

OUR VALUES

ENVIRONMENTAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

# AGROPALMA SUSTAINABILITY REPORT 2013





# **AGROPALMA SUSTAINABILITY REPORT 2013**

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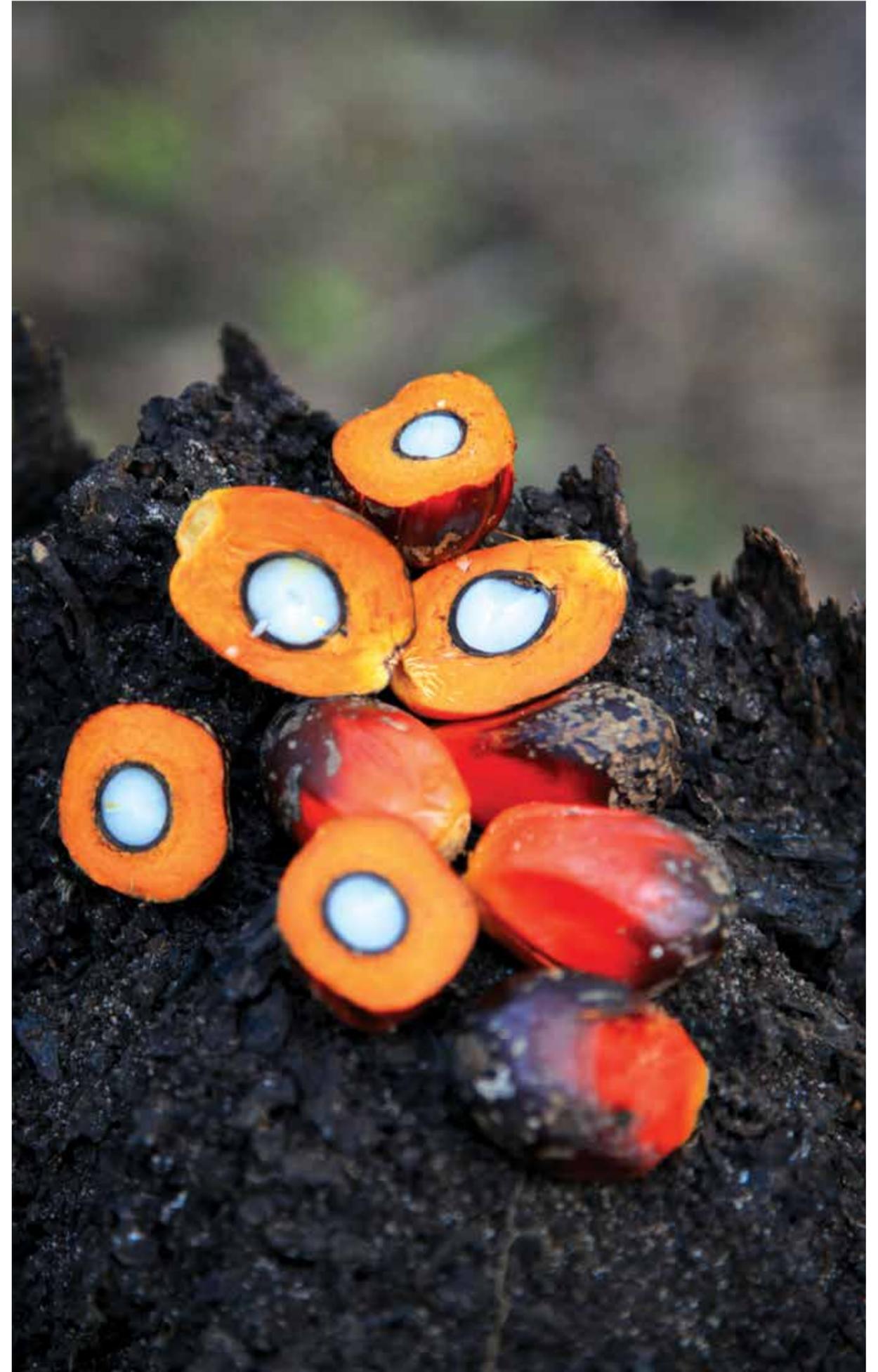
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# CEO welcome



## Dear colleagues, friends and partners of Agropalma,

It is with pride and pleasure that we present our first sustainability report. This document outlines our past performance and initiatives as well as our plans and vision for the future of Agropalma.

Integrity and sustainability are critical to our business. We operate in the Brazilian Amazon, placing demands on us to take on an extra level of responsibility towards the environment and the people affected by our business. We are always looking to be first among peers and to establish partnerships that accelerate our progress. For instance, in 2004 we became the first Brazilian company to join the Roundtable on Sustainable Palm Oil, and the first to achieve certification in 2011. We were delighted that these efforts were recognized by a first place in the Greenpeace 2012 Scorecard on Palm Oil Producers. This year, we expect to certify all of our external fruit, allowing us to supply 100% segregated and traceable sustainable palm oil to our customers. We have also taken on a leading role in the protection of the Amazon forest by implementing biodiversity monitoring in production areas, indicating that palm plantations managed by Agropalma might play an important role in the maintenance of relevant species of fauna.

Our home country of Brazil is going through a difficult process of structural, political and economic change. We experienced an economic boom up until 2008, but the same growth rates could not be sustained after the world financial crisis. This affected companies by making costs and investments more expensive. These factors also affected Agropalma, and combined with operational challenges such as unfavorable climate conditions and difficulties in finding adequate labor for field work, we have been experiencing a period of reduced production, yields and profitability.

However, these challenges have prompted us to reinvent our production parameters, our relations with employees and other stakeholders, our management models and our commercial relationships.

At Agropalma, we take pride in addressing adverse conditions and finding new paths forward through a continuous process of innovation and adaptation. We are establishing mechanization in several stages of our production process, adopting a

new replanting system that minimizes production drops resulting from the cutting of adult palms, and identifying cost savings across our operations. We are also setting targets to raise our yields to 26 tons per hectare. At the same time, we are working towards minimizing our employees' risk of labor accidents and health problems, and we are improving labor conditions for field work.

Over the next two years, we will continue working towards these strategic objectives, which are vital for the competitiveness and sustainability of our business Agropalma. We have teamed up with the Palm Oil Innovation Group, an alliance of leading NGOs and palm oil growers that seeks to raise the bar in palm oil sustainability and completely delink palm oil production from deforestation and conflict. Despite our estimate that we already sequester more carbon than we emit, we are still seeking to further improve our carbon balance by implementing a new system of effluent treatment that captures greenhouse gases.

We have always believed that transparency and engagement are of fundamental importance for continued good relationships with commercial and NGO partners, and we have always enjoyed the frequent visits to our plantations by a vast variety of stakeholders. Through this report, we have sought to identify the information and aspects most critical to our partners, with detailed documentation and disclosure of both our successes and areas for improvement. We hope it meets your expectations, and we look forward to hearing your views and questions.

I close this statement by thanking our 5,000 employees who have worked hard to ensure that even through difficult times we continue to evolve and fulfill our commitments. Without these efforts, Agropalma would not be able to maintain its role as a responsible leader in our industry.

Thank you and happy reading.

**José Hilário Rodrigues de Freitas**  
CEO

# Highlights

in numbers

**0**

fatalities since 2005

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**64,000**

hectares of forest reserves

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**6.6%**

organic and fair trade production

---

**100%**

RSP0 certified estates since 2011

---

**nº 1**

in Greenpeace 2012 Scorecard on Palm Oil Producers

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**5,000**

direct employees

# Targets

## 2014

- Undertake Palm Oil Innovation Group trial audit.
- Achieve RSPO certification in 100% of external fruit.
- Clear and communicated corporate career and wages policy developed.

## 2015

- Develop system to prevent, identify and remedy forced and child labor in the FFB supply chain.
- Develop system to prevent, identify and remedy deforestation in the FFB supply chain.
- Complete Conservation International report that will provide guidelines on biodiversity management at landscape level.
- Develop solutions and targets for GHG emission reductions from POME.
- New extraction mill in Tailândia, Pará State commissioned.
- Having 100% of fruit loading being done mechanically in adult plantations.
- No increase in lost time accident rate.

## 2016

- Commissioning of new refinery in São Paulo State.
- Increase yields of adult palms from 23.5 to 26 MT/ha.

# About Agropalma

# Overview

Agropalma is a vertically integrated premium quality palm oil producer operating in Pará state in Northern Brazil. Our commercial office is located in São Paulo. We have 107,000 hectares of titled land, of which 39,000 hectares are planted with oil palm and 64,000 hectares are forest conservation areas. Our operations have been RSPO certified since 2011, and 6.6% of our palm oil is organic and EcoSocial (fair trade) certified. We process fruit sourced from around 240 local outgrowers and smallholders, who achieved RSPO certification in mid-2014. Through our four palm oil mills and kernel crushers, as well as our dedicated refinery, we have a completely traceable supply chain with the ability to provide fully segregated palm oil products and derivatives.

The Agropalma Group was established in 1982 and is privately owned. The Group consists of two companies, Agropalma S/A and Companhia Refinadora da Amazônia. Our 2013 revenue was BRL 652 million, down from BRL 728 million in 2012 due to low palm oil prices and weather-induced reductions in productivity.

Agropalma operates on both national and international markets. We export around 50% of our production: approximately 90% of our exports go to Europe and 10% to the USA.

# Our Operations

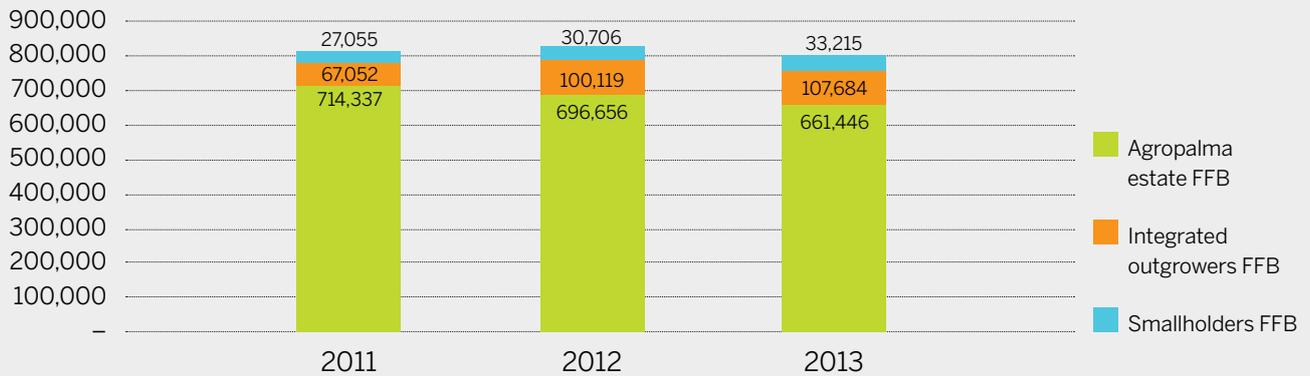
We have full control over our supply chain, from fresh fruit bunch to refined product. Our production starts on our estates. These cover 107,000 hectares in the Tailândia, Moju, Acará and Tome Açu municipalities of Pará state, some 250 kilometers from the state capital of Belém. Our land is 100% company-owned and conversion from forest to oil palm was completed between 1982 and 2002. Since then, only areas of pasture or other crops have been planted with oil palms.

## Map of Brazil



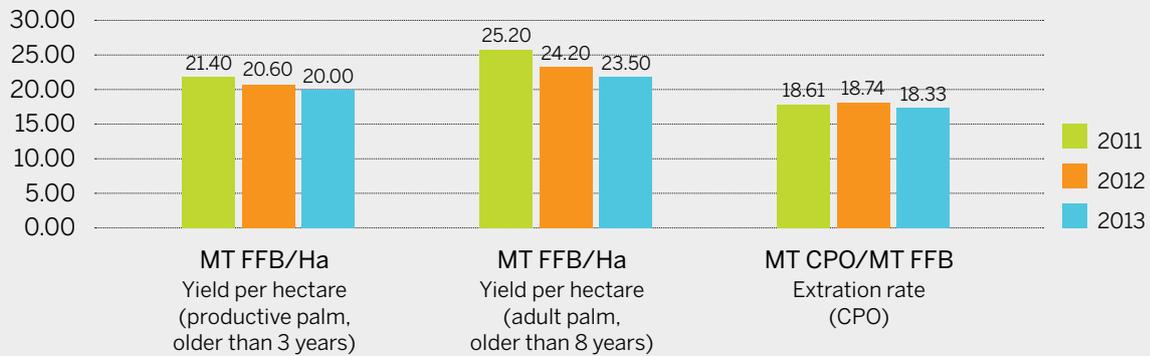
As is required by Brazilian law, 64,000 hectares are set aside as forest reserve. Just over 39,000 hectares are planted with oil palm and of this 4,100 hectares are organic. Our estates produce close to 700,000 tons of fresh fruit bunch annually. We also support 192 family farms and 45 integrated outgrowers who supply us with almost 20% of fruit.

## Fresh fruit bunch production (MT)

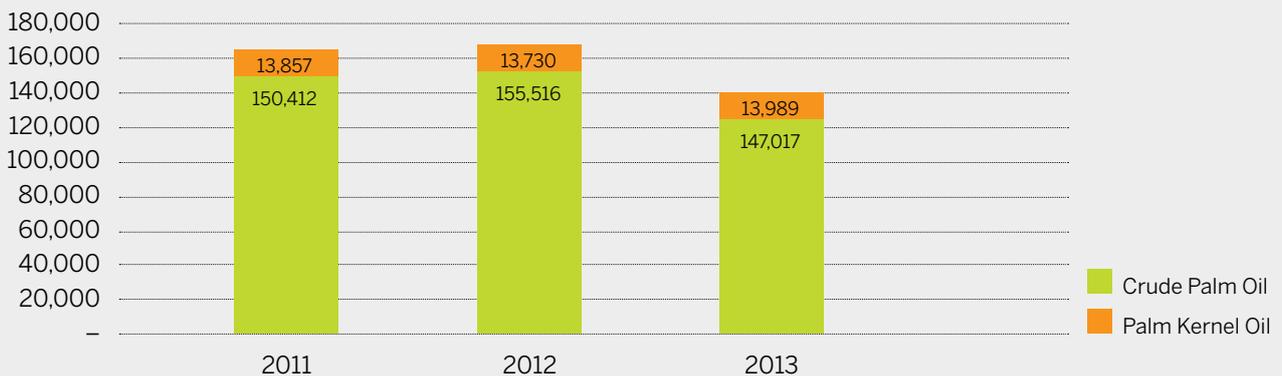


Our estates are serviced by four mills. All four are equipped with integrated kernel crushers that process approximately 800,000 metric tons of FFB and produce just under 150,000 metric tons of crude palm oil and 14,000 MT of palm kernel oil annually. One of our mills is dedicated to the production of segregated organic and fair trade certified fruit.

## Yields and extraction rates



## Palm oil production (MT)



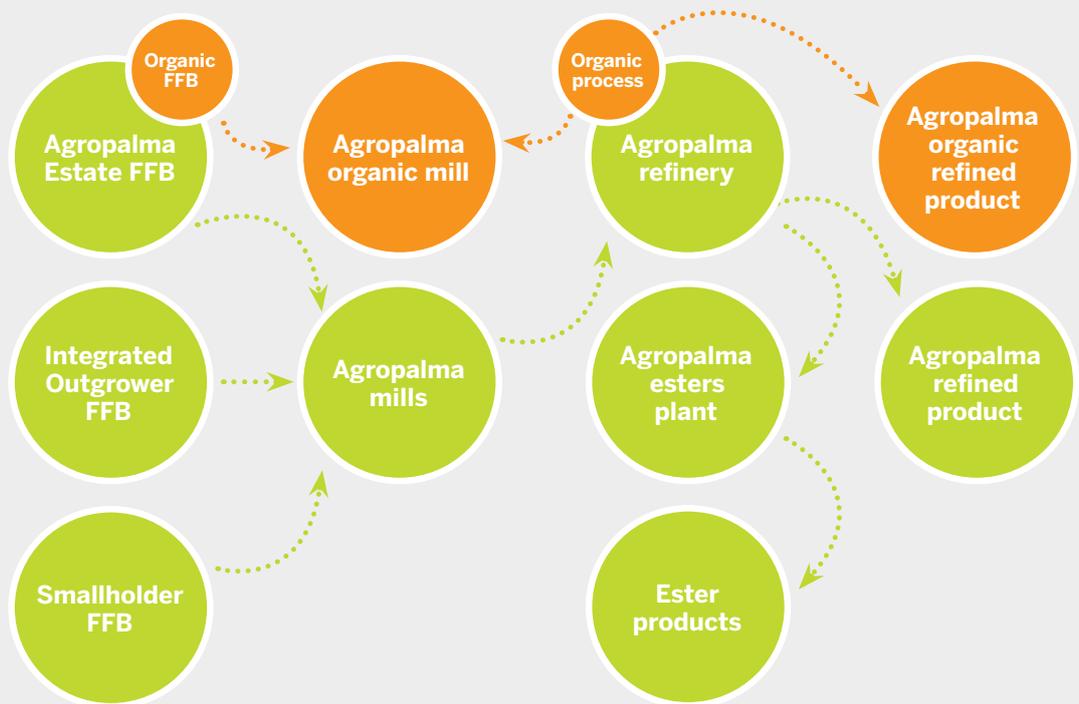
We operate a highly specialized refinery in Belém with a daily capacity of 320 tons as well as an esterification plant and a dedicated export terminal. We are also building a new refinery in the state of São Paulo, and are currently in the process of finalizing relevant environmental licensing and legal procedures, and expect commissioning in 2016.

Our mills and refinery produce a wide range of fully traceable specialty palm oil products, from organic and fair trade crude palm oil and palm kernel oil to the cosmetics ingredients, highly refined bakery and frying shortening. The palm oil produced by the Agropalma Group is recognized worldwide for its high quality, with average FFA (free fatty acid) levels as low as 2% compared to the 5% limit established by the international market for crude oil. 77.5% of our sales are for food purposes.

## Our products

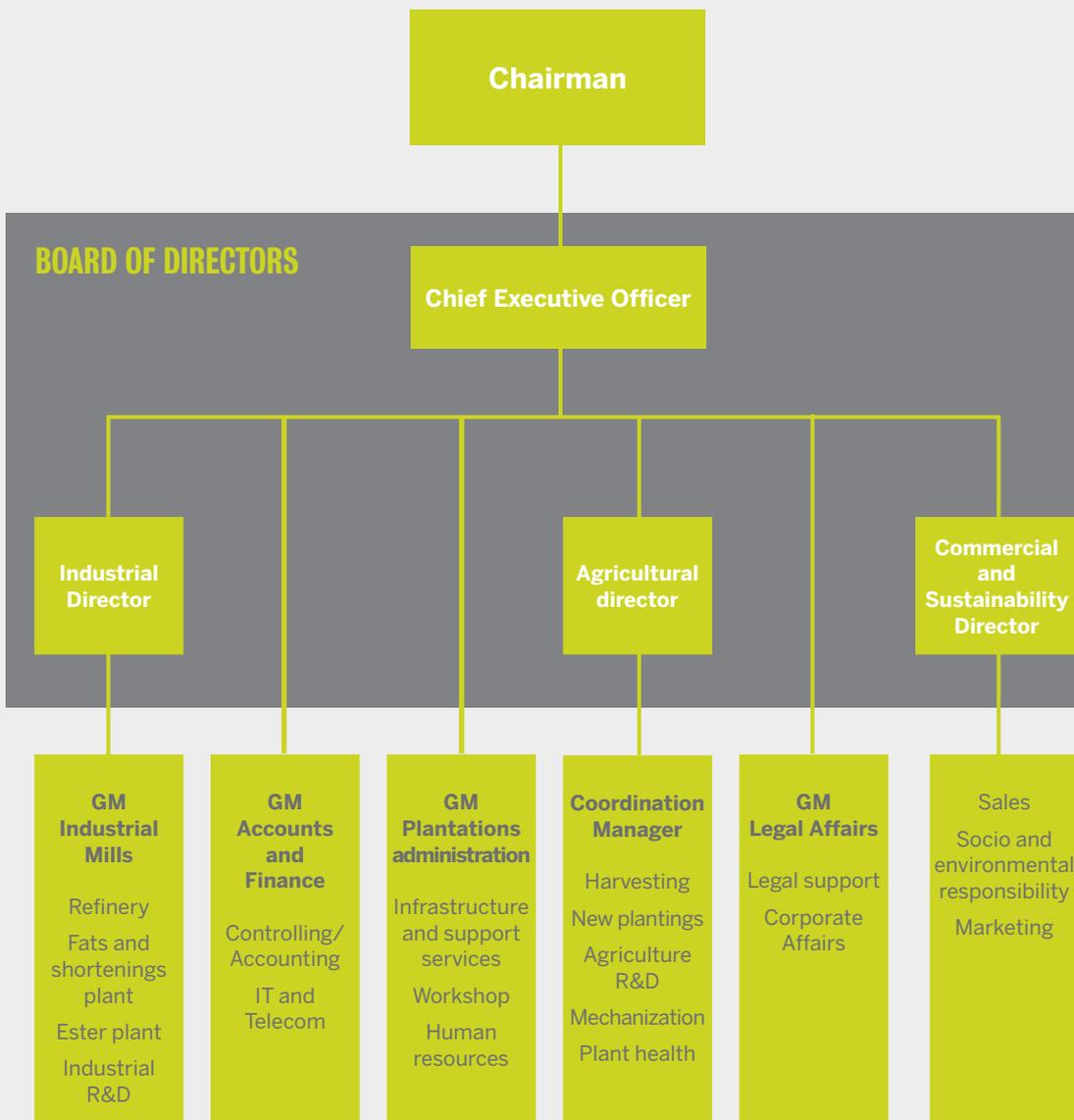
Crude Palm Oil (RSPO)	Crude Palm Kernel Oil (RSPO)
Crude Palm Oil (Organic and Fairtrade)	Crude Palm Kernel Oil (Organic and Fairtrade)
Refined Palm Oil (RSPO)	Refined Palm Kernel Oil (Organic and Fairtrade)
Refined Palm Olein (RSPO)	Special refined blends (RSPO)
Refined Palm Olein (Organic and Fair Trade)	
Refined Palm Stearin (RSPO)	
Refined Palm Super Olein (RSPO)	
Refined Palm Super Olein (Organic and Fair Trade)	
Frying shortening – Doratta Fry (RSPO)	
Ice cream shortening (RSPO)	
Other Vegetable shortenings (RSPO)	

## Fully traceable responsible palm oil



# Corporate governance and management structure

As a privately held company, we have developed a simple and effective structure for our business. Overall business strategy and developments are guided by an experienced Board of Directors, supported by a team of General Managers who oversee operations. The Board of Directors meet twice a month and is made up of three Brazilian nationals and one Costa Rican member.



Our  
values  
and  
sustainability

Since the founding of Agropalma more than 30 years ago, we have been led by a strong set of guiding values that set the standard for everything we do. We like to think of this as a 'no excuses culture' where each individual is responsible for making sound and ethical decisions. We believe in integrity and frugality – not taking shortcuts and eliminating waste – while always investing in our people, communities and best management practices.

In 2010 we decided to enshrine this culture in official company values. With the involvement of more than 1,000 employees we created a set of formal company values which guides all decision making:

**Integrity**  
**Transparency**  
**Commitment**  
**Justice**  
**Respect**  
**Recognition**

# Sustainability management and governance

## OUR MISSION



To produce and trade vegetable oils and by-products, in the domestic market and overseas, ensuring the business' sustainable development, generating wealth and meeting stakeholders' requirements."

Sustainability is an integral part of Agropalma's business and it is therefore considered in all decisions. Our shareholders undertake an annual ethics review to ensure that operations are in compliance with the expectations and values established, and the sustainable operation of our business is an integral part of all management and Board meetings.

On a practical level, our ongoing business developments are guided by a management-approved 'Long-term Plan for Economic and Financial Sustainability'. Our sustainability strategy is led by the Group Commercial and Sustainability Director who is responsible for overall strategic direction as well as for engagement with international commercial and not-for-profit organizations. At plantation level, sustainability efforts are integrated into all operations and are supported by a substantial sustainability team led by a Senior Manager for Environmental and Social Responsibility. This manager oversees legal compliance and third party certification requirements, as well as our engagement with local NGOs, sustainability experts, communities and regulators. The role also involves ensuring that our business remains responsive to local and national needs and requirements.

## Engaging with stakeholders

Our license to operate is dependent on our ongoing engagement with our stakeholders, and we undertake extensive formal and informal dialogue with all key groups. These include regulators, NGOs, communities, trade unions and employees at national level, as well as customers and NGOs at the international level.

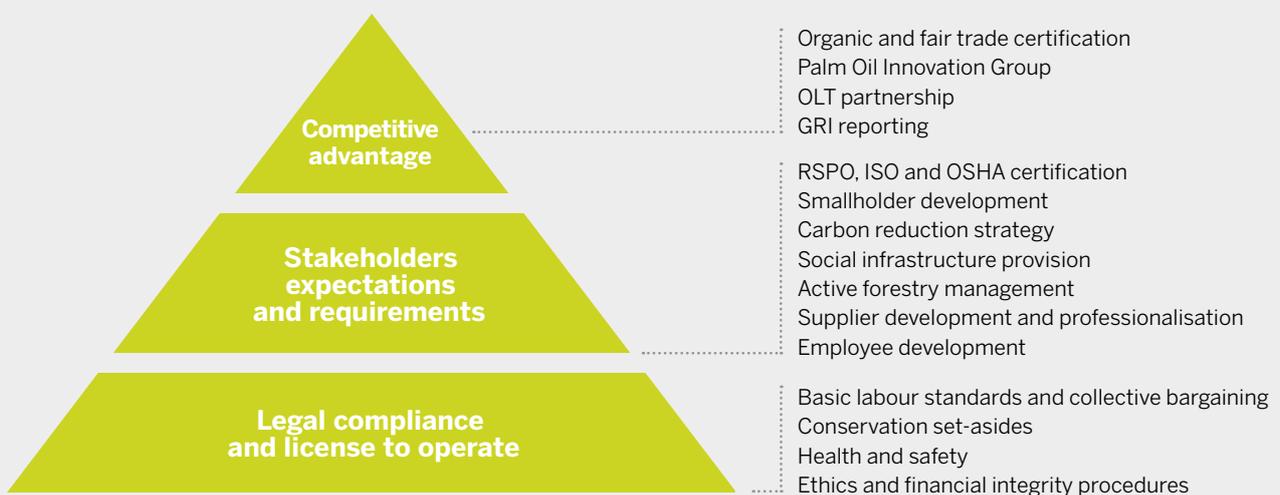
# Our sustainability framework

Globally, expectations for the palm oil sector to ensure sustainable practices have increased tremendously over the past decade. Operating in Brazil, many of these expectations are already integrated as part of our legal compliance framework. For instance, Brazilian labor law often sets the bar even higher than the most stringent certification working condition requirements, and agricultural companies operating in Amazonia are required by law to set aside at least 50% of land as forest reserves. At the same time, local stakeholder expectations and international customer requirements continue to set a high standard.

Having already addressed most basic expectations and requirements, we have an opportunity to build and obtain a competitive advantage through leadership initiatives. For example, we know that organic and fair trade certificates provide our customers with assurance that we can meet the highest and most stringent standards – even if they do not buy products certified against these standards. We also know that strong partnerships with leading global NGOs, such as the Palm Oil Innovation Group, Conservation International, Solidaridad and OLT, build trust and enable us to gain access to preferred supplier status. In some cases high social and environmental performance also enables us to secure premium prices, which are rare in a commodity market.

We are aware that the goalposts keep moving. Just a few years ago, RSPO certification and carbon reduction were unique in the marketplace and would confer major advantages for the producer able to achieve them – but these are now basic expected requirements needed to operate commercially in Europe and the US. We are therefore always alert to new ways of innovating and adding to our credentials to ensure that we maintain our position as the hallmark of palm oil sustainability.

## Meeting expectations and building advantage



# Certification

We believe that third-party certification is critical for our credibility in the marketplace and we always seek to apply the highest standards.

## Integrated management system

At the heart of our operations is a management system which combines ISO 9001, ISO 14001 and OHSAS 18001, ISO 22000 and FSSC 22000 certificates. These cover quality, environmental management, employee health and safety, and food safety. Maintenance audits are carried out at a minimum every year by DNV (Det Norske Veritas), while recertification audits take place every three years.

## Roundtable on Sustainable Palm Oil (RSPO)

In 2011, Agropalma was the first Brazilian company to achieve RSPO certification for our own estates. We have completed audits of external FFB from outgrowers and family farms, and expect RSPO certification in the third quarter of 2014. Having achieved this milestone, all of our oil will be 100% certified, allowing us to supply segregated oil to all of our customers.

## Organic and Fair Trade certification

Just over 4,000 hectares of oil palm have been certified organic since 2000. Organic production processes do not allow the use of chemical fertilizer or pest control. We are certified with the Organic Seal, issued by IBD, an organization accredited by the IFOAM (International Federation of Organic Agriculture Movements), which regulates organic farming throughout the world. Our organic status is recognized in Brazil, USA, Switzerland and Japan. Much of our organic palm oil is sold through our trading partner Ciranda.

In 2008, our organic estates were also awarded the EcoSocial Seal, a certification that applies the Fair Trade principles. These principles seek to ensure higher quality of life and enhanced livelihoods for workers and communities throughout the supply chain, as well as an equitable distribution of price premiums.

## Kosher

Kosher certification assures that food is compliant with Jewish dietary laws as prescribed by the Torah. Kosher food is often accepted as adequate to cover other dietary restrictions, such as those for Muslims and Adventists. Maintenance audits are carried out annually by Rabbi M A Lliovits.

## RAISING THE BAR FOR RESPONSIBLE PALM OIL THE PALM OIL INNOVATION GROUP

We wish to set the highest standards for the production of responsible palm oil. To enhance our efforts we co-founded the Palm Oil Innovation Group (POIG) in 2013. POIG is an initiative developed in partnership with leading NGOs, including Greenpeace, Rainforest Action Network, Forest Peoples Programme and WWF, as well as with progressive palm oil producers. The group seeks to find new ways to build on the RSPO standard, adding stringent criteria to prevent deforestation and GHG emissions, to support workers and communities and to enhance traceability and transparency.

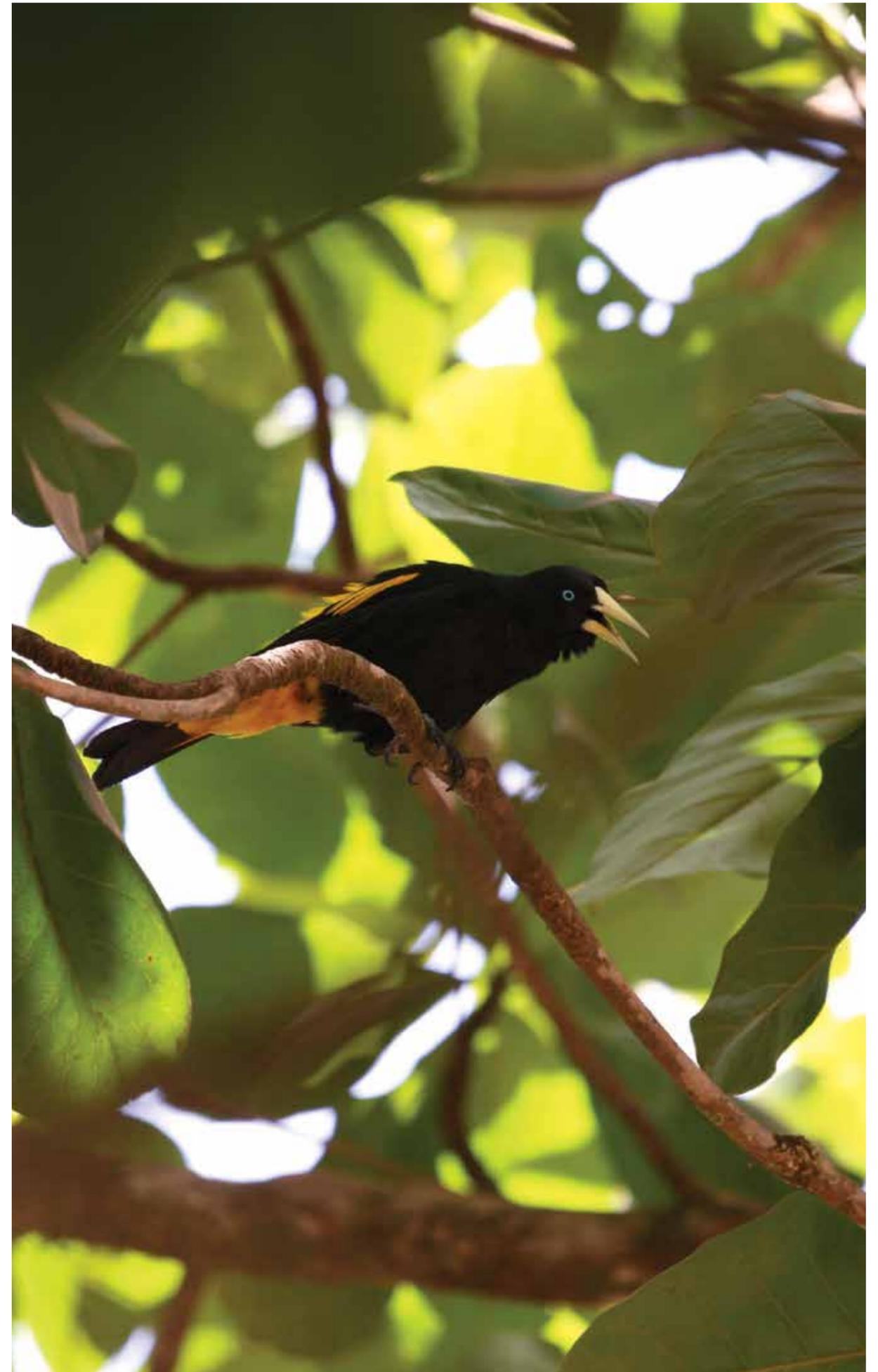
## Anti-corruption and integrity

We operate in a complex regulatory and legal environment that is often considered to be at high risk of unethical business practices. However, as part of our 'no excuses' motto and with integrity being a core value of the group, we will never engage in any form of corruption, bribery or facilitation payment. Each of our management employees is asked to sign a compliance statement with a commitment to uphold these values.

We wish to see a level playing field in Brazil and we therefore support the recently passed Clean Company Act, which makes companies – and not just individuals – liable for corruption at home and abroad. Under the new regulations, a company can be fined up to 20% of its gross revenue, be prohibited from signing contracts with the public sector, and be prevented from taking loans from state banks, among other restrictions.

In 2013, our directors were provided with a full briefing on the Clean Company Act, and we plan to review our ethics policy framework in view of this and also to ensure that we are fully compliant with the new RSPO P&C criteria on business ethics and our POIG commitments.

# Environmental responsibility





## Closer to nature

Our plantations are based in the Amazon – one of our planet's most beautiful and biodiverse regions. To protect this unique natural heritage, Brazilian legislation requires that at least 50% of titled land be set aside for conservation. At Agropalma, we have decided to go even further, setting aside 1.6 hectares for each hectare of developed land. In addition, we are implementing an ambitious project to not only conserve, but also manage, protect and restore the flora and fauna of the area.

Our current 39,000 hectares were developed on a mixture of grassland, previous oil palm planting and primary forest, the last of which was cleared in 2001. All our estates are on mineral soil and there is no peat within our titled land. We have not used fire to clear land since 2001 and have upheld a strict zero-burning policy since 2011.

Previous land use	Hectares	Developed year
Primary forest	13,767	1982-2002
Grassland	18,238	1984-2010
Oil palm replanting	7,036	2010-2013

As an RSPO certified producer and a POIG founding member, we have firm and third-party audited commitment to undertake high conservation value (HCV) and high carbon stock (HCS) assessments. We will never convert areas containing high conservation values or high carbon stock.

However, our operations are located in one of the most deforested parts of the Amazon, with a high proportion of endangered species present in the immediate vicinity of our plantations. The area is also one of the more populated parts of Amazonia, and is hence under pressure from illegal logging, hunting and fishing as well as from subsistence agriculture. We therefore decided in 2002 that we needed to go beyond a reactive approach and actually add value to the natural environment around our operations. In 2004, with the assistance of external experts, we began a comprehensive research and monitoring project to map biodiversity and species in our conservation areas. Our initial work focused on birds and we identified over 200 bird species in our area. Since then we have invested in larger biodiversity assessment exercises.



From 2007, many of our efforts have been in partnership with Conservation International. This partnership has resulted in a thorough inventory of fauna and flora for the area, first undertaken in 2008, with subsequent research in 2012. These studies have resulted in the development of monitoring protocols that can be used to assess the impact of palm oil plantations on native wildlife, as well as the positive impact that forests can have on plantations. In a 2012 research project, we mapped 449 bird species as well as 62 medium and large mammals, two of which were marsupials that may be previously unrecorded species. The research team also found 46 species of amphibian, 57 reptiles and aquatic fauna species that were rare or endemic to our region. This work enables us to understand how best to contribute to not only protect, but also enhance the population of rare and endangered species found around our operations.

### Sharing our experience

Occupying only a tiny fraction of the Amazon region, we cannot make a large difference on our own. However, we share good practice with other agricultural companies in the state and with local regulators to ensure that our experience can be leveraged at a broader landscape level. We also readily open our doors to visitors, and have hosted delegations and individuals from companies in our sector, customers and NGOs from all over the world to share our approach to biodiversity.

We work closely with our fruit suppliers, whether larger outgrowers or smaller family farms and together seek to identify ways to ensure that fruit processed by our mills does not contribute to the degradation of local natural habitats. This is done through training and ongoing visits to monitor any new land clearing. We are able to accurately determine previous land use outside our own land as we have good satellite imagery dating back to 2004, ensuring that our suppliers do not breach the RSPO 2005 cut-off date for primary forest clearing. In a few cases, we have had to exclude suppliers from our mills when they were found to clear land through burning.

# Species of birds and mammals threatened with extinction

registered in the area of forest fragments Agropalma

## Birds

(Conservation International 2008 with status updated from IUCN Red List in June 2014).



Josep del Hoyo/lbc

NAME **Dark-winged Trumpeter**  
 SCIENTIFIC NAME *Psophia viridis obscure*  
 IUCN STATUS Endangered



Ltshears

NAME **Golden Conure**  
 SCIENTIFIC NAME *Guaruba guarouba*  
 IUCN STATUS Vulnerable



Manginwu/Creative Commons

NAME **Pearly Parakeet**  
 SCIENTIFIC NAME *Pyrrhura lepida*  
 IUCN STATUS Vulnerable



Claudio Dias Timm

NAME **Red-necked Aracari**  
 SCIENTIFIC NAME *Pteroglossus bitorquatus*  
 IUCN STATUS Near-threatened

## Mammals

(Conservation International 2008 with status updated from IUCN Red List in June 2014).



planetothemonkeys.com

NAME **Ka'apor Capuchin**  
 SCIENTIFIC NAME *Cebus Kaapori*  
 IUCN STATUS Critically endangered



Ana Cottar/Creative Commons

NAME **Bearded Saki**  
 SCIENTIFIC NAME *Chiropotes satanas*  
 IUCN STATUS Critically endangered



Projeto Tatu-Canastra

NAME **Giant Armadillo**  
 SCIENTIFIC NAME *Priodontes Maximus*  
 IUCN STATUS Vulnerable



Marco Zanferrari

NAME **Brazilian Tapir**  
 SCIENTIFIC NAME *Tapirus terrestris*  
 IUCN STATUS Vulnerable



Malene Thyssen/Creative Commons

NAME **Giant Ant-eater**  
 SCIENTIFIC NAME *Myrmecophaga tridactyla*  
 IUCN STATUS Vulnerable



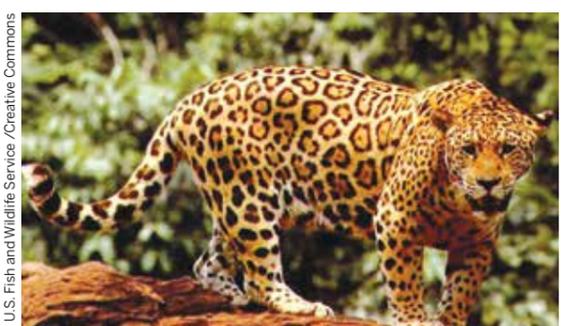
Groumly69/Creative Commons

NAME **Little Spotted Cat**  
 SCIENTIFIC NAME *Leopardus tigrinus*  
 IUCN STATUS Vulnerable



Malene Thyssen/Creative Commons

NAME **Margay**  
 SCIENTIFIC NAME *Leopardus Wiedii*  
 IUCN STATUS Near Threatened



U.S. Fish and Wildlife Service /Creative Commons

NAME **Jaguar**  
 SCIENTIFIC NAME *Panthera Onca*  
 IUCN STATUS Near Threatened



## CONTRIBUTING TO GLOBAL BIODIVERSITY CONSERVATION

In early 2014, Agropalma entered a strategic partnership with the British NGO Orangutan Land Trust (OLT), which works to enable sustainable solutions that ensure safe areas of forest for the continued survival of the orangutan in the wild. The partnership demonstrates Agropalma's commitment to support the protection of flagship species globally, with a special focus on those that may be affected by irresponsible palm oil production.

The Executive Director of OLT, Michelle Desilet said "Agropalma have long been leaders in sustainability within the palm oil sector, and we share with them a vision of breaking the link between palm oil and deforestation in a global context. We hope our partnership will act as a catalyst in that regard. Furthermore, with Agropalma's generous support, we can enable conservation activities in Indonesia and Malaysia that will not only help to protect the orangutan, but also all the biodiversity that shares its rainforest habitat".



# Climate change

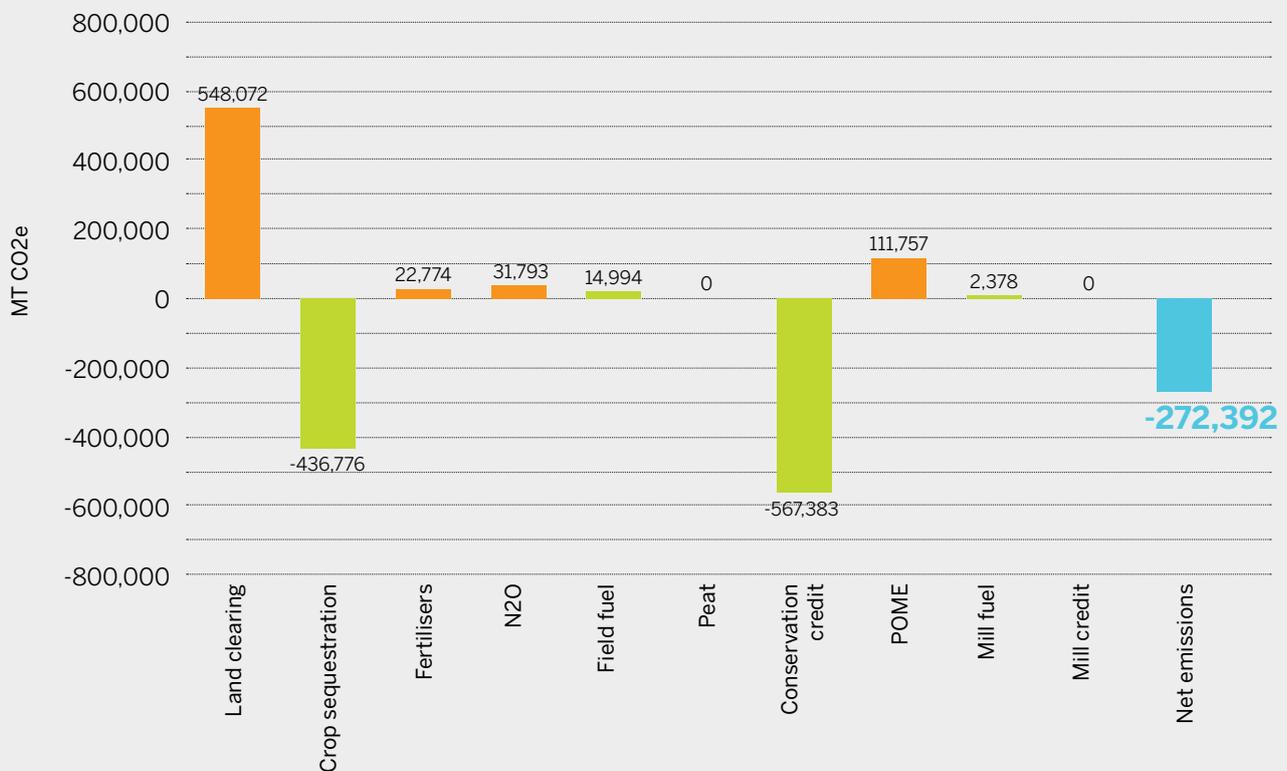
We recognize that climate change can fundamentally alter living conditions for people and affect agriculture. We have therefore undertaken numerous activities to understand our contribution to climate change through our GHG emissions. We have also explored mitigation measures and have mapped how the changing climate may affect our operations.

In 2009, we conducted our first internal carbon footprinting exercise, and we have now completed a more detailed study using the RSPO PalmGHG Tool. This study has enabled us to identify areas for carbon reduction, as well as areas for mitigation. Using the PalmGHG tool means that we can benchmark our performance against peers in the industry.

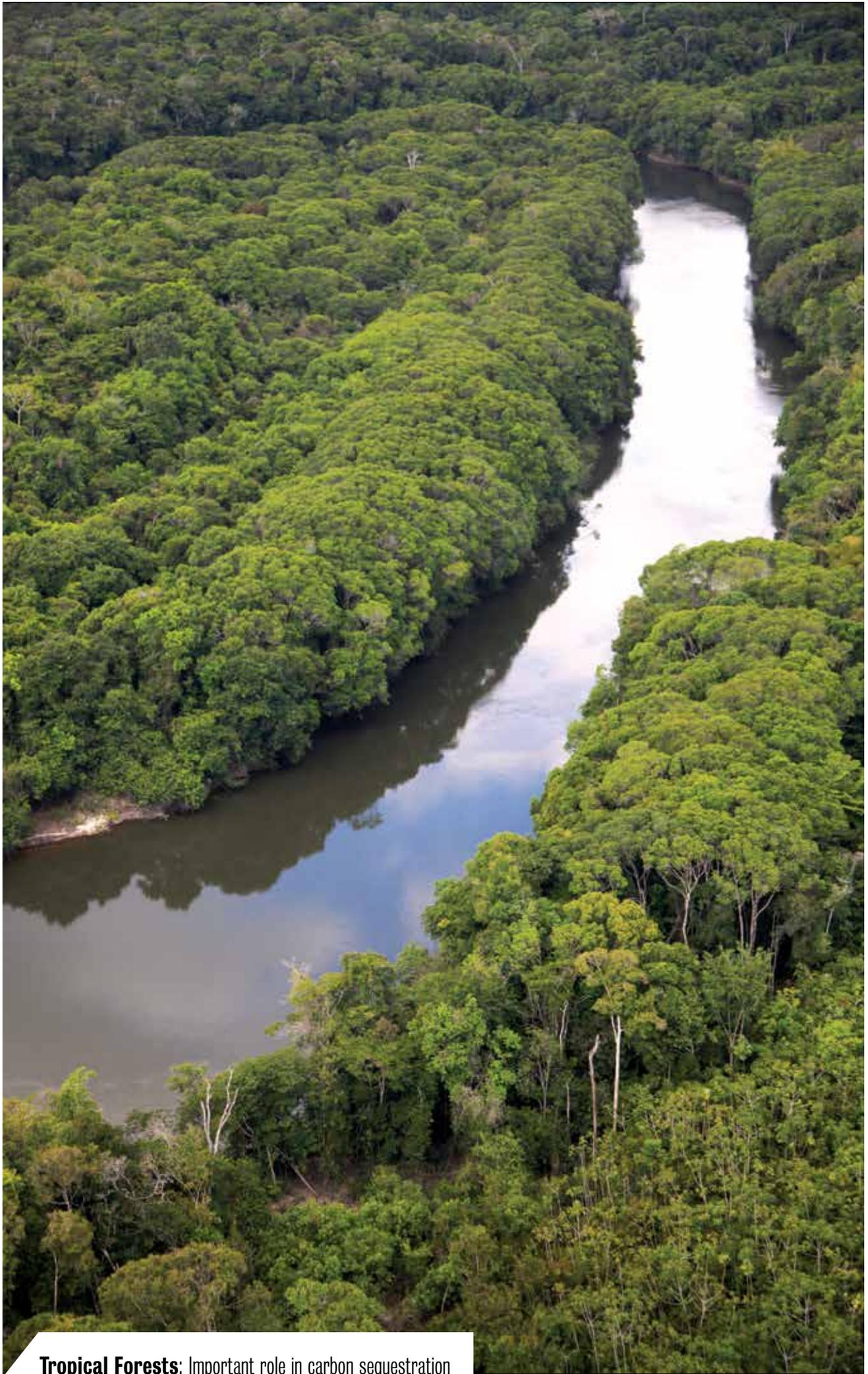
We wished to understand the complete carbon footprint of our product, and therefore worked closely with FFB suppliers. All of their figures are also incorporated.

## Sources of emissions and sequestration

### GHG emissions sources/sinks (Inclusive of family farms and outgrowers)



We have calculated conservation credit using a conservative estimate of 2 tons per hectare annually for forest sequestration.



**Tropical Forests:** Important role in carbon sequestration

Due to the large proportion of forest affected by high levels of sequestration, our operations are overall carbon positive. We sequester 272,392 tons of carbon annually, translating to a carbon negative footprint of -1.50 tons of carbon equivalents per ton of CPO produced.

	Carbon footprint excluding conservation area*	Carbon footprint including conservation area
<b>CPO</b>	1.62	-1.50
<b>PK</b>	1.62	-1.50
<b>PKO</b>	1.62	-1.50
<b>PKE</b>	1.62	-1.50

\*To enable comparability with palm oil peers reports who have excluded conservation credit in their public carbon reports

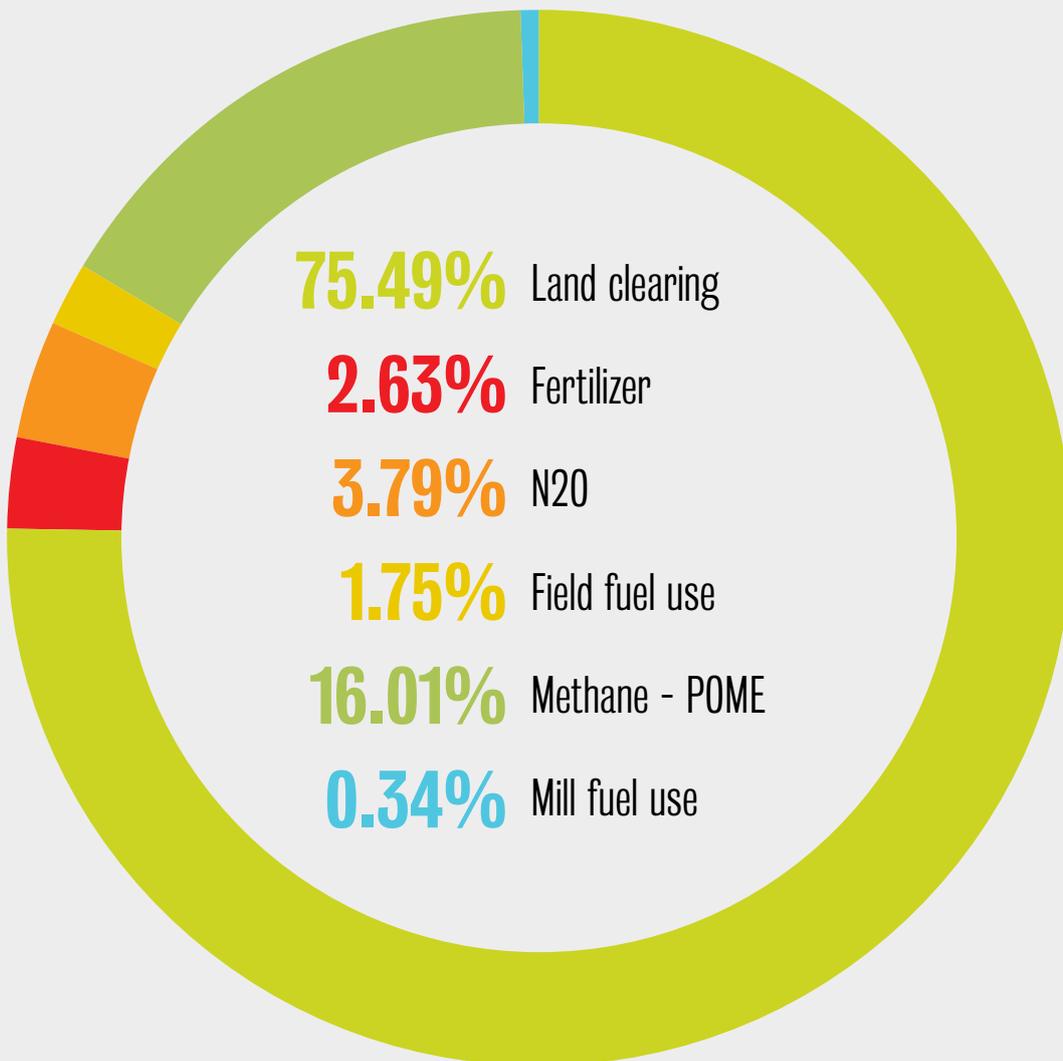
## Mitigation

By far the biggest source of our GHG emissions – more than three quarters - is historical land use change. Since we do not intend to clear further land and are also seeking to increase our production per hectare, we expect to see an approximate 5% reduction in emissions per hectare by 2018.

The second largest source of GHG emissions is in the treatment of palm oil mill effluent (POME). POME is produced when fresh fruit bunches are processed at the mill, and it is treated by passing it through a series of open ponds over a period of several weeks. This allows time for micro-organisms that are naturally present in the environment to digest a large proportion of the organic matter contained in the POME, allowing it to be applied as a fertilizer to the land. However, POME also releases methane, which is a powerful greenhouse gas, more than 20 times greater than that of carbon dioxide.

POME accounts for 16% of our total emissions, and 98% of non-field emissions. It is therefore our primary focus in climate change mitigation. We have explored a number of options to achieve reductions. The most efficient means of reducing emissions from POME would be to install bio-digester technology in our mills. However, our initial assessment has been that retrofitting such technology to existing mills would prove prohibitively expensive and is not feasible in the current economic climate. However, for our new mill, we have decided to install ponds that can be covered in order to capture methane in the near future. This could give us a modest carbon reduction.

## 2013 Agropalma's GHG emissions attributable to:



### Climate change adaptation

Unlike many palm oil peers in Southeast Asia, we do not have year-round rainfall, but are located in an area with a distinct three-month drier season. This gives us certain benefits, for example in pest control, as dry weather reduces the prevalence of many pests and diseases. This means that higher or lower rainfall will significantly impact our agriculture yields and the way we manage pests. We are therefore undergoing an irrigation trial to examine alternative management strategies in connection with changing weather patterns.

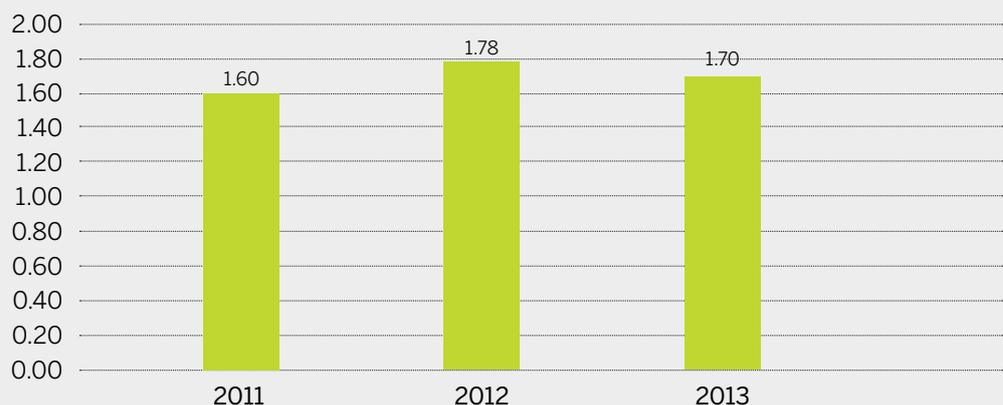
# Innovations in good agricultural practice

Agropalma has always been committed to finding new and innovative ways to manage our production. We constantly challenge each other to come up with new ideas, test new technology and invite leading specialists to our plantations to understand and advise on where we can improve. The innovations in agriculture management are mainly focused on reducing costs, increasing labor productivity, improving working conditions and keeping our plantations safe from pests and diseases.

## Integrated pest management

We believe that we are one of the leaders in integrated pest management. With 10.5% of our planted land under organic cultivation, we have a thorough understanding of non-chemical pest strategies and how they can be applied to conventional crops. We have a dedicated entomologist who develops and trials natural pest control methodologies, and much of our insect control is done manually or by means of collecting and releasing native natural enemies and using traps. We do not use Paraquat, and the only chemical we currently apply is glyphosate. Furthermore, all spraying is done mechanically, which offers better efficiency and a lower health and safety risk.

### Herbicide usage per hectare (L)







## Mechanization

We are also among the world's leaders in mechanizing operations in oil palm plantations. We already mechanized herbicide application and fertilization of mature palms, and are now exploring machinery and procedures to mechanize fertilization of young palms.

We are also working with a German company to develop a mechanized cutter, which we intend to use for pruning and cutting bunches. In the near future, we aim to mechanize 100% of fruit loading in adult plantations. This operation is traditionally done manually and it is one of the most demanding physical tasks in the field because it requires the lifting of fruit bunches which can weigh up to 40kg.

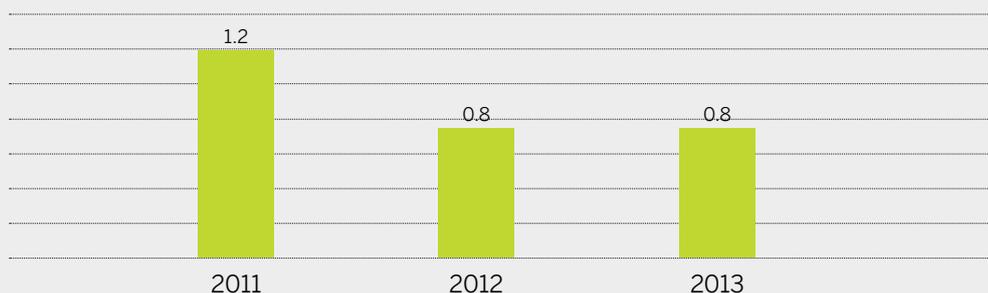
## New genetic material

In 32 years of operating commercial plantations, we have tested dozens of different genetic materials from different suppliers. In 2011, we took the ambitious decision to replant around 1,500 hectares with a hybrid plant (*Elaeis guineensis* x *Elaeis oleifera*), mainly in the organic area. This type of oil palm has three main advantages: it is resistant to disease, it grows less tall than regular palms and it produces oil with high content of oleic acid. This means that we will be able to supply organic high oleic oil soon.

# Water accountability

We use water for irrigation in our nurseries, as well as for processing in our mills. Water is widely available in the area where we operate and is extracted from rivers and wells that we have dug. We do not release any water into local waterways, as all palm oil mill effluent is applied to the land as fertilizer. However, as part of our commitment in the Palm Oil Innovation Group, we are monitoring our use at mill level, where we have been successful in reducing water per ton of processed fruit significantly over the past three years. The significant savings were achieved through the implementation of a clarification system that does not require water in our biggest mill.

### MT water/MT FFB processed



# Social responsibility





# Community relations

Our plantations are surrounded by 27 small villages. These are home to many of our employees, family farmers and suppliers. With more than 30 years in the area, Agropalma plays a critical role for the local economy and development of these communities.

Although we recognize that this creates some dependence on our operations, we actively work to build capacity with our suppliers so that they are able to run viable businesses even without the business of Agropalma. We have a strong focus on professionalization and on helping small businesses manage legal compliance, which is a complex challenge for all businesses in Brazil.

As a general rule, we do not believe in a philanthropic approach to community relations, but rather see ourselves as partners helping to build a great community for our people.

We contribute to public infrastructure primarily through tax payments, as we believe such infrastructure should be developed and maintained by public funding. We occasionally contribute to the repair of critical community infrastructure, but only as a last resort when safety or commercial interests are at risk.

## Community supplier development

With a workforce of 5,000 people and a great distance to the nearest city, we rely heavily on a local business infrastructure to support our operations and daily needs for food, housing and services. We therefore invest significantly in the support of local suppliers, helping to ensure that they provide quality, consistent and legally compliant goods and services. In Brazil, bureaucracy and complex legislation can often be a great barrier to small businesses and as a result, many SMEs operate in a grey area of the economy, finding barriers in the complicated tax system, employment laws and licensing procedures. We provide support for a range of different suppliers, helping with accounting procedures, navigating employment issues and providing capacity building. We see this as a mutually beneficial arrangement, where we can ensure that our suppliers meet the highest local standards and that they in turn benefit from an ongoing and stable business arrangement with the company as well as with our employees.

The local bakery is one such success story. We have provided training in administrative and hygiene standards, and the baker is now our primary bread supplier to canteens across our operations, as well as regular snack provider for employees visiting the village.

## Customary and indigenous rights

Whilst the larger Amazon region is home to many indigenous communities, we have not identified any customary or indigenous rights that overlap with our plantations. All of our operations are fully owned by us and we have had no claims to prior land use or tenure made by indigenous people.

## Land disputes

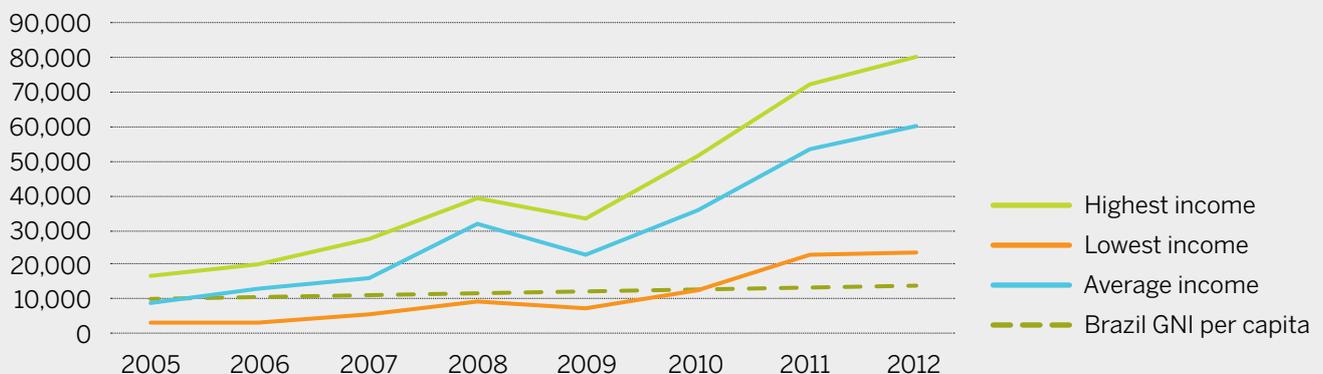
We are currently involved in legal proceedings over a land claim raised in September 2013. The land in question was legally obtained by us decades ago, and all appropriate and legal procedures were followed. We believe that the documentation put forward by the claimants to be incomplete and inconsistent. We also question the delay in raising the claim, given that we have openly operated in the area for two planting cycles.

# Family farms and integrated outgrowers

Around 20% of our fruit comes from family farms and integrated growers in the area. The family farm program began in 2002 and has been a great success.

We have a very strong and positive relationship with the family farmers that supply us with external FFB. Most have seen a significant improvement in their standard of living since they started producing oil palm. They have also been welcoming of the strict sustainability practices we require, recognizing that this is helping them to improve yields and incomes from their land.

## Family farmer gross income from oil palm per year (BRL)



Note: Figures are for Agropalma's first family farmer project in which families had just over 11 hectares on average and where all palms are now mature.





One of our biggest challenges in the past years has been the process of RSPO certification for family farmers and integrated outgrowers. As the certification audit was completed in June, we expect the formal certificate to be issued in the third quarter of 2014. This enables Agropalma to supply 100% fully traceable RSPO certified products, and allows smallholders to partake in any sustainability premium we may receive.

This is one of the areas where we find the greatest risk, and we are working closely with farmers to assist and monitor that our requirements are being adhered to, particularly with regards to legal compliance and labor standards. Issues with legal compliance identified during audit preparation meant that we had to terminate partnerships with four integrated outgrowers. We will of course see if there is a way for them to address the shortcomings, at which point we would welcome their return as suppliers.

For family farmers the biggest challenge has been employment. Whilst some families prefer to work the land themselves, higher incomes means that many prefer to hire laborers. In the past, this was often done informally. As we are working towards RSPO certification, it is critical that these relationships are legalized. Due to the small size of the plots, most workers work part-time on different plots, and Brazilian labor law makes it prohibitively expensive to provide part-time work. We have therefore helped to set up a pool of workers who work full-time, but whose time is split between different plots. All hired labor on family farms is now legal. However, due to the high level of social contributions required, the new system makes it much more expensive for family farmers and it remains an ongoing complaint in our dealings with their representatives. Hence, we understand that monitoring and supporting our FBB suppliers on labor law compliance issues is critical if we are to maintain what we have achieved.



Largely speaking, we have few environmental challenges on family farms: most plots are well established and were converted decades ago. We do have some challenges with the larger integrated outgrowers, as many possess additional land and there have been cases of illegal or non-RSPO compliant clearing for logging or oil palm expansion. While we remain strict that we do not buy fruit from illegally cleared land or land which was cleared through burning, we also seek to engage actively to prevent this.

### Food security

In the specific context of Pará state, and more generally in Brazil, access to food and nutrition is not a major concern. However, in 2012 we were invited to be a case study for a group of researchers from Columbia University in the United States. Overall, we found the results to be encouraging, but the report raised long-term food security as a key concern. Due to the high profitability of oil palm cultivation, there is always a risk that family farms around our operations will abandon critical local food sources such as cassava in favor of oil palm.

Our family farmer program has therefore been expanded to proactively encourage the maintenance of alternative crops and teaching of effective gardening practices. In 2012, we finalized a long-standing project with the local NGO Instituto Peabiru with the aim of promoting a highly effective intercropping system that combines fish farming with other edible crops.

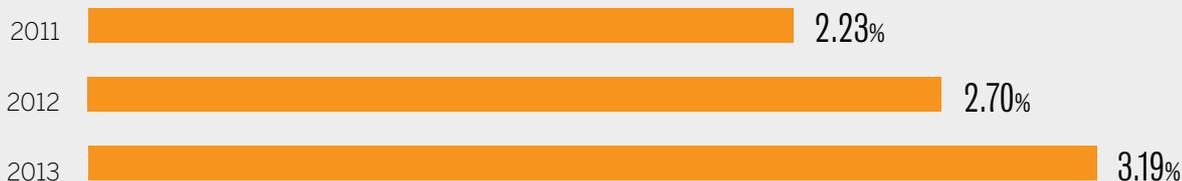
# Employees – our most valuable resource

We employ around 5,000 people across our operations. All are Brazilian and the vast majority of are from the surrounding communities. In a region with strong agricultural growth and a shortage of skilled labor, it is critical that we maintain our reputation as a preferred and fair employer. We invest significantly in the upgrading of occupational skills as well as basic education, and we provide almost one-third of our people with transferable skills annually. Our workplace policies are aligned both to ILO core labor standards as well as compliance with Brazilian labor law, which is one of the most detailed and demanding in the world.

We believe that we provide employees with an attractive working environment, reflected in very low employee turnover which has remained around 3% for the past three years, despite an increasingly competitive labor market in the Pará agricultural sector.



## Employee turnover





## Fair wages and compensation

Wages in Agropalma are determined through collective bargaining agreements with recognized trade unions. Entry-level wages are typically 2.5-3% above the Brazilian minimum wage. While some workers, such as harvesters, can earn productivity bonuses, we do not employ workers on piece-rate or on temporary or part-time contracts. In addition to basic wages, all employees are offered optional full meals at a highly discounted rate that is determined by the wage or salary level of the employee. A typical worker will pay 1-2 reais for three meals per day, either in the canteens or delivered to field rest stations.

While the majority of our employees live outside of our estates in local villages, we also provide subsidized housing in three Agropalma villages to around one thousand employees. We provide families with houses whilst single workers are in gender-separated shared housing. All types of dwellings have modern indoor facilities, electricity and running potable water.



	2014	2013	2012	2011
Agropalma lowest wage (BRL)	743	695	638	560
Brazil minimum wage (BRL)	724	678	622	543
Difference (BRL)	19	17	16	17

## Employee facilities

We believe that all employees should be treated equally, and provide a wide variety of subsidized or free facilities that are available to all employees regardless of position. There are four social clubs, as well as sports facilities and a modern gym.



Basic services, such as hospitals and medical care, are primarily provided by local authorities, but our occupational clinic can attend to emergencies.

Most of our employees' children attend local public schools, but we provide the opportunity for dependents to attend the Agropalma School, which is run on state-of-the-art educational principles and is equipped with a science and computer labs.

The Agropalma School also conducts a range of adult evening classes to provide basic skills to our workforce, particularly basic literacy and mathematics. Around 200 workers take advantage of these classes every year.

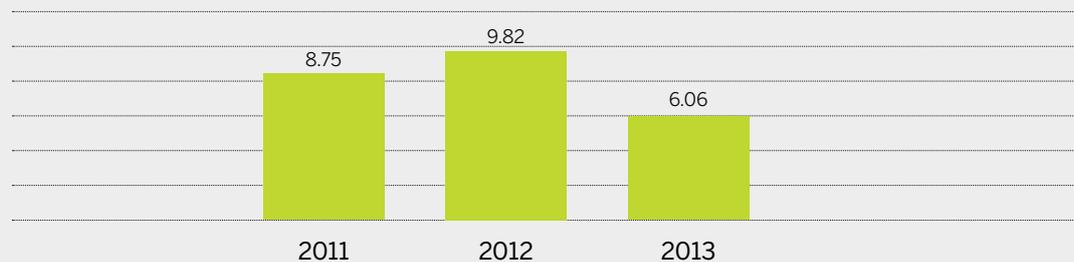
### Freedom of association

We have a constructive working relationship with the local trade union, which represents 74% of our employees. All employees are free to decide on membership, but regardless of union membership, all are paid in accordance with the collective bargaining agreements and benefits from agreed working conditions that are negotiated annually.

### Health and safety

We place a very high emphasis on the safety of our workers and believe we have a good track record compared to our peers in the palm oil industry. We have maintained a zero fatality track record since 2005 and our accident rate has been reduced by 38% since 2011. There is no manual spraying of chemicals in plantations, which has enabled us to eliminate spraying-related injury risk completely. We also have very few transport accidents as workers are transported to the field in closed buses rather than on trucks, which is the industry norm. Most accidents are currently related to cuts and thorn pricks as well as snake bites and other natural hazards sustained by field workers. There have been a small number of mill and refinery accidents. We provide all employees with personal protective equipment and immediate access to medical assistance through a dedicated occupational safety clinic as well as a medical post in our more remote organic operations. Our severity rate is relatively high at just over 6 days lost per accident on average in 2013. This is due to a case in the refinery requiring 180 lost days.

#### Lost time accident rate (Incidents per 200,000 working hours)

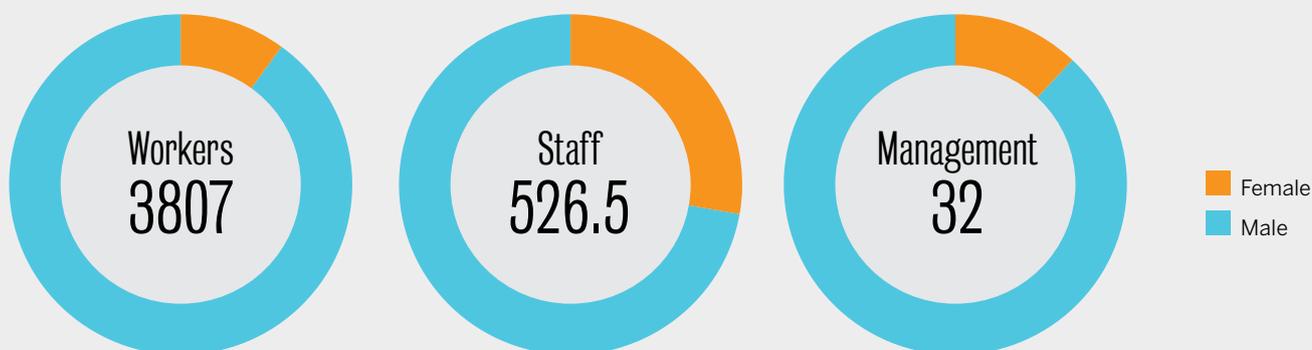




## Gender diversity and non-discrimination

We want to have access to the widest labor pool possible and to ensure that everyone is treated equally. Our non-discrimination policy is included in our employee code of conduct and prohibits discrimination based on color, race, origin, disability, physical appearance, gender, religion, sexual orientation or political and trade union affiliation. We have a well-enforced equal opportunities policy, which applies in hiring, promotion, pay and benefits. While Brazil has a relatively high female labor participation rate, in general our sector is not seen as attractive to female employees. This is partially to do with the isolation and lack of infrastructure. Approximately 12% of our employees are women, with a slightly higher representation at staff level. The low number of women is a general issue in Brazil, where only 6% of economically active women are employed in agriculture<sup>1</sup>.

### Gender distribution of employees 2013



As part of our effort to widen our labor pool and ensure diversity, we have established a successful program to offer employment to spouses of staff joining Agropalma. This ensures that the career and income needs of spouses – be they male or female – are not a hindrance to employment with Agropalma. This in turn encourages long-term commitment.

We take allegations of gender discrimination very seriously and investigate all cases. In 2013, we recorded four complaints, of which one resulted in disciplinary action.

<sup>1</sup> <http://www.fao.org/docrep/013/i2050e/i2050e.pdf>

## Child labor

We have a complete ban on children below the age of 18 working in our estates, but provide apprenticeships to 73 youngsters from the age of 14 as allowed by Brazilian law. To ensure that these youngsters receive an income during their apprenticeship, they work part-time performing small office and administrative tasks outside of their training hours.

Regrettably, we have identified a number of instances of child work on smallholder plots and are currently looking into structured ways to monitor and prevent this. While children helping out on family farms are accepted in certification standards, such as those codified by RSPO, this is illegal according to Brazilian law and hence a legal compliance matter. We therefore provide both awareness, but also monitoring visits, to ensure there are no children below the age of 18 working anywhere in our supply chain. Where child labor is discovered, we suspend intake of FFB with immediate effect and seek to resolve the situation with the supplier.

## Forced and bonded labor

We do not apply physical, administrative or financial restraints that may constitute bonds or coercion.

Slave labor in Brazil dates back to the sixteenth century, and bonded labor can still be found in a range of manufacturing, extractive and agricultural industries. As a result, Brazilian labor legislation has one of the broadest definitions of slave labor in the world. In most legislative environments, slave labor is defined as a workplace situation where there is force, coercion (withholding of wages or passports) or impediments to free movement (e.g. geographical isolation). In Brazil, exhausting labor journeys or severe breaches of basic labor laws are described as 'degrading practices' and fall under the slave labor act. This means that a company (and its directors) that fails to provide adequate bathroom facilities, food shelters, or that breaches overtime legislation, may be charged with slave labor.

According to Brazilian law, companies are also responsible for suppliers' performance regarding severe working conditions. While we believe that support and constructive engagement is the appropriate way to address such issues, in 2013, we had to blacklist an integrated outgrower based on ongoing and repeated breaches of these laws. We had previously been alerted to exploitative practices and had sought to work with the outgrower to improve conditions. However, despite our best efforts, we were unable to achieve a positive outcome and made the decision to terminate the commercial relationship with the outgrower.

# Base data

	Measurement unit/ breakdown	31/12/2013	31/12/2012	31/12/2011
<b>Market and financials</b>				
Total revenue Agropalma Group	Million BRL	651,865	728,287	686,646
Customers (% of sales)	Food	77.50%	–	–
	Non-food	22.50%	–	–
Organic % of volume produced		6.60%	6.01%	6.34%
Fair trade % of volume produced		6.60%	6.01%	6.34%
<b>Workplace</b>				
Number of employees	Full time equivalents (FTEs)	4,954.5	5,206	4,837
Number of young apprentices	Number	73	84	90
Employee turnover	–	3.19%	2.70%	2.23%
Employee categories	Management (FTEs)	36	36	34
	Non-executive staff (FTEs)	724.5	741	717
	Workers (FTEs)	4,194	4,429	4,086
Female employees	FTEs	589	679.5	675
Male employees	FTEs	4,365.5	4,526.5	4,163
Male non-executive staff	FTEs	526.5	535.5	509.5
Female non-executive staff	FTEs	198	205.5	207.5
Female workers	FTEs	387	470	463
Male workers	FTEs	3,807	3,959	3,623
Female management	FTEs	4	4	4
Male management	FTEs	32	32	30
Number of employees received formal qualifications funded by Agropalma	–	1,498	1,408	1,217
Total training cost as % of payroll	–	0.55%	0.63%	0.82%
Minimum starting wage	BRL per month	695	638	560
Number of employees who are members of a trade union	–	3,658	3,828	3,442
Number of women left on maternity leave	–	23	19	17
% returned after maternity leave	–	100%	100%	100%
Reported sexual harassment cases	–	4	–	–
Confirmed sexual harassment cases	–	1	–	–
<b>Community</b>				
Breakdown of charitable contributions (BRL)	Sports	99,833	45,666	2,520
	Culture/religion	7,900	0	0
	Community health facilities*	8,480	4,520	–
	Children and education*	8,400	14,713	7,000
Number of employees and dependents housed	–	1,500	–	–

	Measurement unit/ breakdown	31/12/2013	31/12/2012	31/12/2011
<b>Community</b>				
Square meters per inhabitant	–	16.50	–	–
<b>Health and safety</b>				
Fatalities	–	0	0	0
Total number of accidents	Refinery	4	9	14
	Estates and mills	354	572	473
Total days lost to accidents	Refinery	209	76	82
	Estates and mills	1,945	1,847	1,864
Lost time accident rate	Incidents per 200,000 working hours	5.81	9.29	8.25
Severity rate	Average days lost per incident	6.0	3.3	4.0
Number of sprayers sustaining chemical injuries	–	0	0	0
<b>Land</b>				
Total titled land	Hectares	107,000	107,000	107,000
Total area of forest reserves	Hectares	64,000	64,000	64,000
Total infra-structure area	Hectares	3,959	3,904	3,747
Total hectares oil palm	Hectares	39,041	39,096	39,253
Other areas	–	746	903	958
<b>Production and output</b>				
Yield per hectare (productive palm, older than 3 years)	Tons per ha	20.00	20.60	21.40
Yield per hectare (adult palm, older than 8 years)	Tons per ha	23.50	24.20	25.20
Yield per hectare (under planting adult palms)	Tons per ha	8.10	9.80	–
Extraction rate (CPO)	% of FFB	18.33	18.74	18.61
Total effluents	Tons*	545,614	566,710	595,954
Total boiler ash	Tons *	4,042	4,144	4,012
Total production	CPO (tons)	147,017	155,516	150,412
	PKO (tons)	13,989	13,730	13,857
	PKE (tons)*	17,098	16,781	16,936
	Fiber (tons)*	101,059	103,589	100,297
	EFB (tons)*	189,992	194,748	188,558
<b>Materials and inputs</b>				
Total FFB processed	Tons	802,331	827,468	808,445
<b>Materials and inputs</b>				
Agropalma estate FFB	Tons	661,446	696,656	714,337
Smallholders FFB	Tons	33,215	30,706	27,055
Integrated Outgrowers FFB	Tons	107,684	100,119	67,052

	Measurement unit/ breakdown	31/12/2013	31/12/2012	31/12/2011
<b>Materials and inputs</b>				
Herbicide usage per hectare	Liters per ha	1.70	1.78	1.60
Herbicide active ingredient usage per hectare (only glyphosate)	Liters per ha	0.82	0.85	0.77
Total water usage (mills only)	Tons	610,081	604,478	960,562
Total diesel usage (all uses)	Liters	3,508,608	3,077,869	2,892,301
Total fertilizer usage	Tons	34,789	35,945	28,629
Total chemicals	Tons	123	152	128
<b>Environmental impact</b>				
BOD levels (Average)	mg/L	11,155	13,828	16,155
Total number and volume of significant spills	-	0	0	0
<b>Carbon emissions (MT CO2e)</b>				
		<b>Own crop</b>	<b>Outgrowers</b>	
Field emissions	Land clearing	526,976	21,096	-
	Crop sequestration	-343,222	-93,554	-
	Fertilisers	18,353	4,421	-
	N2O	26,424	5,369	-
	Fuel	12,213	2,781	-
	Peat	0	0	-
	Conservation credit	-567,383	-	-
Total	-326,640	-59,887	-	
Mill emissions	POME	111,757	-	-
	Diesel fuel	2,378	-	-
	Mill electricity credit	0	-	-
	POME electricity credit	0	-	-
	Shell credit	0	-	-
	Total mill	114,135	-	-

### Notes to data:

Community health contributions data estimated, considering BRL 40.00 medical consultation on average.

Children and education contributions exclude expenditure for the Agropalma School. Agropalma donated 700 books to rural area schools. Each book has an estimated value of BRL 10.00.

Figures marked with \* are estimates

# Global Reporting Initiative



# Global Reporting Initiative G4 Index

We have sought to apply the principles of the Global Reporting Initiative (GRI) G4 guidelines in the development of this report. The GRI is the leading international guideline for sustainability reporting. We believe that the report is in accordance with the 'Core' requirements.

Note that the 'assurance' column as required in GRI G4 has not been included since no sections have been formally assured.

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G4-6	Countries of operation	About Agropalma 12-17
G4-7	Nature of ownership and legal form	About Agropalma 12-17
G4-8	Markets served	About Agropalma 12-17
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G4-11	Total employees covered by collective bargaining agreements	Employees-our most valuable resource 48-55
G4-12	Organization's supply chain	About Agropalma 12-17 Community relations 33 Family farms and integrated outgrowers 44-47
G4-13	Significant changes during the reporting period regarding size, structure, ownership or its supply chain	No significant changes in 2012-13
G4-14	Explanation of whether and how the precautionary approach or principles is addressed by the organization	CEO welcome 4-7 Our sustainability framework 21 Closer to nature 26-28
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	CEO welcome 4-7 Highlights in numbers 8-9 Targets 10-11 About Agropalma 12-17 Our sustainability framework 21 Certification 22

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<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	Agropalma does not publish consolidated financial statements
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G4-25	Basis for identification and selection of stakeholders with whom to engage	Covered in all sections
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Covered in all sections
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Covered in all sections
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## SPECIFIC STANDARD DISCLOSURES

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<b>ECONOMIC</b>				
Economic performance	G4-EC1	Direct economic value generated and distributed	About Agropalma 12-17 Base data 56-59 Base data 56-59	
Market presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations	Employees-our most valuable resource 48-55	Entry level wage is identical for male and female employees
Indirect economic impacts	G4-EC7	Development and impact of infrastructure investments and services supported	Community relation 33 Employees-our most valuable resource 48-55	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	CEO welcome 4-7 Community relation 43-44 Family farms and integrated outgrowers 44-47	
Procurement/ sourcing practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	About Agropalma 12-17 Community relation 43-44 Family farms and integrated outgrowers 44-47	
	FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	CEO welcome 4-7 About Agropalma 12-17 Certification 22 Family farms and integrated outgrowers 44-47	
	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	About Agropalma 12-17 Certification 22 Family farms and integrated outgrowers 44-47	
<b>ENVIRONMENTAL</b>				
	G4-DMA	Disclosures on Management Approach	Targets 10-11 Closer to nature 26-28	
Materials	G4-EN1	Materials used by weight or volume	About Agropalma 12-17 Base data 56-59	
Energy	G4-EN3	Energy consumption within the organization	Not reported	
	G4-EN4	Energy consumption outside of the organization	Not reported	
	G4-EN5	Energy intensity	Not reported	
	G4-EN6	Reduction of energy consumption	Not reported	

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Page	Comments
<b>ENVIRONMENTAL</b>				
	G4-EN7	Reductions in energy requirements of products and services	Not reported	
Water	G4-EN8	Total withdrawal by source	Water accountability 39 Base data 56-59	
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	CEO welcome 4-7 Closer to nature 26-28	
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Closer to nature 26-28	
	G4-EN13	Habitats protected or restored	Closer to nature 26-28	
	G4-EN14	Total numbers of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Closer to nature 26-28	
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Climate change 32-35 Base data 56-59	Agropalma is using the RSPO PalmGHG calculator to enable comparability with the sector. Hence emissions is expressed in an alternative way.
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Climate change 32-35 Base data 56-59	
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Climate change 32-35 Base data 56-59	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Climate change 32-35	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	Climate change 32-35	
Effluents and waste	G4-EN22	Total water discharge by quality and destination	Water accountability 39 Base data 56-59	
	G4-EN23	Total weight of waste by type and disposal method	Base data 56-59	
	G4-EN24	Total number and volume of significant spills	Base data 56-59	
Suppliers environmental assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	About Agropalma 12-17 Family farms and integrated outgrowers 34-35	
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	About Agropalma 12-17 Family farms and integrated outgrowers 34-35	

## SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators		Page	Comments
<b>SOCIAL</b>				
<b>Labor practices and decent work</b>				
	G4-DMA	Disclosures on Management Approach	Targets 10-11 Employees-our most valuable resource 48-55	
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employees-our most valuable resource 48-55	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employees-our most valuable resource 48-55	
	G4-LA3	Return to work and retention rates after parental leave, by gender	Base data 56-59	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	Highlights in numbers 8-9 Employees-our most valuable resource 48-55 Base data 56-59	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	CEO welcome 4-7 Employees-our most valuable resource 48-55	
Training and education	G4-LA9	Average hours of training per year per employee per gender, and by employee category	Base data 56-59	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Community relation 43-44	
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Corporate governance and management structure 17 Employees-our most valuable resource 48-55	
Supplier assessment for labor practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Family farms and integrated outgrowers 44-47	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Family farms and integrated outgrowers 44-47	
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	Employees-our most valuable resource 48-55	

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Page	Comments
<b>SOCIAL</b>				
<b>Labor practices and decent work</b>				
Freedom of association and collective bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Employees-our most valuable resource 48-55	
Child labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Employees-our most valuable resource 48-55	
Forced or compulsory labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Employees-our most valuable resource 48-55	
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Community relation 43-44	
Supplier human rights assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Family farms and integrated outgrowers 44-47	
	G4-HR11	Significant actual and potential negative human rights wimpacts in the supply chain and actions taken	Family farms and integrated outgrowers 44-47	
<b>Society</b>				
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community relation 43-44	
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	Community relation 43-44 Family farms and integrated outgrowers 44-47	
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Anti-corruption and integrity 23	
	G4-SO4	Communication and training on anti-corruption policies and procedures	Anti-corruption and integrity 23	
	G4-SO5	Confirmed incidents of corruption and actions taken	No confirmed incidents in 2012-13	

# Glossary

## **Biodiversity**

The diversity (number and variety of species) of plant and animal life within a region.

## **Biological Oxygen Demand (BOD)**

The amount of oxygen used when organic matter undergoes decomposition by micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.

## **CO2 Equivalent**

Carbon dioxide equivalents (CO<sub>2</sub>e) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

## **Deforestation**

is defined by POIG as direct human-induced conversion of forest to non-forests, with an exception for small-scale low intensity subsistence conversion by indigenous peoples and forest dependent traditional communities (consistent with HCV 5).

## **Effluents**

Water discharged from one source into a separate body of water, such as mill process water.

## **Emissions**

Greenhouse gas (GHG) or carbon emissions are gasses in an atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone.

## **Extraction rate**

The amount of oil extracted from oil palm fruit at a mill. Oil is extracted from the flesh, crude palm oil (CPO) or from the nut, palm kernel oil (PKO).

## **Fair trade**

Production standards and certification systems whose stated goal is to help producers in developing countries achieve better trading conditions and to promote sustainability. Fair trade involves the payment of higher prices to small producers, as well as higher social and environmental standards.

## **High Carbon Stock (HCS)**

A High Carbon Stock approach means identifying degraded land on which it is possible to continue the expansion of oil palm plantations subject to usual legal requirements.

## **High Conservation Values (HCV)**

The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

## **ILO (International Labour Organization)**

A tripartite world body representative of labor, management and government and an agency of the



United Nations. It disseminates labor information and sets minimum international labor standards called “conventions”; offered to member nations for adoption.

### **Integrated Pest Management (IPM)**

IPM is a pest control strategy that uses an array of complementary methods: mechanical devices, physical devices, genetic, biological, legal, cultural management, and chemical management. These methods are done in three stages: prevention, observation, and intervention. It is an ecological approach with a main goal of significantly reducing or eliminating the use of pesticides.

### **NGO**

Non-governmental organization. In this report, NGO is used to refer to grassroots and campaigning organizations that are focused on environmental or social issues.

### **Organic**

When related to food or farming methods, organic refers to those produced or undertaken without the use of chemical fertilizers, pesticides, or other artificial chemicals.

### **Peat**

Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

### **Roundtable on Sustainable Palm Oil (RSPO)**

A multi-stakeholder organization based in Kuala Lumpur, Malaysia. The organization has developed a certification scheme for sustainable palm oil.

### **Social Impact Assessment**

Social impact assessments include the process of analyzing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

### **Stakeholders**

Any group or individual who are affected by or can affect the company’s operations.

### **Sustainability**

A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development, which is defined as “Development that meets the need of current generations without compromising the needs of future generations”.

### **Traceability**

Traceability is the capability to track sustainable palm oil along the entire supply chain.

### **Segregation**

This system allows sustainable palm oil to be kept separate from conventional palm oil throughout the entire supply chain.

# About the report

# Completeness

The report covers the calendar year 2013. Data includes all our operations as of 31 December, unless otherwise noted. The report does not include detailed information on our small office-based operations in São Paulo. In addition to impacts within our own organizational boundaries, the report covers material aspects for all associated smallholders.

The report contains updated information on some 2014 events, notably with regards to developments around the smallholder certification and Palm Oil Innovation Group, as we consider these to be of material importance to our stakeholders.

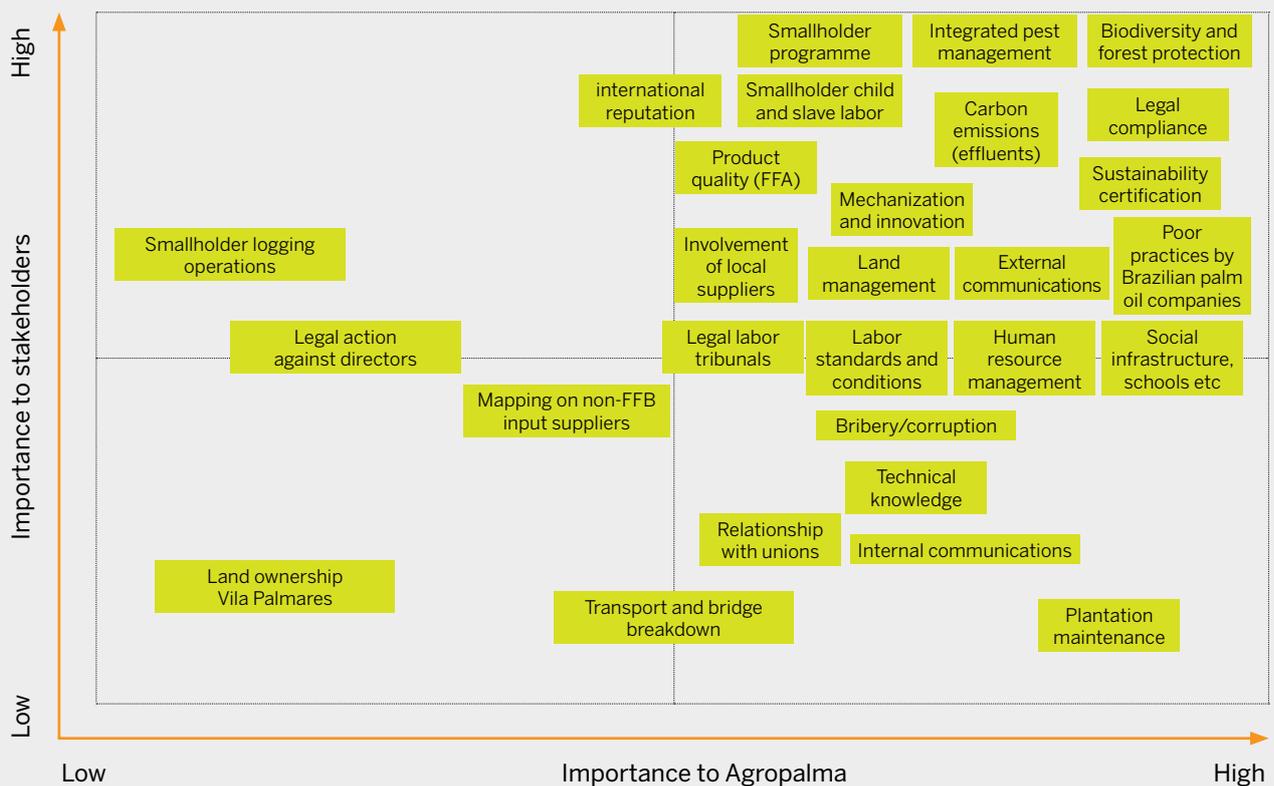
# Materiality, Stakeholder Inclusiveness and Sustainability Context

Report content has been determined based on ongoing stakeholder dialogue and a review of issues that are critical to the Agropalma Group. The Agropalma sustainability team and an external consultant with a broad knowledge of the international palm oil debate have jointly reviewed customer and NGO enquiries as well as research undertaken on behalf of the Group.

In April 2014, the Senior Management team of Agropalma participated in a half-day workshop to prioritize the areas most material to the group, which were collated into a materiality matrix. Unless specifically noted, boundaries were considered to be Agropalma organizational boundaries.

Throughout the report we seek to provide an appropriate context for our performance, particularly in relation to the unique social and environmental landscapes in Brazil and the Amazon region.

## Agropalma's materiality matrix



# Reporting cycle and approach to assurance

We expect to publish a sustainability report every two years. In addition, stakeholders can review our progress annually via our RSPO annual communications of progress published each year in Q3 on <http://www.rspo.org/en/member/1/agropalma-group>

For our inaugural report, we have not engaged third party assurance. We believe that our multiple certification audit provides adequate assurance on our performance to our stakeholders at this stage. The majority of content is documented in our annual RSPO audit report, which is prepared by IBD Certifications and which can be downloaded from [http://www.rspo.org/en/principles\\_and\\_criteria\\_assessment\\_progress](http://www.rspo.org/en/principles_and_criteria_assessment_progress)

However, we will collate feedback from stakeholders on whether third-party assurance is a priority area.

## Contact

We welcome feedback on this report and our sustainability performance in general. Please contact Tulio Dias Brito, Social and Environmental Responsibility Manager  
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