

AGROPALMA 2015 SUSTAINABILITY REPORT



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SUSTAINABILITY
REPORT
2015

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CEO
WELCOME

W

e are pleased to invite you into the world of Agropalma with our second sustainability report.

2014 and 2015 were challenging for the Agropalma Group. Brazil is going through a turbulent political and economic period, and we saw international palm oil prices drop down from USD 900 to less than USD 550 per metric ton. However, rather than despairing at these factors which are outside our control, we have taken up the battle to take our company in a new and exciting direction. Our organizational structure has been through an overhaul, creating two separate business units – one that is dedicated to the production of palm fruit and crude oil and the other focused on downstream products. To ensure that these two entities work in synergy, we have also been through an extensive strategic planning process to set priorities and establish the direction of the coming years.

While our fundamental approach to sustainability and our commercial activities have not changed, we have also reviewed and updated our mission, vision and corporate values to reflect a changing external and internal environment: **Integrity, Competitiveness, Sustainability, Innovation and Competence** will guide our decisions towards the accomplishment of our new mission which is **to produce and trade inputs, products and services related to vegetable oils and derivatives, ensuring satisfaction of stakeholders**” and to ultimately reach our vision where Agropalma becomes a **world reference in the production and trading of sustainable palm oil, and national reference in the production and trading of vegetable oils and fats**”.

Despite these major challenges, and the unfavorable current business environment, we remain steadfast in improving our business and concluded our planned investments commissioning of a new mill and a state-of-the-art refinery. We have also prioritized initiatives to improve our sustainability performance: We built a new POME treatment system; a new combined fertilizer and irrigation system to apply effluent to our crops; we continued to make progress towards mechanization and achieved 90% of mechanized fruit loading; and a private health plan were made available for all our employees.

We are also very proud to have concluded one of our most important certification projects with the inclusion of all our family farmers and integrated outgrowers into our RSPO certification, as well as a successful trial assessment against the Palm Oil Innovation Group (POIG) Charter.

Our efforts on sustainability appears to have been met with positive results. In 2015 in particular, we saw many multinational companies with operations in Brazil extending their global sourcing policies to the country, which increased the domestic demand for our RSPO certified sustainable palm oil. This is an important market trend and we with our latest improvements, we are confident that we can continue to deliver on our costumers’ requirements on sustainability and traceability.

We recognize that at the international level, palm oil will continue to be a controversial commodity. Although much work has been done by the RSPO and its members to achieve the remarkable volume of nearly 16 million metric tons of certified palm products, the palm oil industry is still perceived to be associated with deforestation, biodiversity losses, climate change and exploitation of workers and local communities. Although we are confident that

our operations is not complicit in such issues, we believe that we have a role to play in engaging with critics of palm oil, as well as those who seek to improve industry best practice. We have always taken an active role in the global and national debate as an active member of organizations like the RSPO, InPacto and POIG, and in the past years we have also been actively involved in the development of the High Carbon Stock Approach, a framework to identify and prevent deforestation. By playing a proactive role, Agropalma contributes with development of these initiatives and at same time interacts directly with the main stakeholders, increasing the level of transparency, building trust relationships and increasing our knowledge on the main concerns related to sustainability of palm oil production.

Despite the bleak economic outlook and uncertainties in Brazil, we look to future years with a positive mindset, as we harvest the fruits of our recent investments. We intend to double our revenues and expand our market with our new refinery, which will be operational in July 2016, and where we will be able to produce a new range of oils, fats and derivatives. And we will continue our progress on sustainability, productivity and efficiency with a renewed sense.

In closing, we would like to send our thanks to all of you; employees, suppliers, civil society groups and business partners, who have helped us along on this journey and we will look forward to continue our work together in the coming years.

Sincerely,

Marcello Brito
CEO of Refineries

Joel Buecke
CEO of Plantations



2014-2015
HIGHLIGHTS

August 2014

Completed verification against the Palm Oil Innovation Group Charter

January 2015

Completed certification of all external FFB suppliers

February 2015

All employees have access to enhanced subsidized healthcare plan

July 2015

Achieved top ranking in ZSL Sustainable Palm Oil Transparency Toolkit

Novembro 2015

Completed organization re-structure separating refinery and plantation operations

November 2015

Achieved target of 5% disabled employees

November 2015

Opening of new mill with enhanced POME treatment system

100%

SEGREGATED RSPO CERTIFIED PALM OIL PRODUCTS

100%

ESTATES VERIFIED AGAINST THE PALM OIL INNOVATION GROUP CHARTER

65%

REDUCTION IN EFFLUENT BOD SINCE 2011



TARGETS AND
ACHIEVEMENTS

- 2014** : **TARGET** Undertake Palm Oil Innovation Group trial audit.
STATUS *Achieved August 2014.*
- TARGET** Achieve RSPO certification in 100% of external fruit.
STATUS *Completed (approved January 2015).*
- TARGET** Clear and communicated corporate career and wages policy developed.
STATUS *Delayed until 2016 due to financial constraints.*

- 2015** : **TARGET** Develop system to prevent, identify and remedy forced and child labor in the FFB supply chain.
STATUS *Delayed until 2016 due to financial constraints.*
- TARGET** Develop system to prevent, identify and remedy deforestation in the FFB supply chain.
STATUS *Delayed until 2016 due to financial constraints.*
- TARGET** Complete Conservation International report that will provide guidelines on biodiversity management at landscape level.
STATUS *Achieved.*
- TARGET** Develop solutions and targets for GHG emission reductions from POME.
STATUS *Achieved – new targets agreed.*
- TARGET** New extraction mill in Tailândia, Pará State commissioned.
STATUS *Achieved.*
- TARGET** Having 100% of fruit loading being done mechanically in adult plantations.
STATUS *Progress made – 90% completed.*
- TARGET** No increase in lost time accident rate.
STATUS *Achieved for 2014, not for 2015.*

- 2016** : **TARGET** Commissioning of new refinery in São Paulo State.
STATUS *Forecasted to open in July 2016. Achieved.*
- TARGET** Increase yields of adult palms from 23.5 to 26MT/Ha
STATUS *On track.*
- TARGET** Launch of new sustainability policy
STATUS *On track.*

- 2018** : **TARGET** POME treatment system installed in four mills
STATUS *On track*

- 2021** : **TARGET** Methane capture or elimination system installed in two mills
STATUS *On track*

- 2023** : **TARGET** Methane capture or elimination system installed in four mills
STATUS *On track*

- 2025** : **TARGET** Methane capture or elimination system installed in all existing mills
STATUS *On track*

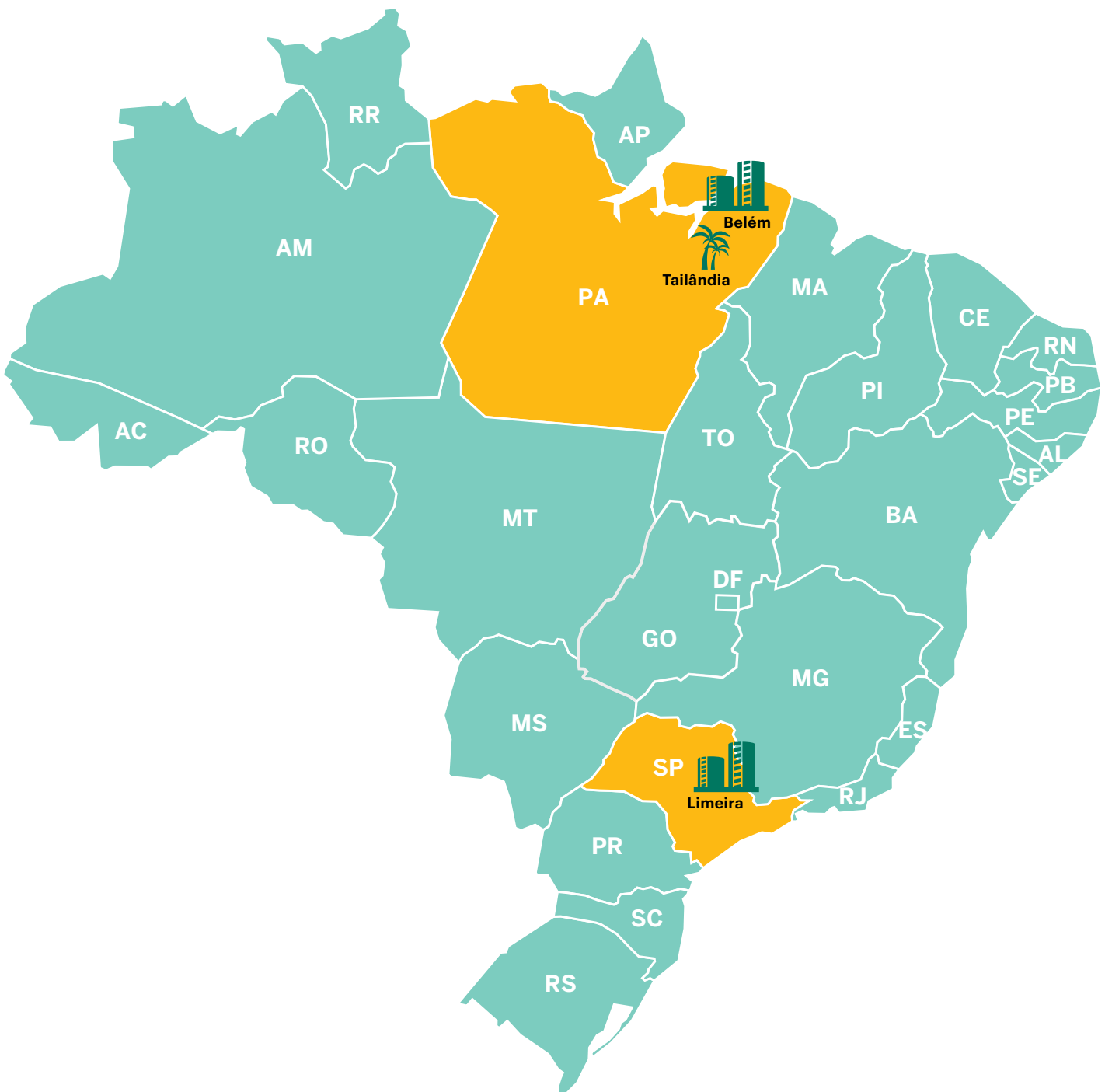


ABOUT
AGROPALMA

Agropalma is a vertically integrated palm oil producer of premium palm oil products. We operate estates, mills and a refinery in Pará in Northern Brazil and a new, state-of the art refinery in Limeria, São Paulo State.

Our field operations span 39,000 hectares of RSPO certified oil palm, of which around 10% is also certified organic and fair trade, as well as a 64,000 hectare Amazonian forest reserve of which we are the primary caretaker and guardian. We operate five mills and two refineries capable of producing an infinite variety of palm products and fractions.

Agropalma operates on both national and international markets. We export around 50% of our production: approximately 98% of our exports go to Europe and 2% go to the USA.

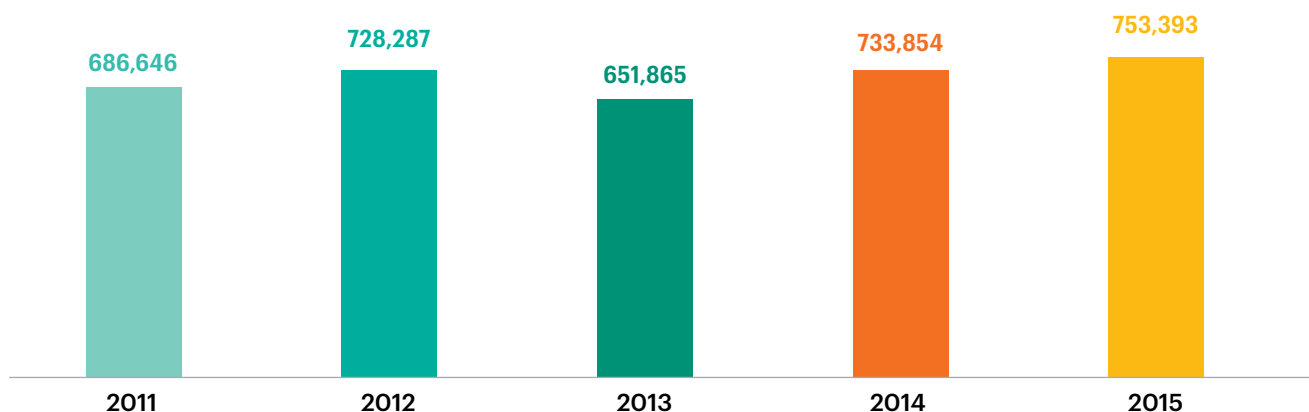




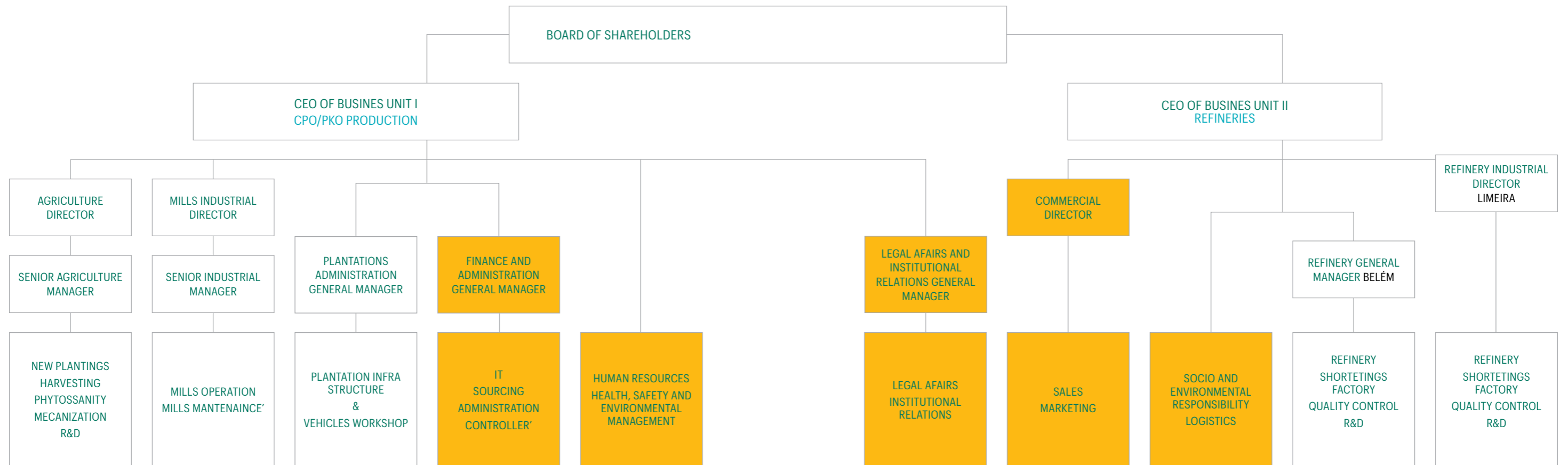
Ownership and governance structure

The Agropalma Group was established in 1982. The Group consists of three companies, Agropalma S/A, Companhia Refinadora da Amazônia (CRA) and, since 2014, Indústrias Xhara Ltda – our new refinery company. Our 2015 revenue was BRL 753 million, up from BRL 734 million in 2014. We are part of the privately owned Brazilian Alfa Conglomerate which operates in a broad range of industries, including finance, agribusiness, food, building materials, communication and culture, the leather industry and hotels.

Agropalma's revenue (BRL million)



The overall business strategy and developments for the three companies are guided by an experienced Board of Directors that meets twice a month and is made up of four Brazilian nationals. Until November 2015, the three companies were led by a single CEO. However, to ensure further focus on the expanded refinery business, Agropalma Group was restructured into two business units, one responsible to produce CPO and PKO (plantations and mills) and other dedicated to refined oils and downstream products. Each unit has a management team and CEO. Both units have a team of General Managers who oversee operations, and both share a number of support functions such as finance, IT and group HR.



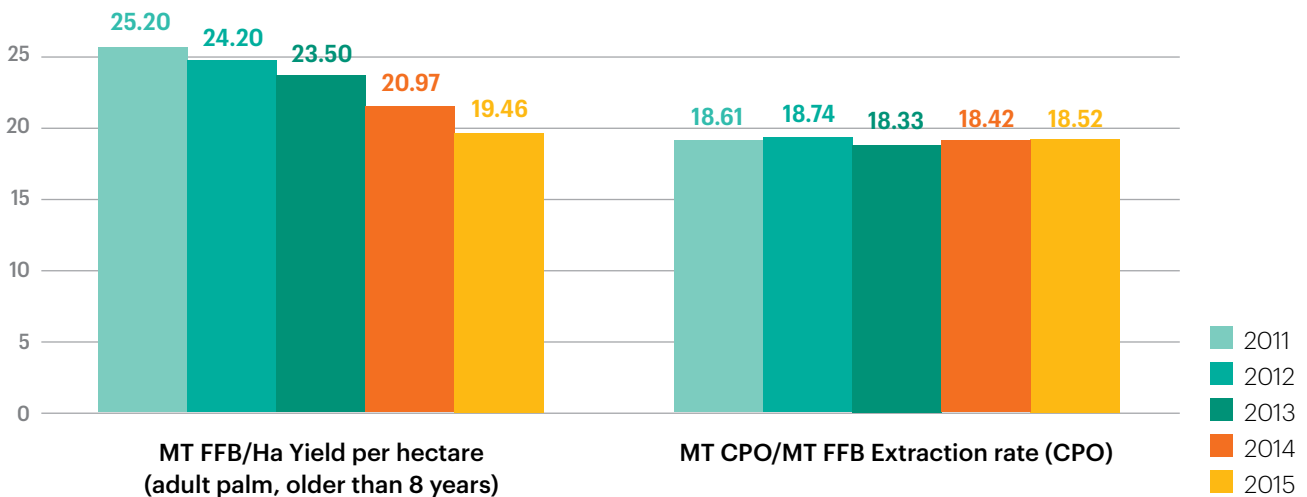


Our plantations and land

Our palm oil estates are located in Northern Brazil, in the state of Pará in the Amazonia region. Our total titled land covers 107,000 hectares, of which around 39,000 hectares are planted with oil palm, 4,107 hectares of which are organic. Around 4,000 hectares is used for infrastructure, mills, roads and housing while the remainder – approximately 64,000 hectares – is protected forest reserve that we manage and enhance. 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, other crops or already degraded have been planted with oil palm.

Over the past five years, our fruit production per hectare has dropped substantially. This is the result of successive years of severe drought. In 2014, the rainfall deficit was 355mm, and in 2015, 581mm, the worst drought in the history of the company.

Yields and extraction rates



MECHANIZATION

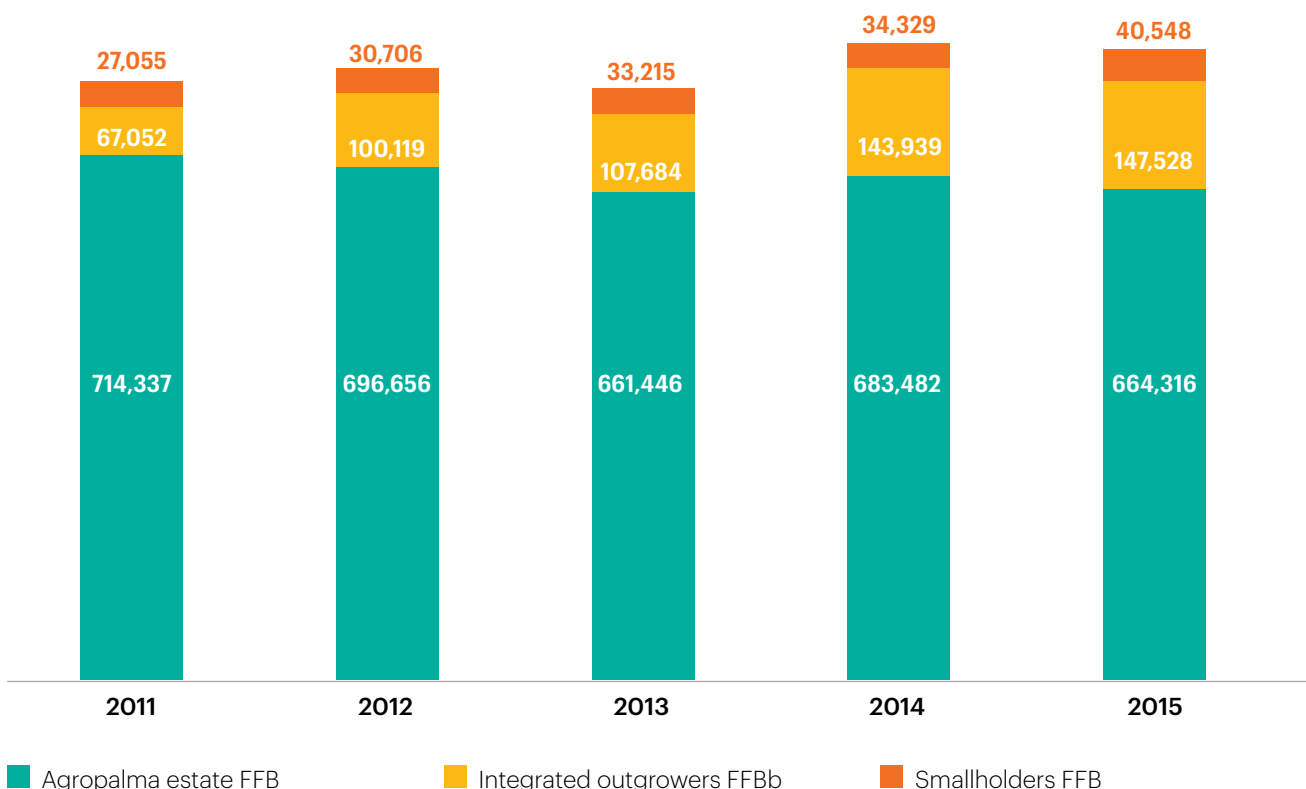
Due to the high labor cost, and to increase efficiency and safety, we have invested heavily in mechanization, including herbicide application and fertilization. In recent years, we have also introduced innovative machinery to mechanize fruit collection and loading in mature plantations. This operation was previously one of the most demanding physical tasks in the field because it requires the lifting of fruit bunches that can weigh up to 40kg. As a significant side effect, reduction in manual fruit handling has also helped us reduce accidents and back-related occupational disease. It is important to acknowledge that mechanization might also reduce yields due to higher agricultural losses, a trend that has increased since we abandoned our loose fruit collection in 2014.

OUR MILLS

We operate five mills with kernel crushers, one of which is used for identity preserved certified organic and fair trade oil. In 2015, we commissioned our fifth mill, which is built to operate with the least possible environmental footprint. The mill has an advanced POME treatment system that not only treats its own effluent, but also that of an older neighboring mill. This system has two bioreactors prepared for methane capture, but they were not yet covered for economic reasons. We intend to finalize this project within a few years.

Our five mills process almost 900,000 metric tons of FFB annually and more than 20% of our processed fruit comes from external sources – 5% from family farmers and 17% from integrated outgrowers.

Fresh fruit bunch processed (MT)



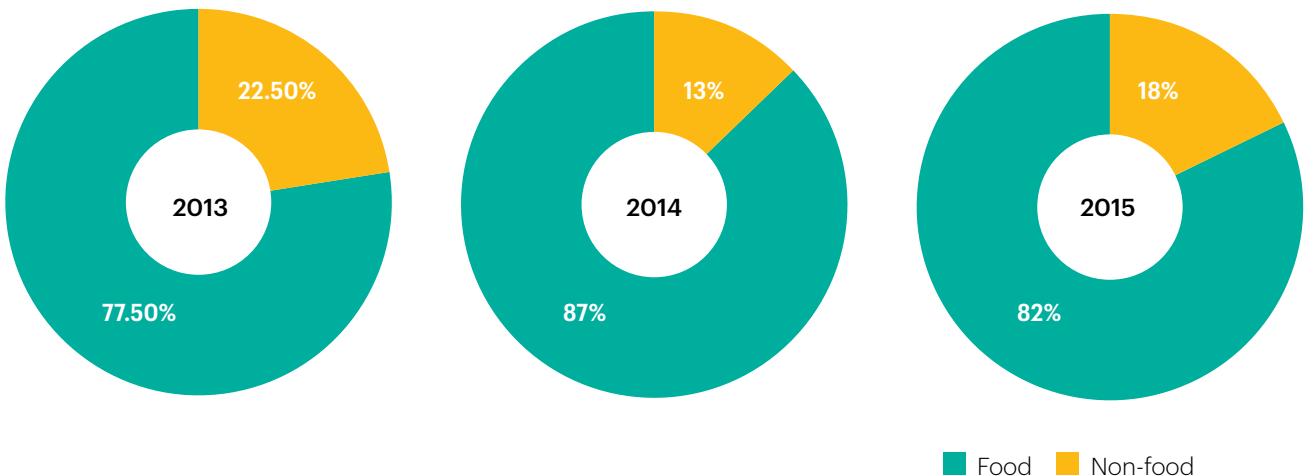
Our products and marketplace

The majority of our customers are global brands that require the highest standards in quality as well as environmental and social credentials. We pride ourselves in being a highly responsive company, working closely with our customers to ensure that we understand their businesses and are able to supply products meeting their commercial needs.

We are able to supply a vast range of vegetable oil products from our existing refinery in Belem. From mid-2016, our new refinery in São Paulo state will enable us to produce a much wider range of products based on our fully traceable and RSPO certified palm plantations. Our state-of-the-art shortening factory is also capable of producing bespoke and sophisticated product ranges.

Bulk products	Shortening factory products
Cocoa butter substitutes	Bespoke vegetable shortenings, fats and blends, packed in different kinds of packages and sizes
Palm Oil Olein PN3	
Palm Oil Olein PN6	
Palm kernel oil olein	
Soft Palm Mid Fractions	
Hydrogenated fats (trans fat free)	
Interesterified fats	
Fully hydrogenated palm oil	
Blends of different vegetable oils	

Sales by type of customer





A NEW REFINERY OPERATING TO THE HIGHEST ENVIRONMENTAL STANDARDS

In July 2016, our new refinery in the State of São Paulo was commissioned, enabling us to produce a vast range of refined palm oil products and bespoke fractions. The refinery has been built to the highest environmental standards, ensuring that we build on our plantations legacy. The plant itself will run on natural gas resulting in lower carbon emissions and fewer pollutants being released into the atmosphere. We have equipped access roads with lighting powered by solar panels to save energy. We have also installed water recycling technology that will reduce our water usage by up to 80%.

To ensure that we contribute positively beyond our operations, we have also launched a reforestation project around our refinery. We are planting 2.5 hectares of Atlantic rainforest, a unique and highly threatened ecosystem. Due to the fragmented state of this type of forest, even small areas are critically important for ensuring its survival and we are working with restoration experts to make certain that our project has maximum impact.

TRACEABILITY

Our customers expect a transparent supply chain that enables them to understand the conditions under which their products and ingredients have been grown and manufactured. We operate a fully traceable supply chain, and with the certification of our family farmers and integrated outgrowers, we are able to deliver both refined and bulk products using either the RSPO segregated or identity-preserved supply chain mechanisms, according the market demand.

Due to the inclusion of new FFB suppliers who are not yet RSPO certified, our new mill will initially be certified under the mass balance model. However, our CPO/PKO production will continue to be fully traceable as we completed assessments and established direct purchasing contracts with each of our new independent suppliers.



OUR APPROACH TO
SUSTAINABILITY

Our company is based on a strong set of values that are integrated in everything we do. The overriding philosophy is a no-excuses culture where legal compliance and integrity are non-negotiable.

Our starting point is to strictly adhere to national laws and state statutes. The legal frameworks of Brazil relating to social and environment protection set a very high standard, and we often find that even the strongest certification schemes fall short of the Brazilian legal framework.

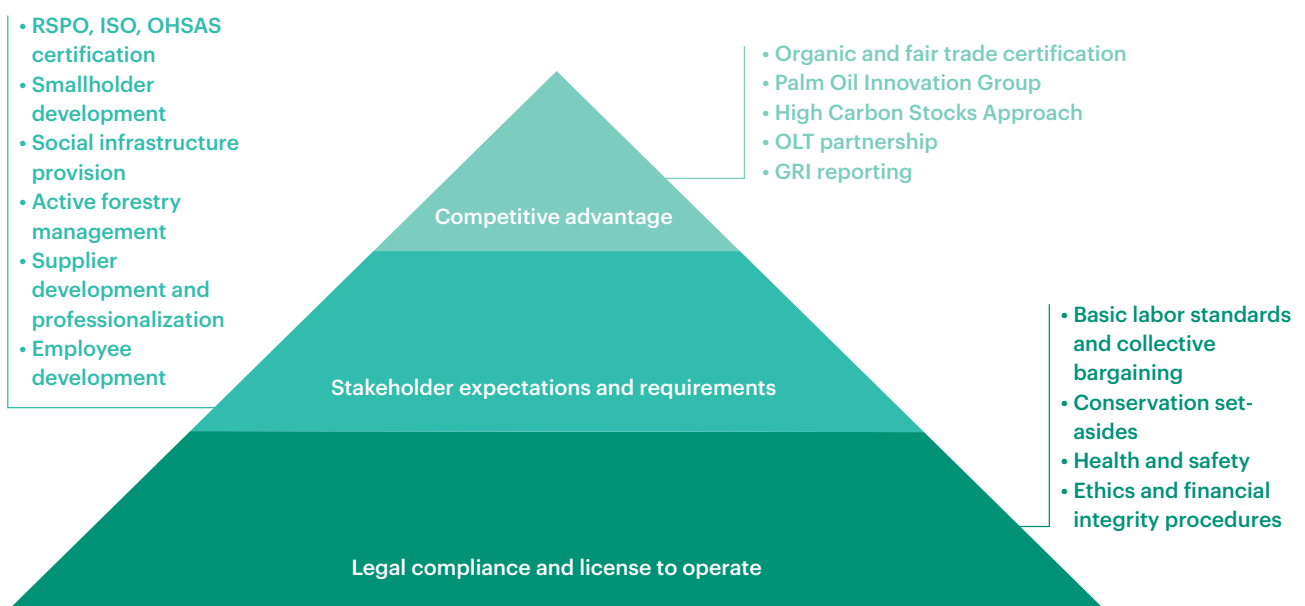
As part of a company-wide strategic process, we have launched a new set of values to help guide us in the future.

New values	Mission	Vision for 2018
Integrity Competitiveness Sustainability Innovation Competence	To produce and trade inputs, products and services related to vegetable oils and derivatives, ensuring stakeholders' satisfaction.	Agropalma, world reference in the production and trading of sustainable palm oil, and national reference in the production and trading of vegetable oils and fats.

Our main shareholders are also diligent in enforcing our values, and our operations are subject to regular internal audits and assessments to confirm that company policies are strictly adhered to.

Our approach to sustainability is to ensure that our activities are based on a robust framework of legal compliance, complemented by third party assurance and stakeholder engagement. To meet global standards, and to work towards our vision of being a global reference point in palm oil sustainability, we are constantly exploring improvements and next steps that can help us meet future expectations and build competitive advantage in the market place.

Meeting expectations and building advantage







RSPO Certification and Palm Oil Innovation Group verification

We believe that the best way to provide assurance to our stakeholders is through the implementation of diligent certification and verification standards. We certified our plantations against the RSPO P&C in 2011, and achieved certification of all external fruit in 2015.

In 2014, we also completed verification of our estates against the vigilant Palm Oil Innovation Group (POIG) indicators. POIG is an initiative developed in collaboration between progressive palm oil producers and international NGOs, such as Greenpeace, Rainforest Action Network and WWF. POIG builds on the RSPO standard, but seeks to strengthen the requirements, including the implementation of no-deforestation policies, labor standards, community engagement and corporate transparency.

Sustainability management structure

Although sustainability considerations form an integral part of every decision we make on the ground, we recognize that we need to drive continuous improvement and monitor compliance and performance. In 2015, we reorganized our sustainability efforts and established a dedicated Health, Safety and Environment Department charged with driving ongoing compliance and continuous improvement our existing commitments and legal requirements. Our

social and environmental responsibility department is now even more focused on ensuring stronger engagement with customers and local and global civil society stakeholders. Both teams are shared functions between plantations and refineries.

Stakeholder engagement

We believe that we can only succeed if we work in close collaboration with our commercial partners and with stakeholders from civil society. We have an open door policy, and always welcome visits to our plantations and refineries.

We are engaged in a wide range of multi-stakeholder initiatives. In 2014–2015 our commercial director (now CEO of refineries) held a seat on the Board of Governors of the RSPO representing ‘growers from the rest of the world’ (i.e. growers outside of Indonesia and Malaysia). Our Group Sustainability Manager was also on the Executive Committee of the High Carbon Stock Approach Steering Group and the Organizing Committee of the Palm Oil Innovation Group. At the national level, we are also engaged in multi-stakeholder organizations and initiatives, as Instituto Ethos and Instituto Pacto Nacional Pela Erradicação do Trabalho Escravo (InPacto), in which we are one of the Curator Members.

In addition to these positions, we make every effort to be responsive and in constant dialogue with customers. We often visit their operations or host them at our sites so that we can meet their needs and respond to their concerns.

We provide local stakeholders, such as communities and smallholders, with dedicated contact points to request support or assistance and to raise grievances or concerns. For our new refineries in São Paulo, we have made every effort to ensure that we build on this track record of cordial relations through in-depth engagement and easy access to the senior management team for our new neighbors (see page 49).

New sustainability policy

Our approach to sustainability has developed organically over the last 15 years, drawing from the most progressive certification schemes, stakeholder feedback as well as strict adherence to Brazil’s strong environmental, social and ethical legislation. While we have made explicit commitments across almost all of these areas, we felt that it would be useful to combine all of these aspects into a full sustainability policy, incorporating clear commitment on human rights, environmental protection and anti-corruption.

We are currently completing the policy and are targeting publication by mid-2016. The policy will be a clear signpost both internally and externally on our values and will ensure that these values are codified. Most importantly, the policy will explicitly list the standards to which we are committed and the methodologies we apply, such as the UN Declaration on Human Rights and the High Carbon Stock Approach.

No to corruption

As part of our no-excuses culture it is critical to us to maintain the integrity of all of our operations. We therefore have a zero-tolerance approach to bribery and corruption and this will be iterated in our new Sustainability Policy. In line with our commitment to legal compliance we have also strengthened our safeguards to ensure compliance with the Brazil Clean Company Act 2013. The Act holds companies responsible for the corrupt acts of their employees and introduces strict liability for those offenses. Penalties for companies under the Act include fines of up to 20% of a company’s gross revenue from the previous year or suspension or dissolution of the company.



ENVIRONMENTAL RESPONSIBILITY

Forests and biodiversity

As a member of the Palm Oil Innovation Group, we take a strong stance against deforestation. We enforce a zero tolerance policy on the use of open fires within our operations or in our supply chain. However, our commitment to protecting forests goes beyond a ‘no deforestation’ policy. Based in a region that is home to some of the planet’s most extraordinary wildlife and ecosystems, we want to be a proactive guardian of our forests and biodiversity. Since 2002, we have ceased all land clearing and we are working closely with all of our FFB suppliers to make sure that no fruit entering our mill has contributed to deforestation.

Over the past decade, we have strengthened our forest programs in partnership with biodiversity experts, universities and our partner Conservation International. Together we are mapping and monitoring almost 500 species of birds as well as dozens of mammals, reptiles and amphibians. In mid-2015, we experienced one of the true highlights of the program when a jaguar and its cub were recorded by one of our heat-sensitive cameras. Although we had observed and photographed footprints and other tracks many times, and our forest guards had reported sightings, this was the first time we were able to record an image of this rare and elusive animal.

Based on such evidence, we are confident that our forest program is meeting its goal of protecting and even enhancing biodiversity. We now want to scale up the program, and will therefore in the next phase reach out to other companies, integrated FFB suppliers and communities to encourage them to get involved.

REFORESTATION BEYOND THE AMAZON

Our forest initiative is expanding beyond the Amazon to the home of our new refinery in São Paulo state. In the area adjacent to our new plant, we are restoring and reforesting 2.5 hectares of Atlantic Forest. This distinct and vulnerable eco-region stretches along South America’s east coast and extends inland towards the Amazon. Although just 7% of the original forests remains, it is still one of the most diverse ecosystems on the planet, second only to the Amazon. The forest is home to around 20,000 species of plants. Some 450 tree species have been found in just one hectare. There are also thousands of species of birds, mammals, reptiles and amphibians, including endangered jaguars, golden lion tamarins, woolly spider monkeys, maned three-toed sloths and red-tailed parrots.

A BROADER GLOBAL COMMITMENT

Our commitment to protecting biodiversity and avoiding deforestation goes beyond our immediate area of operation.

Since 2013, we have contributed to the Orangutan Land Trust, an NGO focused on protecting and providing habitats for the Sumatran orangutan, a highly endangered species threatened by deforestation in Indonesia and Malaysia. We made the decision to support this cause, as we know that the plight of the orangutan is a concern of many of our customers.

We have also taken an active role in the development of the High Carbon Stock Approach (HCSA), a new methodology aimed at halting deforestation. Having joined the governing body set up to develop and promote the methodology in 2014, we represented producer companies from outside of Indonesia and Malaysia in the group’s Executive Committee as we believed it was critical to have a strong South American voice present in the initial stages of the group’s work.

ASSESSING LAND CLEARANCE FOR NEW FFB SUPPLIERS

Our biggest challenge at the moment is engagement with a new group of FFB suppliers who wish to sell their fruit to our mills. Many investors and small growers in the area converted their



crops to oil palm 5 to 10 years ago when global CPO prices were booming, anticipating either to build small mills of their own or to sell fruit to other newly built mills. However, as the anticipated mill capacity never materialized, due to the cost of construction not being feasible with dropping palm oil prices, these growers are now looking to be included as Agropalma suppliers.

Since Agropalma is committed to full RSPO certification and to maintaining a segregated supply chain, we are only able to engage with suppliers who are eligible for RSPO certification. However, the majority of these suppliers did not undergo adequate HCV studies and the resolution of available satellite images is not adequate to provide conclusive evidence of previous land use.

The RSPO Principles & Criteria and the recently launched compensation scheme detail under which circumstances new suppliers such as these may be certified.

To avoid the exclusion of small growers and non-members, the compensation scheme allows for so-called 'non-corporate' land clearing to be eligible for certification without compensation. For example, forest cleared by a smallholder or farmer for banana, pasture or cassava cultivation is not considered to fall under the RSPO compensation mechanism, whereas a corporate entity clearing land after 2005 without an HCV assessment will have to pass through a compensation/remediation procedure. Mapping out which suppliers are acceptable to Agropalma and which are not is therefore a tremendous effort requiring extensive documentation reviews by our teams as well as by the potential supplier.



Combatting climate change

We believe that all companies have a duty to minimize or eliminate greenhouse gas emissions. We began monitoring our emissions in 2013 with the objective of identifying ways to reduce or eliminate avoidable emissions, such as those from palm oil mill effluent, and to monitor emissions from land use change (LUC).

We measure our carbon footprint using the PalmGHG Calculator, including full land use change emissions, and report on two indicators: one which offsets the carbon sequestration resulting from our 64,000 hectares of conservation area, and one which excludes conservation areas. Including our conservation areas allows us to understand the real impact of our entire operations and highlight the importance of the forests on climate change. However, we also want to measure our progress and impact against other companies in the palm oil sector, and the majority of our peers do not include conservation areas in their calculations.

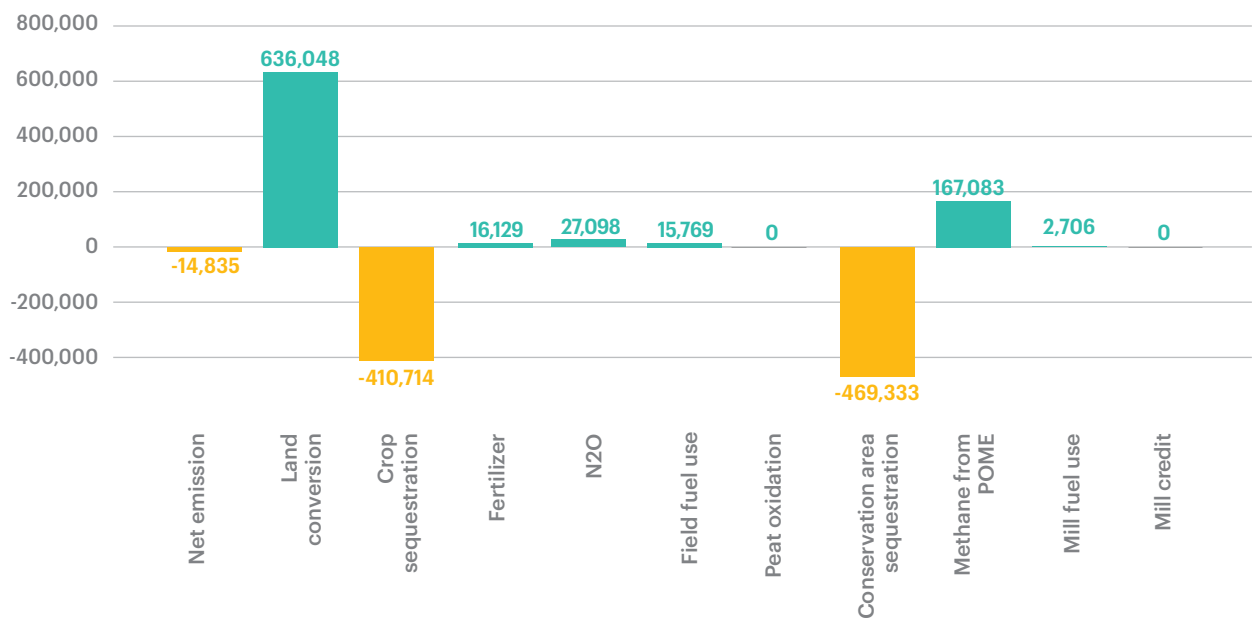
There were minor variations in our carbon footprint per metric ton of CPO between 2014 and 2015. These are primarily a result of the PalmGHG methodology, where previous land use change is measured over 25 year cycles, so variations can occur year-on-year due to planting schedules.

Methodology	MT CO ₂ eq/MT of CPO or PK	
	2015	2014
Complete LUC with sequestration by forests (2tC/ha/year)	-0.08	-0.30
Complete LUC without sequestration by forests	2.40	2.66



We are unable to provide a like-for-like comparison with our 2013 figures as these were measured using the previous version of the PalmGHG calculator. This used different default values and therefore resulted in much lower net emissions despite identical input data.

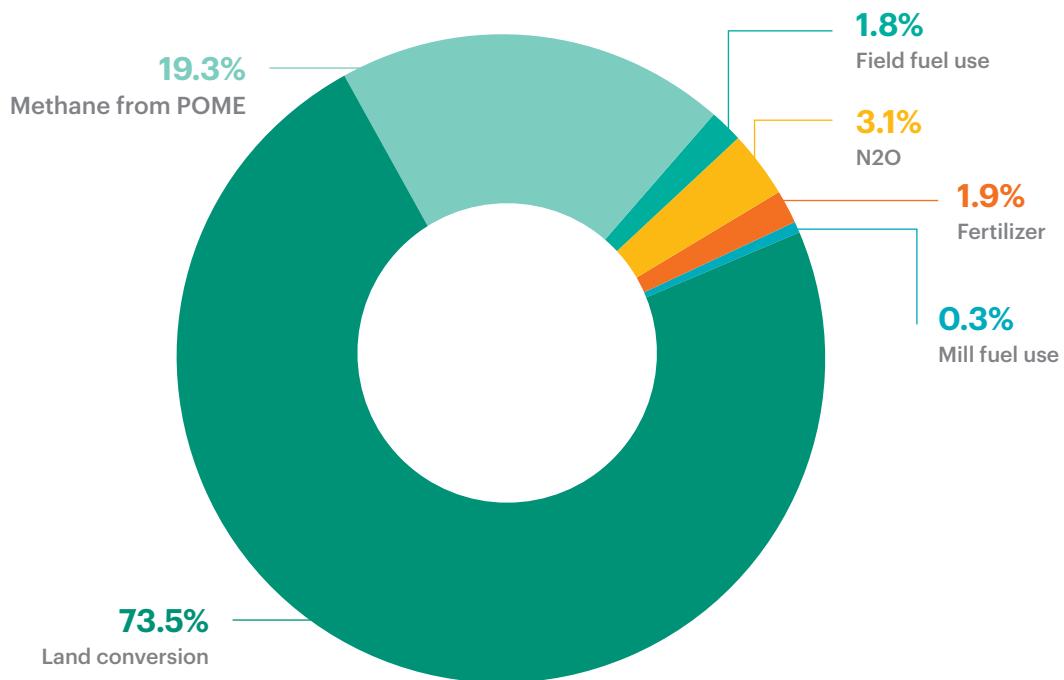
Agropalma emission sources and sinks 2015 (PalmGHG V2)



EMISSIONS REDUCTION

Around 26% of our gross emissions come from avoidable sources such as palm oil mill effluent (POME) and diesel for transport and mill use. POME is by far the most significant source and an area that we are targeting for emission reductions. The latest effluent treatment was incorporated into the design of our new mill ensuring that emissions from POME are vastly reduced. We intend to install similar systems in four of our five mills by 2018, and to cover the ponds to enable methane capture for electricity generation at these mills by 2023. For our fifth mill, we aim to complete effluent treatment and methane capture by 2025.

Percentage of gross emissions by type 2015



While emissions from historical land conversions are fixed, we still need to ensure that future developments undertaken by Agropalma or by our external fruit suppliers do not result in further emissions. As well as our no peat policy, we have also made a commitment to preventing future developments on land with high carbon stock, such as primary or regenerating forest.

Protecting and conserving local water sources

We recognize that accessible water sources are critical to sustain ecosystems, and that access to safe and potable water is necessary for the welfare of communities.

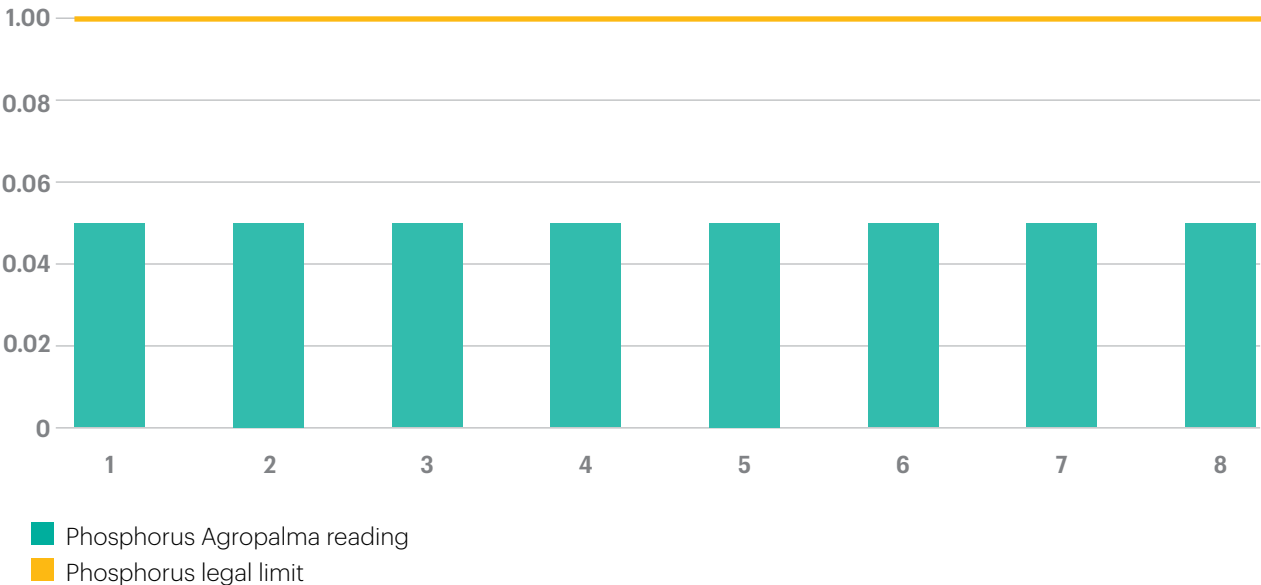
Agropalma operates in two very different environmental landscapes. The state of São Paulo is highly populated and prone to severe water shortages. We were therefore conscious that our new refinery should not in any way contribute to further shortages. We have therefore

invested in water treatment and re-use systems that enable our facility to use approximately 80% less water than comparable plants using conventional technology. We have also built water ponds that capture surface run-off water from our facility and ensure it is appropriately treated prior to release into local waterways. As part of our POIG commitment, we have also started monitoring nitrogen and phosphorous levels in waterways.

Nitrogen sampling points (gm/l)

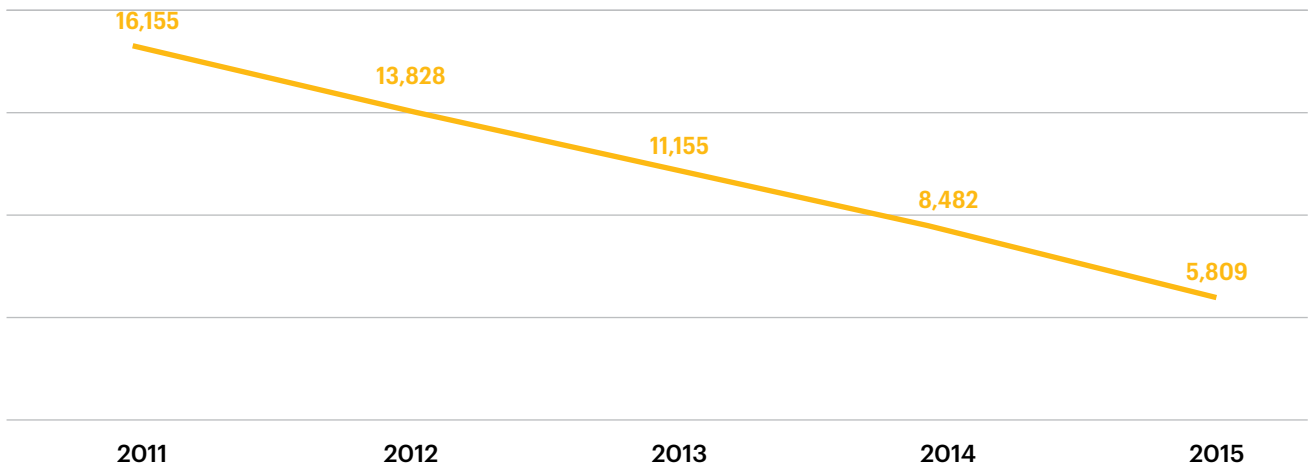


Phosphorus sampling points (gm/l)



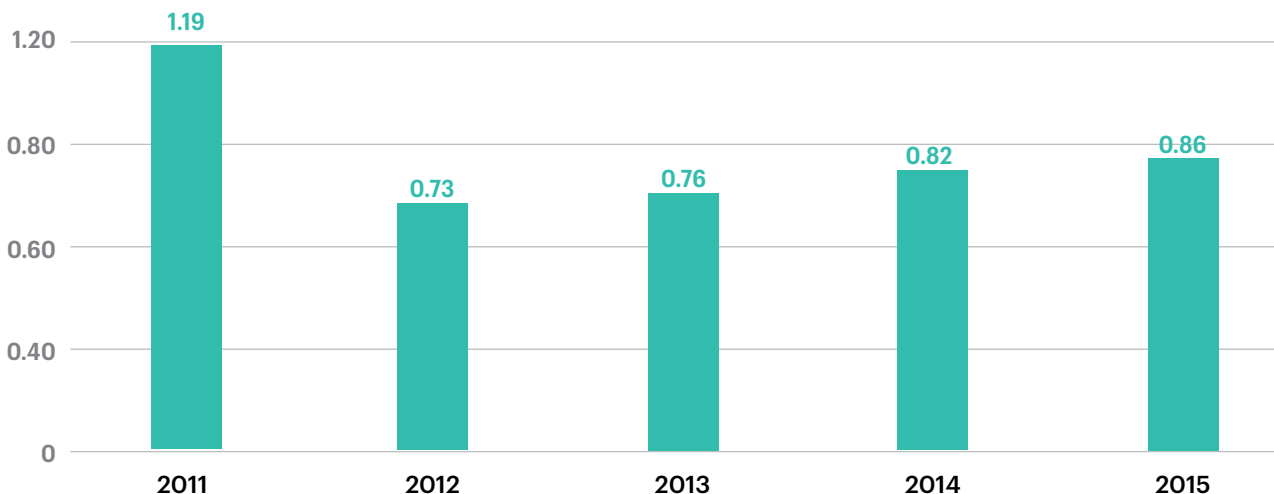
Our plantations in Pará are based in an area that is not affected by water shortages. Nevertheless we do what we can to ensure that we have little or no impact on the quality or volume of water locally available, as this is a part of our commitment to the POIG Charter.

BOD levels (average all mills) mg/L



Over the past five years we have reduced the biological oxygen demand (BOD) level to one-third of previous levels through more efficient cleaning of palm oil mill effluent (POME) ponds. Instead of being released into waterways, effluents are used as an efficient source of fertilizer in the field. Our new mill also includes a new state-of-the-art effluent pond that will treat POME from the new mill as well as that of the neighboring mill. In 2015, we also started a new POME distribution system that ensures that effluents from our five mills are sprayed more uniformly on plantations, minimizing the risk of run-off into waterways.

Water usage per tonne of FFB processed (MT)







We use river and well water in the processing of fruit – just under one metric ton of water per metric ton of FFB processed in our mill – and we have seen a small increase over the past three years. This is because we reduced our use of recycled water after discovering that it could have an effect on the level of 3-MPCD and other contaminants that can potentially affect product quality. The construction of our new mill, built in 2014 and 2015, also created demand and contributed to an increase in our recorded mill water usage.

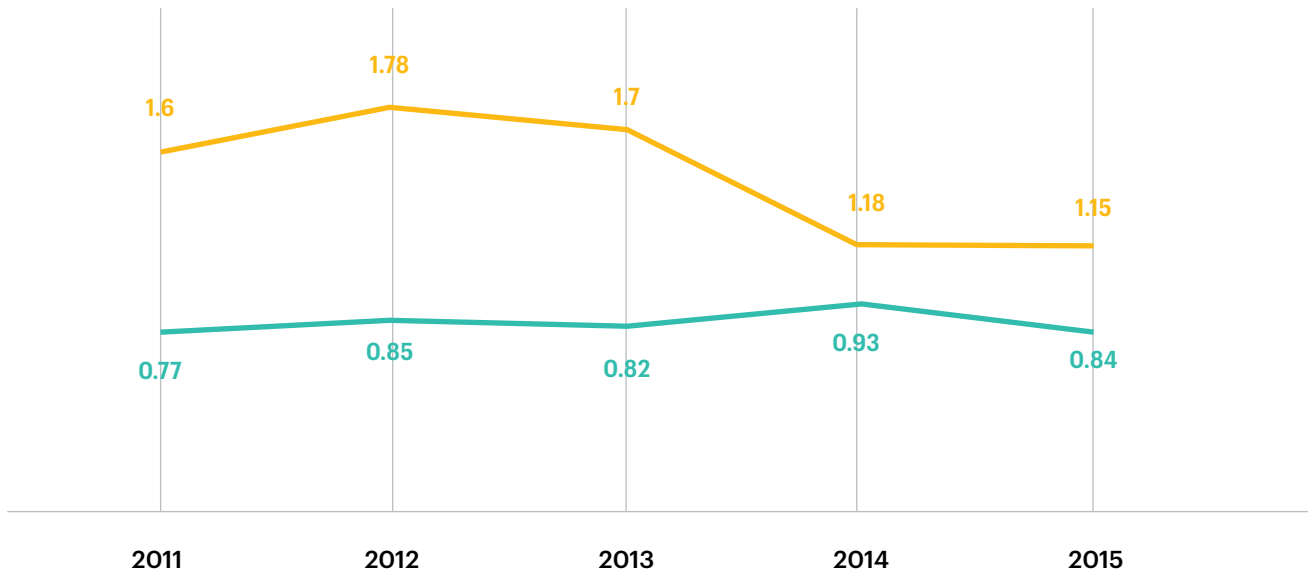
We continue to use water in our young palm irrigation trials as part of our climate change adaptation efforts. All water used for irrigation is pumped from a nearby stream.

Chemicals and pesticide usage

We seek to reduce the use of inorganic fertilizer and pesticides through a very efficient integrated pest management and plant care program. As well as minimizing our ecological footprint, this is also critical for keeping our production costs low at a time when a weaker Brazilian currency makes imported input relatively costly.

For young plant care, we prioritize mechanical weeding and the growing of beneficial weeds, combined with glyphosate as the only herbicide applied. Other pests such as insects, fungi and diseases are primarily tackled through biological controls including beneficial plant species or predator insects. We draw heavily on the experience of our organic plantations. These have helped us to understand the most efficient means of pest control without resorting to substances harmful to humans, wildlife or ecosystems.

Herbicide volumes (Glyphosate only)



- Herbicide usage per hectare
- Herbicide active ingredient usage per hectare

In previous years, we monitored volumes of herbicides. However, this does not allow us to accurately benchmark our herbicide usage against peers and compare the relative toxicity of different herbicide formulations. We will therefore be reporting on toxicity levels rather than volumes in the future.

Type of pesticide	Volume used		Active ingredient (g/l)	LD50 (mg/kg body weight)	Toxicity per litre		
	2014	2015				½	2014
Glifosato Transorb		18,971	648	5,000	130	0	2,458,661
Glifosato WG	45,956	25,767	793	5,000	158	7,284,023	4,084,125
					Total toxicity	7,284,023	6,542,786
					Planted hectares	39,042	39,042
					Toxicity units/hectare	187	168

WHY ISN'T ALL AGROPALMA'S OIL ORGANIC?

Around 6% of our palm oil is organic and sold at a premium, and stakeholders often ask why we do not convert our entire operation to organic production.

There are two main reasons: First, organic production requires unique agricultural conditions and a location where contamination (i.e. transfer of chemicals or weeds) from nearby conventional crops is not a risk. Given that we operate in an agricultural environment, this is only possible for very limited parts of our land.

Secondly, our organic production relies on waste products from our conventional plantations for fertilizer and mulching. Without a high volume of such external input, our organic plantations would not be technically viable. Due to our location, which is far from the main suppliers of organic fertilizers, the transport costs involved in third party supply would make organic expansion economically unviable.

While we are pleased to be able to deliver organic palm oil to the market, we also believe that our strong integrated pest management program means that even our conventional oil has a very low environmental footprint and does not cause unnecessary damage to ecosystems where we operate.





CONTRIBUTING TO THE
**COMMUNITY AND
LOCAL ECONOMY**



Local communities are an integral part of Agropalma's operations and are critical to our license to operate, both in Pará and São Paulo. We are the biggest employer in Tailândia and our employees live locally. We rely heavily on local services from the community, including local transport, machinery and maintenance services, and of course on fruit from local outgrowers and family farms.

We strongly believe that we add more value to communities by providing such employment and business engagement opportunities than through charitable donations. In some circumstances we may also invest in local infrastructure – for instance through road maintenance or by making land available for medical facilities.

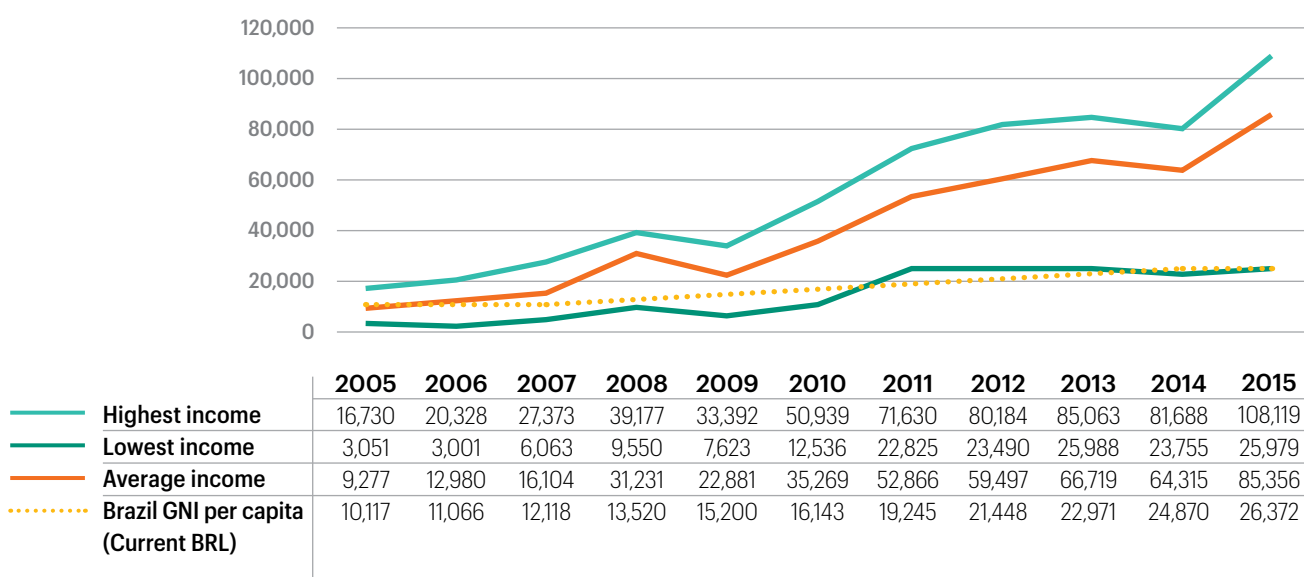
Family farm program

Family farmers are one of our most important supplier groups, supplying around 5% of our fruit. The first family farm program was initiated in 2002, and the latest phase started in 2013 and reached harvesting age in 2016.

We work closely with family farmers, making sure they have access to the best planting materials and farming inputs, as well as advice on sustainability practices and legal requirements. In 2014, we reached a major milestone when all farmers passed a vigorous certification audit against the RSPO Principles and Criteria. This enabled them to share in the premiums we receive for certified products while at the same time allowing us to produce 100% segregated palm oil products.

Since initiating our family farm project, we have closely monitored farmers' income levels and livelihoods. We are pleased to conclude that all families have seen significant increases in income over the past decade, far outpacing national income levels.

Family farmer gross income from oil palm per year 2005–2015 (BRL)



Source GNI:: <http://databank.worldbank.org/data/reports.aspx?source=2&type=metadata&series=NY.GNP.PCAP.CD>

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. For phase 4, planted in 2006, incomes range from BRL 18,000-54,000, with an average of BRL 37,500.



Integrated outgrowers and new FFB suppliers

17% of our fruit comes from small and medium-sized growers in the community. We work closely with these growers to ensure that they observe the same high standards that we require for our own estates. All our external growers passed RSPO certification audits in 2014.

Due to our expanded mill capacity, and an increased need for CPO and PKO at our new refinery, one of our big challenges in 2016 is to identify and undertake due diligence on a new group of outgrowers. To ensure that our RSPO certification is not compromised, the biggest task ahead of us is to map previous land use and year of land clearing in order to assess whether there are any conflicts with the RSPO 2005 cut-off date. After this date, all growers must have undertaken an HCV assessment. Since none of the new suppliers are RSPO members and do not have HCV assessments, our team is putting every effort into categorizing previous land use. The RSPO compensation mechanism launched in 2014 allows for non-member suppliers to be included in certification if they can prove that conversion was ‘non-commercial clearance’ – for example, was undertaken by communities or farmers to support small-scale agriculture or pasture for cattle.



Building capacity with local small enterprises

We have a long-term program to build local capacity among small and medium sized enterprises (SMEs) in the area, ensuring that they operate legally and helping them navigate complex federal and state legal codes. Our team provides free consultancy to local businesses and proactively works to identify and resolve regulatory issues. We also assist our local suppliers in engaging with municipal authorities to help them set up their business and handle administrative tasks, from tax filings to permit issues. In the past year, one of our big successes was ensuring that a local transport company that provides bus services to us was covered by insurance, which we helped to secure.

Community consultation in São Paulo

Our new refinery in Limeira is based in a former orange grove. This is a strategic location just off the highway to São Paulo in an area with growing industrial activities. The immediate area is relatively sparsely populated, but we wanted to ensure that our relationship with our

neighbors remained positive during both the construction phase and after operations commence in 2016. Before the heavy construction began, we organized a consultation workshop and encouraged members of the local community to participate and share their concerns, questions and views. The primary concerns expressed were about the increase in heavy traffic, with accompanying dust and noise, on the access road, as well as the risk to the local river from industrial pollution. To address these concerns, we explained our mitigation plans, and we believe the participants found these satisfactory and reassuring. All participants were provided with a direct phone line to refinery managers, ensuring that any future issues and concerns could be raised promptly.

We also received a lot of positive feedback from community members who were happy to see more than 200 new jobs being created, and who welcomed our plans to reforest patches of the Atlantic rainforest, one of the most unique and highly threatened ecosystems in Brazil.

Land management and claims

None of our operations are located near or overlap with indigenous or customary rights land. However, we have had a case pending since 2012, which was detailed in our 2013 Sustainability Report. The case relies on claims that the documentation we presented when purchasing the land was invalid. We may be facing a similar case relating to areas around the Acará River, as a group of individuals from several different origins, including other states, is considering whether to raise a land claim. We believe that the two cases are somewhat linked: that the new potential claimants may be watching the first case to see if Agropalma's land rights can be legally challenged. In both cases, we strongly dispute any claims that others were previously using the land, as the land was bought by Agropalma from other companies and local farmers. We also question why it has taken more than a full planting cycle (25 years) to raise the case.

Furthermore, Brazilian courts have already ruled in Agropalma's favor in two separate decisions and the RSPO complaints panel has decided that "the complainants have not produced conclusive evidence to prove the ownership of the land that they are claiming from Agropalma."

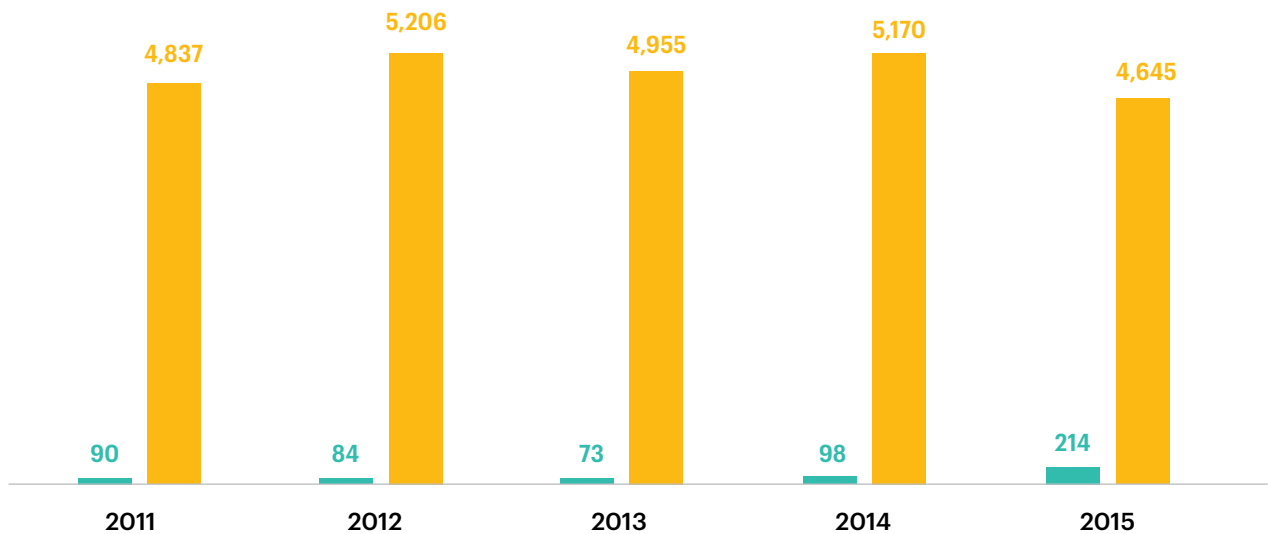




SAFEGUARDING
FAIR AND
RESPONSIBLE
**WORKPLACE
PRACTICES**

Our employees are our most valued resource and we make every effort to ensure that employee conditions are fair and competitive. We believe that we are among the most efficient operators in our industry, and hence each of our employees, from field maintenance crews to executives, is critical to the ongoing success of our business.

Agropalma employees



- Number of employees Full time equivalents (FTEs)
- Apprentices (part-time) Number

Human rights in the workplace

We adhere strictly to Brazilian labor law and align ourselves to the ILO core labor standards. With the launch of the 'Fair and Free Labor in Palm Oil Production' production released by a large group of social NGOs in 2015, we reviewed our policy to make sure we would be able to adhere to these principles. We find that our practices in most cases go beyond them.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

We respect and support the right to form and join unions and more than two thirds (67.5%) of our employees are union members. Agropalma's management and the union have a very positive relationship and meet on a regular basis to discuss matters of concern to members, and to negotiate the collective bargaining agreement. This agreement is valid for all employees whether unionized or not. Union representatives are allowed to attend meetings during working hours. Unions also assist employees in ensuring that their rights are adhered to and in calculating that correct wages and benefits are paid out. When employees leave the company, the union signs off on any outstanding payments to the employee.

FAIR AND EQUAL PAY AND BENEFITS

We believe that we pay fair wages to all employees, and our salaries are adjusted in line with inflation and minimum wage requirements, with a premium of around 2-3% over the past five

years. In addition to wages, we continue to offer a range of benefits such as adult education, subsidized meals, sports facilities, subsidized health insurance plans, transport from/to local towns and from/to Belem.

	2011	2012	2013	2014	2015
Agropalma lowest wage (BRL)	560	638	695	743	808
Brazil minimum wage (BRL)	543	622	678	724	788
Difference (BRL)	17	16	17	19	20

ELIMINATION OF CHILD, FORCED AND BONDED LABOR

We have a strict ban on all types of forced or bonded labor, and zero tolerance for children under the age of 18 working in our operations or in those of our integrated outgrowers or family farmers.

We check contracts and paperwork for our suppliers' employees to confirm there are no breaches of Brazil's very strict anti-slavery laws (please refer to our 2013 Sustainability Report for details).

We continue to have concerns about young people working in the field among some family farmers. However, we have improved our ongoing monitoring, enforcement and awareness programs over the last two years to ensure that such practices are minimized and will eventually be eliminated on a permanent basis.

EXPANDING OUR LABOR POOL - FOCUSING ON DIVERSITY

We are always looking for the best talent and the most productive workforce, and therefore need to make sure that our labor pool is broad and diverse. We want to be a company where everyone has equal opportunity regardless of gender, disability, race, sexual orientation, religion or any other social classification.

WELCOMING DISABLED EMPLOYEES

In Brazil, companies are mandated to have at least 5% of their workforce made up of people with a disability. We believe that few, if any, Brazilian companies meet this requirement. At Agropalma, we are not only committed to 100% legal compliance, but we also wish to make sure that we have access to a broad labor pool and are cultivating a diverse workforce. We are therefore pleased to note that we reached the 5% target in 2015 – and we believe this to be a first in the palm oil sector. Employees in this program have different disabilities, ranging from audio-visual impairment to mobility-related issues. Some are being rehabilitated following work-related accidents. Salaries, benefits and working conditions for disabled employees are identical to those without disabilities.

NEW ROLES FOR WOMEN

All employees are paid equally, regardless of gender. As part of our commitment to the Brazilian 'Programa Empresa Cidadã' (Corporate Citizenship Program), we offer our female employees 180 days of maternity leave, 60 days more than the period prescribed under Brazilian law. We also have strong policies and reporting systems to address any cases of sexual harassment or discrimination in the workplace. We are pleased that the ratio of female staff at mid-level has been growing at a steady rate over the last five years. However, we recognize that we still have a significant imbalance in the field and at management level.

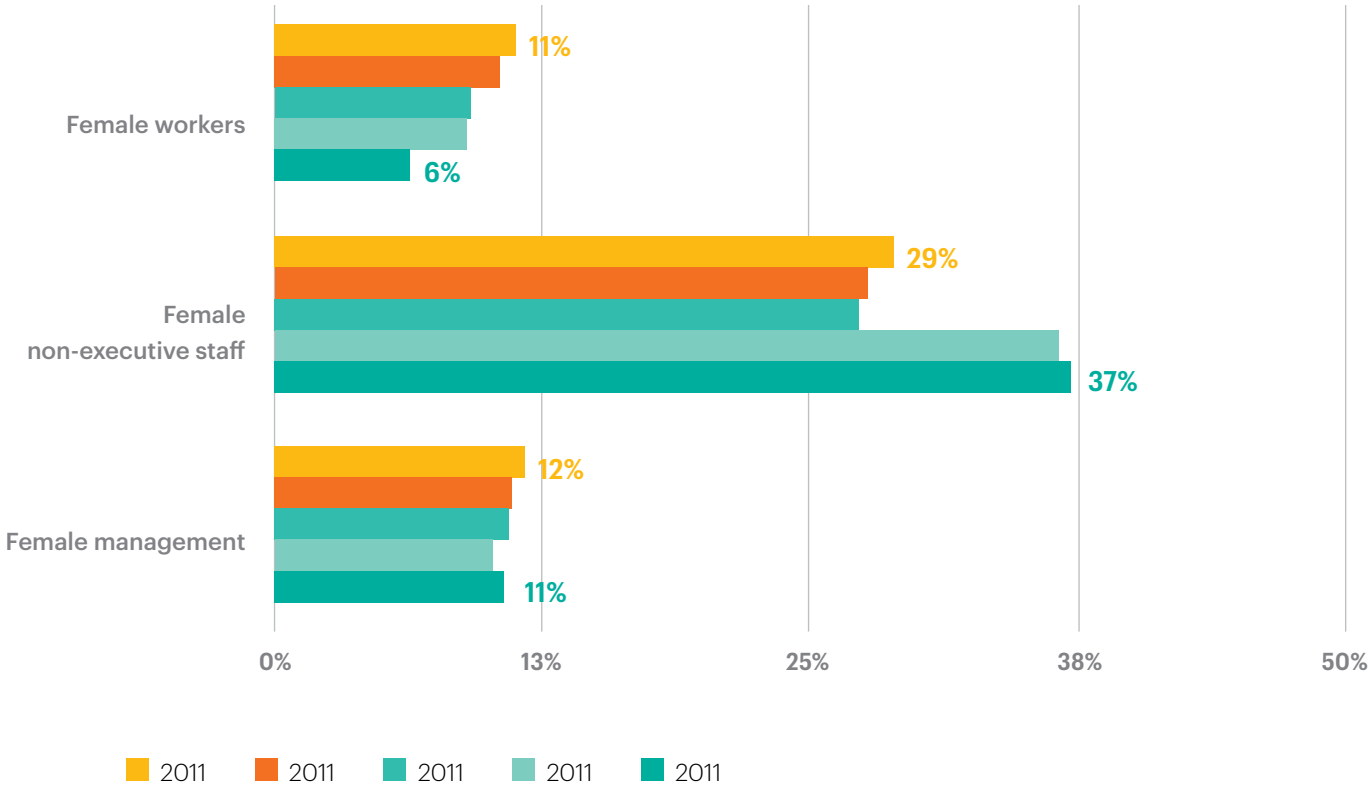


At field-level, this is largely down to the functions available. In the palm plantation industry, women have traditionally held jobs in manual weeding, spraying and fertilizer application. These functions are all now mechanized at Agropalma. In 2015, due to the economic situation as well as changes to our fruit collection methods and our ongoing mechanization process, we reduced our workforce by almost 10%. These changes had the biggest impact on workers employed in loose fruit collection – the most common task for female workers in our plantations. Due to low palm oil prices, loose fruit collection has become unviable due to the high cost of manual labor versus the value added, so we decided to abandon this task. However, we are now training a group of women to be harvesters. In the industry, harvesting is mainly considered a male task due to the strength required. However, by learning good techniques and being allocated younger palms, our female harvesters are ensuring the program goes from strength to strength. Having started as a small pilot of 38 women, the program now employs 121 women – almost half of our female manual workers. We have been in ongoing dialogue with these employees and they are all expressing great satisfaction. Their incomes have on average increased by around 30% compared to what they earned as loose fruit collectors. The retraining has also enhanced their empowerment and independence.

At management level, we have a number of women in support functions, including HR, quality control and logistics, but we have found it challenging to attract women in our agriculture and manufacturing operations. As we are always looking for the top talent, regardless of gender, we want to make sure that women feel encouraged and welcome in our management team. We are making some progress, having recently appointed the first woman to an operational senior management position in charge of new plantings, fertilization and road maintenance. We will follow up by reviewing our trainee program to ensure an increasingly balanced workforce that reflects the distribution of genders in relevant trades and higher education.



Employee gender distribution





Workplace health and safety

We place great emphasis on providing a safe workplace, with a high level of monitoring, reporting and constant improvement. In 2015, we established a separate Corporate Health, Safety and Environment Department to enable stronger focus on operational safety. Through our mechanization program we have eliminated a number of the factors that traditionally caused high levels of minor accidents. These include fruit collection, where the risk of cuts and thorn pricks is high, and manual spraying, which may cause chemical injuries. In addition, we have seen a significant drop in severe accidents, reducing the severity rate from 6 in 2013 and 2014 to 3.6 in 2015. In 2015, most accidents took place in the field, while the mill accident rate remained low at 1.75. Our new refinery could also pride itself on a zero accident record, despite being in a high-risk heavy construction phase.

Accidents



Our last work-related fatality occurred in 2005, so we were sad to record one fatality in 2015. The incident involved an employee becoming involved in a traffic accident while riding his own motorcycle from home to work.

MEDICAL SERVICES AND HEALTH INSURANCE

Our employees and local communities primarily rely on public health services, and we provide emergency medical assistance in our medical center. In 2015, we enhanced the choice and quality of healthcare available to all employees and their families by introducing a private medical scheme. Employees can choose a number of levels suited to their needs, and contribute 30% of their medical costs at the rate of the existing low priced service. The scheme has been very well received, with 98% of employees having signed up to date.



BASE
DATA

	Measurement unit/ breakdown	2015	2014	2013	2012	2011
Market and financials						
Total revenue Agropalma Group	Million BRL	753.39	733.85	651.87	728.29	686.65
Customers (% of sales)	Food	82%	87%	77.50%	-	-
	Non-food	18%	13%	22.50%	-	-
Organic % of volume produced	%	5.45%	6.79%	6.60%	6%	6.34%
Fair trade % of volume produced	%	5.45%	6.79%	6.60%	6%	6.34%
Workplace						
Number of employees	Full time equivalents (FTEs)	4,645	5,170	4,954.50	5,206	4,837
Number of young apprentices	Number	214	98	73	84	90
Employee turnover*	%	23.20%	33.91%	2.34%	2.34%	2.23%
Employee categories	Management (FTEs)	37	39	36	36	34
	Non-executive staff (FTEs)	598	513	724.5	741	717
	Operational workers (FTEs)	4,010	4,618	4,194	4,429	4,086
Female employees	FTEs	482	610.5	589	679.5	675
Male employees	FTEs	4,163	4,559.50	4,365.50	4,526.5	4,162.5
Male non-executive staff	FTEs	376	325.5	526.5	535.5	509.5
Female non-executive staff	FTEs	222	187.5	198	205.5	207.5
Female workers	FTEs	256	419	387	470	463
Male workers	FTEs	3,754	4,199	3,807	3,959	3,623
Female management	FTEs	4	4	4	4	4
Male management	FTEs	33	35	32	32	30
Minimum starting wage	BRL per month	808	743	695	638	560
Number of employees who are members of a trade union	Number	3,134	3,722	3,658	3,828	3,442
Number of women left on maternity leave	Number	14	17	23	19	17
% returned after maternity leave	%	100%	100%	100%	100%	100%
Reported sexual harassment cases	Number	0	0	4	-	-
Confirmed sexual harassment cases	Number	0	0	1	-	-
Community						
Breakdown of charitable contributions (BRL)	Sports	39,070	44,661	99,833	45,666	2,520
	Culture/religion	7,499	16,000	7,900	0	0
	Community health facilities	52,080	59,400	8,480	4,520	0
	Children and education	0	0	8,400	14,713	7,000

* Values for 2011, 2012 and 2013 only for December.

	Measurement unit/ breakdown	2015	2014	2013	2012	2011
Health and safety						
Fatalities		1	0	0	0	0
Total number of accidents	Refinery	7	4	4	9	14
	Estates and mills	358	317	354	572	473
Total days lost to accidents	Refinery	77	48	209	76	82
	Estates and mills	1,239	1,875	1,945	1,847	1,864
Lost time accident rate	Incidents per 200,000 working hours	6.12	4.97	5.81	9.29	8.25
Severity rate	Average days lost per incident	3.6	6	6	3.3	4
Land						
Total titled land	Hectares	107,000	107,000	107,000	107,000	107,000
Total area of forest reserves	Hectares	64,000	64,000	64,000	64,000	64,000
Infra-structure area	Hectares	3,959	3,959	3,959	3,904	3,747
Total hectares oil palm	Hectares	39,042	39,042	39,042	39,186	39,281
Other areas	Hectares	746	746	746	903	958
Production and output						
Yield per hectare (productive palm. older than 3 years)	Tons per ha	18.4	20.66	20	20.6	21.4
Yield per hectare (adult palm. older than 8 years)	Tons per ha	19.46	20.97	23.5	24.2	25.2
Yield per hectare (underplanting adult palms)	Tons per ha	7.95	9.91	8.1	9.8	-
Extraction rate (CPO)	% of FFB	18.52	18.42	18.33	18.74	18.61
Total effluents	Tons	548,629	647,859	545,614	566,710	595,954
Total boiler ash	Tons	4,312	4,308	4,042	4,144	4,012
Total Production	CPO (tons)	159,552	158,664	147,017	155,516	150,412
	PKO (tons)	13,521	14,597	13,989	13,730	13,857
	PKE (tons)	25,874	21,539	16,613	24,008	22,881
	Fiber (tons)	107,807	107,695	101,059	103,589	100,297
	EFB (tons)	228,057	202,467	189,992	194,748	188,558
Materials and inputs						
Total FFB processed	Tons	852,393	861,931	802,331	827,468	808,445
Agropalma estate ffb	Tons	664,316	683,482	661,446	696,656	714,337
Smallholders ffb	Tons	40,548	34,329	33,215	30,706	27,055
Integrated outgrowers ffb	Tons	147,528	143,939	107,684	100,119	67,052
Herbicide usage per hectare	Liters per ha	1.15	1.18	1.7	1.78	1.6

	Measurement unit/ breakdown	2015	2014	2013	2012	2011
Herbicide active ingredient usage per hectare (only glyphosate)	Liters per ha	0.84	0.93	0.82	0.85	0.77
Total water usage (mills only)	Tons	735,957	706,015	610,081	604,478	960,562
Total diesel usage (all uses)	Litres	3,820,729	3,806,886	3,995,028	3,371,329	2,551,306
Total fertiliser usage	Tons	31,305	27,901	33,687	34,860	27,267
Total chemicals	Tons	363	356	123	152	128
Environmental impact						
BOD levels (Average)	mg/L	5,809	8,482	11,155	13,828	16,155
Total number and volume of significant spills	-	0	0	0	0	0

Carbon emissions (MT CO₂e)		Own crop	Outgrowers
Field emissions	Land clearing	584,385	51,663
	Crop sequestration	-319,362	-91,351
	Fertilisers	12,730	3,399
	N ₂ O	22,604	4,494
	Fuel	10,615	5,154
	Peat	0	0
	Conservation credit	-469,333	0
	Total	-158,361	-26,641
Mill emissions	POME	167,083	-
	Diesel fuel	2,706	-
	Mill electricity credit	377	-
	POME electricity credit	0	-
	Shell credit	0	-
	Total mill	170,167	-



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Energy	G4-EN3	Energy consumption within the organization		
Water	G4-EN8	Total water withdrawal by source	Protecting and conserving local water sources	36-40
	G4-EN9	Water sources significantly affected by withdrawal of water	Protecting and conserving local water sources	36-40
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	A new refinery operating to the highest environmental standards Environmental responsibility	23 30-43
	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	A new refinery operating to the highest environmental standards Environmental responsibility	23 30-43
	G4-EN13	Habitats protected or restored	A new refinery operating to the highest environmental standards Environmental responsibility	23 30-43
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Combating climate change	33-36
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Combating climate change	33-36
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Combating climate change	33-36
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Combating climate change	33-36
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	Combating climate change	33-36
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	Protecting and conserving local water sources	36-40
	G4-EN24	Total number and volume of significant spills	Protecting and conserving local water sources	36-40

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Page	
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	About Agropalma Assessing land clearance for new FFB suppliers Contributing to the community and local economy	14-23 48 44-51
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	About Agropalma Assessing land clearance for new FFB suppliers Contributing to the community and local economy	14-23 48 44-51
SOCIAL				
Labor practices and decent work				
	G4-DMA	Disclosure on Management Approach	Targets and achievements Safeguarding fair and responsible workplace practices	12-13 52-59
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Safeguarding fair and responsible workplace practices	52-59
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation	Safeguarding fair and responsible workplace practices	52-59
	G4-LA3	Return to work and retention rates after parental leave, by gender	All employees have returned to work after parental leave	62
	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 by gender	Targets and achievements Workplace health and safety	12-13 59
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Mechanization Workplace health and safety	21 59
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Safeguarding fair and responsible workplace practices	52-59
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	About Agropalma Safeguarding fair and responsible workplace practices	14-23 52-59
	Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Targets and achievements Safeguarding fair and responsible workplace practices
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Safeguarding fair and responsible workplace practices	52-59

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Page	
Human rights				
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	All significant investments are screened in according to the RSPO P&C and Agropalma's own Human Rights policies	23 and 55
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	Safeguarding fair and responsible workplace practices	52-59
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	Safeguarding fair and responsible workplace practices	52-59
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	Targets and achievements Safeguarding fair and responsible workplace practices	12-13 52-59
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	Targets and achievements Safeguarding fair and responsible workplace practices	12-13 52-59
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Contributing to the community and local economy	44-51
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	All operations are covered by the RSPO P&C as well as the POIG Charter assessments, both of which cover human rights.	28
Supplier human rights assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Safeguarding fair and responsible workplace practices	52-59
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Safeguarding fair and responsible workplace practices	52-59
Human rights grievance mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Safeguarding fair and responsible workplace practices	52-59

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Page	
Society				
Local communities	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Stakeholder engagement Contributing to the community and local economy	29 44-51
	G4-S02	Operations with significant actual and potential negative impacts on local communities	Contributing to the community and local economy	44-51
Anti-corruption	G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	No to corruption	29
	G4-S04	Communication and training on anti-corruption policies and procedures	No to corruption	29
	G4-S05	Confirmed incidents of corruption and actions taken	No incidents of corruption identified	

The background image shows a large industrial facility, possibly a steel mill or refinery, with multiple levels of walkways, railings, and machinery. The scene is brightly lit, and the structure is complex. Overlaid on the left side of the image are several overlapping circles in shades of teal, green, and yellow. A large white circle is positioned in the center-left, containing the text 'ABOUT THE REPORT'.

ABOUT THE REPORT

Completeness

The report covers the calendar years 2014 and 2015. Data includes all the operations of our refineries, plantations and mill operations as of 31 December, unless otherwise stated. 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 FFB suppliers.

The report contains updated information on some 2016 events, notably with regards to developments around our new refinery, 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 February 2016, the Senior Management team of Agropalma participated in a half-day workshop to prioritize the areas most material to the group. These were collated into the ma-

teriality matrix below. 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.

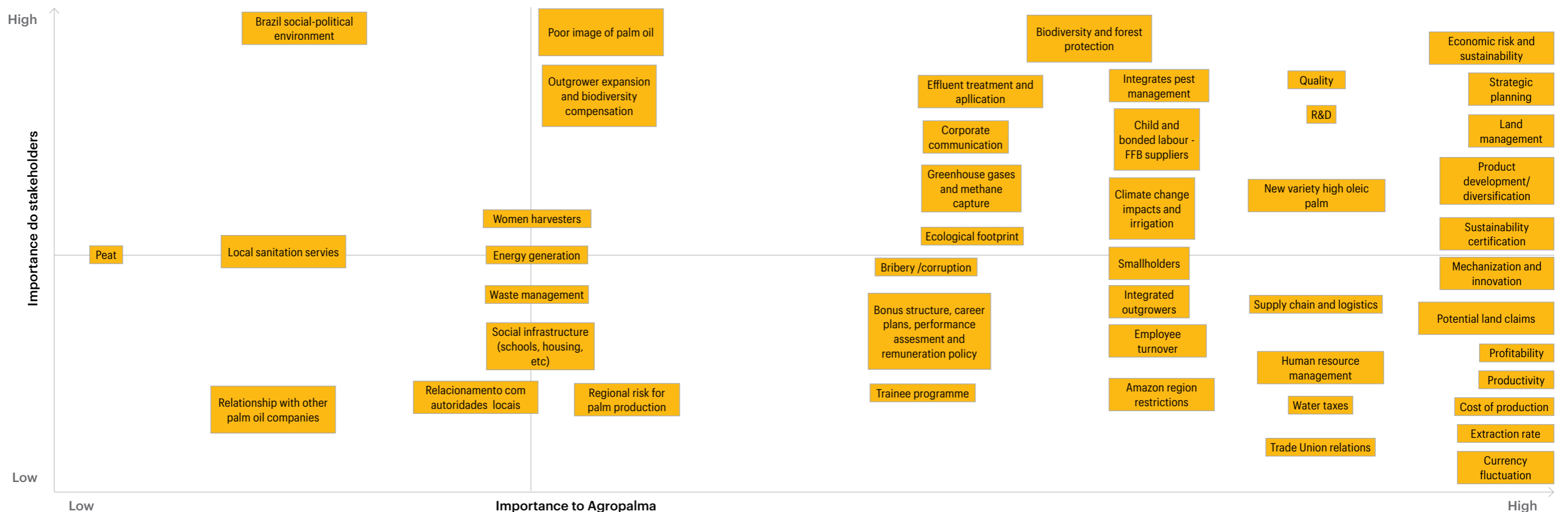
Reporting cycle and approach to assurance

We 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 Q2 on <http://www.rspo.org/en/member/1/agropalma-group>

We have not engaged a third party to provide assurance or data verification. 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

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

Agropalma's materiality matrix





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 microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

CO₂ EQUIVALENTS Carbon dioxide equivalents (CO₂e) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

CRUDE PALM OIL (CPO) an edible oil extracted from the pulp of fruit of oil palms

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 or Palm Oil Mill Effluent (POME).

EMISSIONS Greenhouse gas (GHG) or carbon emissions are gases in the 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. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) is extracted from the nut.

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.

FRESH FRUIT BUNCHES (FFB) clusters of fruit from the oil palm from which palm oil is derived.

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 deployed in three stages: prevention, observation, and intervention. IPM is an ecological approach with the 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.

PALM KERNEL OIL (PKO) an edible oil extracted from the pulp of the oil palm fruit.

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 that is affected by or can affect a 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.

SME Small and medium-sized enterprise.

3-MPCD (3-monochloropropane-1,2-diol or 3-chloropropane-1,2-diol) is an organic chemical compound which is carcinogenic and highly suspected to be genotoxic in humans, has male anti-fertility effects, and is a chemical byproduct which may be formed in foods, the most commonly found member of chemical contaminants known as chloropropanols.







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