dangerous lightning, and workers are prohibited from occupying that post when there is heavy rain and strong winds. The second happened when a foreman in Sei Liam Estate fell off his motorcycle on the edge of a canal. There were no witnesses to this fatal accident, but it is suspected that the victim lost control when riding the motorcycle, shown by the tyre skid marks. The official cause of death was drowning. Corrective actions, including driver training and awareness of safety measures, such as wearing helmets, have been implemented.

Lastly, it is important to state that all plantations have their own ambulances to evacuate the victims of serious accidents.

Smoking and the consumption of alcohol or drugs is banned in the workplace.

SOCIAL INVESTMENT	INDONESIA		PAPUA NEW GUINEA		IVORY COAST	
	2019	2020	2019	2020	2019	2020
Number of schools built, supported and/or managed by the Group	44	44	1	1	3	3
Number of teachers subsidised by the Group	98	109	7	9	1	1

II. Education

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

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

PERCENTAGE OF PERMANENT EMPLOYEES	2018	2019	2020
Indonesia	74.31%	73.22%	74.36%
Papua New Guinea	96.50%	95.10%	92.37%
Ivory Coast	91.30%	91.70%	95.54%
Belgium	78.22%	78.50%	70.83%

PERCENTAGE OF FEMALE EMPLOYEES	2018	2019	2020
Indonesia	18.13%	17.35%	23.80%
Papua New Guinea	24.20%	24.40%	22.40%
Ivory Coast	19.50%	19.80%	22.80%
Belgium	51.00%	54.00%	41.90%

III. Gender equality

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

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

In order to support working families, most of the plantations offer free childcare to give women equal opportunities in the workplace.

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

In Indonesia, there is a long-running cadet program designed to take in recent college graduates and fast-track them into SIPEF's middle management career path. The cadet program is very demanding in that it requires a lot of skills and dedication from the participants. The program is also in high demand, as it provides a pathway to highly sought-after career opportunities within SIPEF. Over the years, the cadet program has consistently increased in numbers, with five successful graduates in 2011, growing to 47 and 43 in 2018 and 2019, respectively. SIPEF is actively encouraging women to apply and participate. While there is no female to male ratio target, the cadet program has increased the intake of female cadets over the years. Due to covid-19 the program was put on hold in 2020.

2. IMPACT ON COMMUNITIES

The development and maintenance of harmonious relations inside and outside the plantations are a critical part of managing the operations of the Group. Therefore, the Corporate Social Responsibility (CSR) of SIPEF is part of the Group's Responsible Plantations Policy (RPP). The current measures respond to the needs of the communities. CSR budgets are drawn up for each operational unit (OU). The plantation managers have open and constructive talks with local stakeholders, and decide on the optimal use of these budgets in the local context.

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

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

Rather than waiting for grievances, SIPEF actively engages with its stakeholders. Communities neighbouring the operations, or affected by them, are consulted periodically, and as much as possible provided with opportunities to benefit from the Group's activities. For oil palm operations a social survey of the communities and the Company's stakeholders is administered annually. The surveys record the perceptions of the communities and stakeholders regarding the activities of the Company, including positive and negative impacts.

SIPEF provides employment, and builds and maintains schools, roads, health centres, bridges and places of worship. The plantations grow with and for people.

	INDONESIA	PAPUA NEW GUINEA	IVORY COAST
Number of clinics	27	13	3
Number of medical personnel	53	29	7

I. Free, Prior and Informed Consent

Before launching a new project, the Company ensures that the Free, Prior and Informed Consent (FPIC) of communities is obtained. SIPEF believes that a thorough FPIC process is critical to the long-term success of any new operation, both for the communities and for the Company. Communities have the right to fully understand the scope of the new developments and to express their opinions, and to reserve the right to not participate at any stage prior to the implementation of the project. Such a process can last for months or years. In Papua New Guinea, SIPEF has sometimes spent years in communications with some communities. This has created the right conditions for an honest, long-lasting working relationship, which is fundamental for a permanent industry such as agriculture.

II. Medical care

The provision of appropriate medical care demands special attention throughout the Group. In Indonesia at the end of December 2020, 35 571 people (employees and their dependents) were registered with the national health insurer. Indonesia also has 24 polyclinics, 8 visiting doctors and 45 permanent paramedics, of which approximately half are midwives and the other half nurses. All these medical facilities were officially recognised by the national health insurer, which covers the costs of treatment there.

In Ivory Coast and Papua New Guinea, the medical care package is paid in full by the Company, which works with its own doctors and nurses at local clinics and care centres set up by SIPEF on the plantations. During 2020, the Papua New Guinea operation of SIPEF treated 105 096 outpatients, who were seen by 28 healthcare employees within 12 Company clinics.

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

III. Fundraising maternity ward renovation

On the occasion of the celebration of '100 YEARS of SIPEF', the Company initiated a fundraising project for a maternity ward upgrade and renovation in West New Britain in Papua New Guinea. In October 2019, a total of 38 300 euros were raised and contributed to this project.

Through Hargy Oil Palms Ltd (HOPL), SIPEF has operated in this area for the last 41 years, and has contributed actively to reach the United Nations Sustainability Development Goals (UNSDG) for this particular region. This project is inspired by the UNSDG Goal 3: Good Health and Well-Being.

The Bialla Health Centre (BHC) is the community health facility in the local region of approximately 50 000 people, providing basic medical and health care services, along with a maternity ward. It provides the primary health care services for pregnant women from the community, including HOPL. The maternity ward was under-equipped and lacked the basic utility of running water for sterilisation, hygiene and keeping the facility clean. The midwifery staff worked with limited medical equipment, posing the potential risk of contracting HIV or other neonatal infections for the nurse, baby and the mother, haemorrhages, and pre-eclampsia or eclampsia for the mothers.

BHC is only equipped to manage normal and basic childbirth. All complicated deliveries are referred to Kimbe General Hospital, which is a 150-km journey of more than three hours in the back of a truck along unsealed sections of road.

The HOPL project and construction team has worked closely with the West New Britain Provincial Health Authorities (WNBPHA) to repurpose an existing building into a functional maternity ward. The design phase to create floor plans started at the beginning of 2020 with a visit by provincial health authorities. The HOPL team designed the maternity ward, ensuring it met the required legislative health guidelines and provided a significant and notable improvement on the existing services, enabling a safe and accessible facility for women to give birth.

The project aligns with the set budget, and whatever funding remains will be utilised to purchase equipment to finalise the fitout and bring the maternity ward to functionality. This will then lead to the ordering of appropriate medical equipment, such as a suction pump, Doppler machine, and a heating lamp for babies.

Early 2021, the facility was 90% completed with only minor issues remaining, as well as some supply of equipment outstanding. The building should be in a position to be handed over to the community for use in March 2021, pending the arrival of equipment.

The provincial health authorities, through HOPL, have expressed their immense gratitude to the donors who generously provided funding for this project. Likewise, the management of HOPL would also like to thank the donors for their generosity. This maternity ward will positively impact the lives of those in this region and provide a wonderful environment in which new life begins.

IV. Infrastructure

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

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

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

3. SMALLHOLDERS

Smallholders account for about 40% of the total global palm oil production, making smallholders significant contributors towards a sustainable oil palm industry. It is important for smallholders that certification and the implementation of responsible practices are made accessible and workable for them. In this way, they have the possibility of significantly reducing the negative impacts of oil palm cultivation on ecosystems. They can also improve their livelihoods through better quality of FFB, increased yields, income and access to international markets.

SIPEF works closely with smallholders who are able to expand their activities together with the Group. This allows local farmers to participate in a sustainable industry and benefit from the Group's technical expertise. SIPEF provides agronomic advice or service, zero- or low-interest loans for seedlings and tools, as well as its best genetic material for improved yields.

Moreover, there is a permanent demand from the local population, in close association with the smallholders, for the continued expansion of the activities of the Group and accelerated economic development of these remote communities. Smallholder oil palm projects are developed with and for local communities, beyond legal requirements.

Papua New Guinea

In Papua New Guinea, the oil palm plantation, HOPL, is the most engaged with smallholders. It has included approximately 3 700 smallholders in the supply base of its three mills. It collects the crops of the smallholders individually, giving them priority over its own crop. As much as half of the fruit bunches processed in the mills of HOPL, comes from these smallholders. All the smallholders in the supply base of HOPL have been successfully certified for compliance with the RSPO standard. They received their certification at the same time in 2009 as the HOPL, and remain committed to its preservation. As the smallholders have been certified to the RSPO standards, they share in all premiums which SIPEF receives through the sale of certified products.

PREMIUM PAID TO SMALLHOLDERS PER TONNE FFB	2018	2019	2020
Indonesia	NA	NA	NA
Papua New Guinea (PGK)	12.80	12.16	13.54

A highly important challenge going forward is the need to consistently increase the yields from the smallholder farmers in Papua New Guinea to improve their income, general livelihood and reduce the gap between the Group's plantation yields. HOPL operations have for the past three years, commencing in 2017, increased its direct involvement in the extension services provided to smallholders, relieving the local government of part of this critical, but management-intensive function. The cooperation and collaboration between the smallholder farmers and HOPL have been hugely positive. A nominal expense of PGK 4.00 per tonne has been invested to improve the farmers' knowledge of effective farming, while the yields are expected to improve further over time.

YIELD PER HECTARE (IN TONNES)		2018	2019	2020
Indonesia	plantations	19.80	18.47	18.72
	smallholders	12.65	12.75	10.40
Papua New Guinea	plantations	28.25	20.92*	21.10
	smallholders	16.47	13.47*	14.30

* due to volcanic eruptions

Indonesia

In 2014, a law was passed in Indonesia requiring all new land use permits (Hak Guna Usaha - HGU), to include an area equal to 20% of the total HGU area as smallholder production for that particular supply base. This did not create a significant problem for SIPEF, as the Company took this into account with all subsequent expansions. In 2017, the law was amended to include all renewals of HGU concessions. This has created a great challenge for SIPEF, as there will be a succession of HGUs up for renewal that will require an area equivalent to 20% of their total area to be under smallholder production before the renewal is approved. As this law has been passed for the whole industry, it has created an enormous growth in the demand for smallholder production. SIPEF is implementing a strategy to enable this requirement to be fulfilled, while maintaining and attaining its goal of 100% RSPO identity preserved (IP) supply chains. However, this process cannot be done overnight, hence the increase of uncertified smallholders in the last few years. As this is a process that requires a lot of attention, a special smallholder department has been created, and SIPEF is positive of success.

The smallholders collaborating with SIPEF, in accordance with the Plasma Transmigration Program created by the Indonesian law, are called 'plasma smallholders'. These smallholders manage their own plantations and sell their FFB to SIPEF.

NUMBER OF SMALLHOLDERS COLLABORATING WITH SIPEF	2018		2019		2020	
	RSPO	NO RSPO	RSPO	NO RSPO	RSPO	NO RSPO
Indonesia	299	61	299	3 928*	300	4 380
Papua New Guinea	3 640	-	3 647	-	3 646	-

* The number of non-certified smallholders increased significantly in 2019, because of the smallholders in the expansion areas of South Sumatra.

Besides the plasma smallholders, in Indonesia, the Agro Muko operation works with surrounding villages to develop small oil palm blocks called KMD (Kebun Masyarakat Desa – villagers' estates), managed by the plantations to the same high standards. SIPEF pre-finances the development of the blocks and later buys the production at market prices. The village cooperatives can enjoy significant additional revenue, which is then used for communal works. Monthly accounts are communicated to the cooperatives, and the amounts paid by SIPEF are published in the local newspapers. Transparency is total. The scheme is extremely popular, and even villages far from the Group's estates volunteer to join.

In Indonesia in 2018, the Group welcomed the RSPO certification of a group of 31 independent smallholders supplying the UMW palm oil mill of the SIPEF group, enabling the continuation of fully segregated RSPO palm oil production.

In order to manage the risk of a growing number of smallholders, SIPEF has issued the Responsible Purchasing Policy. This policy ensures that all of the supply base of the Group is or will become traceable and certified to the RSPO Standard as soon as possible. It also provides the framework for the procedures required to select, monitor and, if necessary, expel plasma smallholders from the supply base of SIPEF. As such, while some of the supply base of the Group is not yet certified, all of it is traceable. In cases where these suppliers, who are yet to be certified, are within the supply base of one of the IP mills, the FFB is sold to third-party mills in order to maintain the IP status of the mills of the Group.

Respect for human rights

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status.

SIPEF acknowledges that sustainable agriculture production cannot be achieved without respect for human rights. It recognises that human rights are universal and apply to all without any form of distinction.

Risks

SIPEF is aware of the possible consequences for the Group in terms of legal, financial, reputational and operational impact, in case of violation of human rights, such as child labour, forced labour, trafficking of migrant workers, discrimination and the disrespect of the right for workers to collective bargaining.

Respect of human rights is of great importance for the well-being of the people working for the Group, and is, therefore, a key component for the good functioning and the long-term growth of the Group and its reputation.

8 DECENT WORK AND ECONOMIC GROWTH

Link to the SDGs

8 -- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

8.7 -- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and, by 2025, end child labour in all its forms.

Actions by the SIPEF group

SIPEF has issued a Human Rights Policy[10] which makes clear its commitments and reiterates these commitments within its Responsible Plantations Policy which is aligned to the International Bill of Human Rights and to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, ILO Indigenous and Tribal Peoples Convention, 1989 (No. 169), as transcribed in the laws and regulations of the countries where it operates.

The compliance of the Group with these legal requirements is made operational through management systems, and checked by both internal and external audits.

Charges of violation of human rights, where substantiated, will result in disciplinary action up to and including dismissal, and may also lead to legal action.

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

10 www.sipef.com/hq/sustainability/policies/human-rights-policy/

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

- SIPEF does not tolerate child labour on the plantations;
- The Group does not use or condone any form of forced labour or human trafficking;
- SIPEF gives everyone equal opportunities and does not tolerate discrimination;
- SIPEF does not tolerate sexual harassment;
- The Group respects freedom of association and collective bargaining;
- SIPEF is receptive to all grievances of all stakeholders, internal and external, and is willing to handle all complaints impartially.

1. CHILD LABOUR

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

2. DECENT LIVING WAGE

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

Above the legal requirement, SIPEF is committed to complying with international certification requirements which follow the methodologies as set forth by the Global Living Wage Coalition[11] (GLWC). SIPEF is committed to providing a fair and decent wage, as defined by the GLWC as:

"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."

The GLWC, RSPO and Rainforest Alliance require the living wage to be calculated by independent parties. The calculation is reliant on the cost of living and is therefore specific to a region. The RSPO has issued a tender for an independent consultancy to calculate the relevant daily living wage applicable within Indonesia. SIPEF works proactively to ensure the calculation reflects the actual conditions on the ground and are feasible for the industry to adopt.

3. UNIONS

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

11 www.globallivingwage.org/about/what-is-a-living-wage/

Ethics Policy

Risks

Corruption is a considerable obstacle to economic and social development, and the realisation of all human rights around the world. Consequently, it has negative impacts on sustainable development.

Link to the SDGs

8 -- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

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, equal pay for work of equal value.

Actions by the SIPEF group

In order to achieve this target, SIPEF has established policies, procedures, grievance mechanisms and support structures for employees to anonymously report incidences or suspected incidences of adverse human rights impacts. SIPEF has protection in place for whistle-blowers so that persons feel able to report without fear of retribution.

1. CODE OF CONDUCT

In accordance with the 2020 Belgian Code on Corporate Governance (the Belgian Code) and the Corporate Governance Charter of SIPEF (the Charter), the Board of Directors of 20 November 2019 adopted a Code of Conduct.

This code sets out the principles of conduct in terms of responsible and ethical behaviour for the staff members and managers of SIPEF. The staff members can be employees, self-employed staff members or physical persons acting on behalf of a legal person for purposes of the performance of a services contract or as permanent representatives, respectively. Consultants and contracting parties operating with SIPEF are also required to respect this code.

As required by the Belgian Code and the Charter, the Board of Directors of SIPEF monitors compliance with the Code of Conduct once a year.

The Code is a minimum set of guidelines and also reflects the general business policies of SIPEF. It may be supported by other more specialised codes for specific targets applicable to the subsidiaries of the Group (e.g. no child labour, no forced labour). SIPEF has introduced a code of conduct in all of the countries where it is active. Furthermore, in 2017, the Group had already drawn up a Group ethics policy[12], focusing on the several operational activities of SIPEF in which the following principles are enshrined:

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

1. Anti-bribery and anti-corruption

Anti-bribery and anti-corruption have an important place in the Code of Conduct. SIPEF understands the importance of its participation in creating a fair environment for business, free from the distorting, anti-competitive effects of bribery and other forms of corruption.

In order to be able to put the required anti-bribery and anti-corruption mechanisms in place, SIPEF first needed to understand how the material topics resulting from its materiality matrix, like deforestation, land use and water management, are intrinsically linked with these risks. It therefore identified the potential bribery and corruption cases that can occur in relation with these topics. On the basis of the materiality matrix, corruption could be triggered by the violation of, for example, the following applicable laws:

- **Land use**: officials could be bribed to obtain land permits;
- **Deforestation**: illegal deforestation and encroachment on protected areas;
- **Environmental law violation**: bribery of officials to avoid pollution investigations.

The Company is aware of the seriousness of the possible consequences for the Group in terms of legal, financial, reputational and operational impacts. Financial penalties can amount to thousands or millions of euros. Media coverage at local, or even national or international level 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 (e.g. if a land permit is revoked).

SIPEF puts everything into work to reduce the likelihood and impact of all these risks. It therefore increases the controls and takes the necessary measures, in order to improve transparency and the tracking systems for concessions.

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

12 www.sipef.com/hq/sustainability/policies/ethics-policy/

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

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

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

2. Grievance policy

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

A Group Policy on Grievances[13] has been implemented and communicated to the entire workforce, as well as to other stakeholders. With this framework in place, grievances are addressed in a transparent manner, directly between the complainants and the respective operations.

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

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

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

In 2020, SIPEF faced allegations of breaching labour laws at one of its estates in Musi Rawas, PT Agro Kati Lama. The grievance is still considered 'open' and has been fully detailed on the SIPEF grievance dashboard. SIPEF recognises that human resource management is a process requiring continual improvement and engagement. With this in mind, in 2021, SIPEF engaged with Lingkar Komunitas Sawit (LINKS), an NGO with expertise in the social aspects of oil palm and labour issues in Indonesia, to provide an impartial analysis of the allegations that have been raised. The findings of the expert will be considered as part of the Company's continuous improvement plans.

In parallel to this, SIPEF has implemented a training program that highlights its procedural compliance with labour standards, as per its commitments. The training includes relevant elements of labour law, occupational health and safety management and gender respect in the workplace. This training utilises the 'Train the Trainer' concept, with all operational staff becoming involved. In 2021, the effectiveness of this training will be verified by an internal task force from the Head Office in Medan. It is also the intention to keep engaging with stakeholders, as has been done in previous years, to discuss progress and find areas that can be improved upon. A mediated meeting is planned for as soon as the training program and the verification program have been completed. The NGOs who have voiced the grievance and all local stakeholders, including villagers and communities, will be engaged in this outreach to ensure all parties concerned can freely voice their opinions.

13 www.sipef.com/hq/sustainability/policies/grievance-policy/

2. GENERAL PRIVACY POLICY

SIPEF recognises that each person has a fundamental right to privacy: personal data need to be handled with care and thoroughly protected, so that present and future privacy remains guaranteed.

As from 25 May 2018, SIPEF has been subject to and has complied with the revised data protection rules applicable in the European Union under the General Data Protection Regulation (EU Regulation 2016/679, on the protection of individuals with regard to the processing of personal data and on the free movement of such data). The Company's privacy policy has been effective since that date.

The General privacy policy explains what kind of personal data are collected by SIPEF, for what purposes and on what legal basis they are processed, how long the personal data are stored, whether the personal data are passed on to third parties, how these personal data are protected and what rights are attached to these personal data.

SIPEF attaches great importance to adequate protection of personal data and to compliance with applicable legislation in this respect.

Annex

SIPEF's approach to sustainability

NUMBER OF CERTIFICATIONS	2018	2019	2020
RSPO: Roundtable on Sustainable Palm Oil	9	9	9
ISCC: International Sustainability and Carbon Certification (*)	5	4	4
ISPO: Indonesian Sustainable Palm Oil	5	5	8
ISO 14001:2015	1	1	1
ISO 9001:2015	1	1	1
GLOBALG.A.P.	1	1	1
Fairtrade		1	1
Sedex	1	1	1
Rainforest Alliance	5	5	5
FSSC 22000-4.1		1	1
Halal Assurance System		1	1
TOTAL	**28**	**30**	**33**

* The table shows a decline in 2019 regarding the previous year, as Dumai terminal is no longer ISCC certified. It should be pointed out that SIPEF no longer ships through this port.

Environmental topics

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

FFB	PLANTATION	2018	2019	2020
Indonesia*	PLPOM	1.28	1.34	1.34
	BMPOM	0.34	0.43	0.58
	UMWPOM	1.62	0.40	0.25
	MMPOM	1.15	1.00	1.50
	BTPOM	0.58	1.00	0.49
	DMPOM	1.65	1.41	0.72
Papua New Guinea	HPOM	4.21	5.13	4.36
	NPOM	1.62	3.03	2.97
	BPOM	2.75	3.72	3.04
RUBBER**	**PLANTATION**	**2018**	**2019**	**2020**
	MMCRF	25.26	25.00	9.07
	BPRF	1.48	1.63	1.63
	MASRF	3.14	3.69	3.68
TEA	**PLANTATION**	**2018**	**2019**	**2020**
	CITF	0.41	0.42	0.04
AVERAGES		**2018**	**2019**	**2020**
	Palm Oil	1.69	1.94	1.69
	Rubber	9.96	10.11	4.79
	Tea	0.41	0.42	0.04

* The reduction in fossil fuel in UMWPOM is due to the use of electricity from PLN for mill start up, mill process and mill lighting after mill processing since July 2019. The increase in fossil fuel in MMPOM is due to 20 k hours servicing of the gas engine from the end of August 2020 until the end of October 2020. The result was that MMPOM had to generate electricity using diesel gensets for lighting after mill processing hours and for CRF operations. The reduction in fossil fuel in BTPOM is due to the use of electricity from PLN for mill lighting after mill processing hours, starting from May 2020. The reduction in fossil fuel in DMPOM is due to the use of electricity from PLN for mill lighting after mill processing hours, starting from the end of February 2020.

** The reduction in fossil fuel in MMCRF is due to greater and efficient use of biogas for CRF drier burners.

WATER USE IN LITRES PER TONNE FFB, RUBBER, TEA OR BANANAS				
FFB	PLANTATION	2018	2019	2020
Mills Indonesia	PLPOM	940	840	930
	BMPOM	850	900	890
	UMWPOM	1 060	1 350	1 620
	MMPOM	1 040	1 130	910
	BTPOM	710	700	690
	DMPOM	1 770	1 000	1 130
Mills Papua New Guinea	HPOM	870	1 260	1218
	NPOM	1 140	430	339
	BPOM	1 700	1 620	1 550
DRY RUBBER	PLANTATION	2018	2019	2020
Factories Indonesia	MMCRF	26	24	32
	BPRF	30	31	29
	MASRF	31	32	33
TEA	PLANTATION	2018	2019	2020
Cibuni factory	CITF	8	8	8
BANANAS		2018	2019	2020
	Eglin average	7 900	7 000	6 800

BOD (BIOCHEMICAL OXYGEN DEMAND) OF POM (PALM OIL MILL) DISCHARGE PER OIL MILL (MG/LITRE)					
INDONESIA	PALM OIL MILL	WAY OF DISCHARGE	2018	2019	2020
	PLPOM	land application	1 117	929	856
	BMPOM	land application	1 115	1 239	1 545
	UMWPOM	into water body	53	24	32
	MMPOM	into water body	59	87	90
	BTPOM	into water body	73	83	78
	DMPOM	into water body	55	98	99
PAPUA NEW GUINEA	PALM OIL MILL		2018	2019	2020
	HPOM	into water body	144	71	78
	NPOM	land application	502	359	121
	BPOM	land application	125	100	449

AVERAGE PERCENTAGE OF FREE FATTY ACIDS IN PALM OIL				
	PALM OIL MILL	2018	2019	2020
Indonesia	PLPOM	2.65	2.97	3.14
	BMPOM	3.14	3.06	3.13
	UMWPOM	3.62	3.98	3.31
	MMPOM	3.46	3.55	2.97
	BTPOM	3.86	3.47	3.40
	DMPOM	3.71	3.65	3.57
Papua New Guinea	HPOM	3.68	4.03	3.03
	NPOM	4.30	3.98	3.70
	BPOM	4.23	4.26	3.18

OIL EXTRACTION RATES	2018	2019	2020
Indonesia	22.13%	23.01%	22.65%
Papua New Guinea	24.34%	23.33%	24.63%
GROUP	**23.23%**	**23.17%**	**23.64%**

Responsible social topics

LTI FREQUENCY RATE	2018	2019	2020
Indonesia	6.77	5.04	2.90
Papua New Guinea	2.96	27.96	23.76
Ivory Coast	14.80	14.50	21.44

WORK RELATED FATALITIES	2018	2019	2020
Indonesia	1	0	2
Papua New Guinea	1	1	0
Ivory Coast	0	0	0
TOTAL	2	1	2

PERCENTAGE OF PERMANENT EMPLOYEES	2018	2019	2020
Indonesia	74.31%	73.22%	74.36%
Papua New Guinea	96.50%	95.10%	92.37%
Ivory Coast	91.30%	91.70%	95.54%
Belgium	78.22%	78.50%	70.83%

PERCENTAGE OF FEMALE EMPLOYEES	2018	2019	2020
Indonesia	18.13%	17.35%	23.80%
Papua New Guinea	24.20%	24.40%	22.40%
Ivory Coast	19.50%	19.80%	22.80%
Belgium	51.00%	54.00%	41.90%

SOCIAL INVESTMENT	INDONESIA		PAPUA NEW GUINEA		IVORY COAST	
	2019	2020	2019	2020	2019	2020
Number of schools built, supported and/or managed by the Group	44	44	1	1	3	3
Number of teachers subsidised by the Group	98	109	7	9	1	1
Number of clinics		27		13		3
Number of medical personnel		53		29		7

PREMIUM PAID TO SMALLHOLDERS PER TONNE FFB	2018	2019	2020
Indonesia	NA	NA	NA
Papua New Guinea (PGK)	12.80	12.16	13.54

YIELD PER HECTARE (IN TONNES)		2018	2019	2020
Indonesia	plantations	19.80	18.47	18.72
	smallholders	12.65	12.75	10.40
Papua New Guinea	plantations	28.25	20.92*	21.10
	smallholders	16.47	13.47*	14.30

* due to volcanic eruptions

NUMBER OF SMALLHOLDERS COLLABORATING WITH SIPEF	2018		2019		2020	
	RSPO	NO RSPO	RSPO	NO RSPO	RSPO	NO RSPO
Indonesia	299	61	299	3 928	300	4 380
Papua New Guinea	3 640	-	3 647	-	3 646	-

* The number of non-certified smallholders increased significantly in 2019, because of the smallholders in the expansion areas of South Sumatra.

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.

Concept and realisation: Focus advertising

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

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Responsible persons

RESPONSIBILITY FOR THE FINANCIAL INFORMATION

François Van Hoydonck
managing director

Johan Nelis
chief financial officer

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

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

- the consolidated financial statements for the financial year ended on 31 December 2020 were drawn up in accordance with the 'International Financial Reporting Standards' (IFRS) and provide an accurate picture of the consolidated financial position and the consolidated results of the SIPEF group and its subsidiary companies that are included in the consolidation;
- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2020 and their effects on the financial position, as well as a description of the main risks and uncertainties for the SIPEF group.

STATUTORY AUDITOR

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