The 2018 Corporate Report encompasses the strategic, financial and sustainability aspects of our Group’s businesses. The report covers the financial year of 2018 (1st January to 31st December) as well as initiatives into 2019. The report complies with the Global Reporting Initiative (GRI) Standards for sustainability reporting and is prepared in accordance with the ‘Core’ option, as well as to the Singapore Exchange (SGX) Sustainability Reporting Guide.

The report elaborates on two key strategic developments – the Corrie MacColl Group revolutionising the way rubber is grown, processed and distributed; and HeveaConnect, the digital marketplace for sustainably processed natural rubber.

Please contact us at CorpComms@halcyonagri.com for any questions or feedback.
Dear Shareholders

Welcome to the 2018 Corporate Report of Halcyon Agri Corporation Limited. The report covers an overview of the Group’s operations, financials and sustainability practices. The management team has gone to great lengths to produce a document that is both informative and educational. We realise that many aspects of Halcyon Agri’s global business are complex and therefore not easy to understand, and I am personally amazed by just how many products contain natural rubber and how many such applications we supply. It fascinates me to think that we supply the raw material for 60 million catheters and over 200 million vehicle tyres!

2018 was a challenging year and one where Halcyon Agri is probably better measured by its intrinsic progress than by its financial performance. Rubber prices remained below break-even levels for most of the year, and in most origins, farmers struggled to supply the material we required. A notable exception was Thailand, where processors – our subsidiary Teck Bee Hang included – enjoyed positive margins for most of the year.

Looking ahead, I am confident that Halcyon Agri’s initiative to decommoditise natural rubber and redesign its price determination mechanism will bear fruit. This non-substitutable product is both a vital ingredient to the mobility sector, and very challenging to produce. Most industrial raw materials are subject to significant degrees of substitution risk, or are abundantly available, and therefore suitable for price discovery via a futures exchange. In the case of natural rubber, a tropical crop with tight geographical boundaries, six years to first cash flow, and labour intensive harvesting, pricing should be determined on a cost-plus basis, and not via futures markets.

In closing, I would like to thank Halcyon’s management and staff, my fellow board members, as well as all stakeholders of Halcyon Agri. I greatly appreciate your loyalty, dedication and strong contribution.

Liu Hongsheng

Chairman

All figures above are based on Halcyon’s analysis of sales and customer information and IRSG data.
Our Growth

2018 is a year of milestones met. The year started with the full integration of the Corrie MacColl Group cementing Halcyon Agri as the world’s leading latex and specialised rubber distributor. We also became the leading rubber exporter and processor of Standard Indonesian Rubber (SIR) with the integration of the five factories acquired in Indonesia, bringing our global production facilities from 33 factories in 2017 to 38 factories in 2018. We realised our digitisation strategy with the launch of HeveaConnect for sustainably processed natural rubber, with backing from South East Asia’s leading financial institution DBS Bank Ltd and Japan’s leading trading house ITOCHU Corporation. We closed the year with record sales volumes of 1.4 million metric tonnes (mT).

The strategic review of all our assets led to the establishment of three business segments as shown in the table below. As owners of plantations and factories in rubber-producing regions across West Africa, Indonesia, Malaysia, Thailand and China, we have control over how we grow and process the raw natural rubber. Our distribution network is extensive and includes some of the world’s oldest trading houses serving our tyre and non-tyre customers worldwide. Our extensive network of warehouses, terminals, laboratories and sales offices allows for efficient distribution of a range of natural rubber grades, latex and specialty rubber for the tyre and non-tyre industries.

Our website, updated in 2018, shows the list of products we have and explains how our natural rubber supply chain works.
SIGNIFICANT EVENTS

**January 2018**

8 Jan  
Completed purchase of RCMA’s Polymer business at US$31.8 million

**April 2018**

23 Apr  
Became leading exporter and producer of Standard Indonesian Rubber with 19 factories in Indonesia

**September 2018**

25 Sep  
Awarded ‘Most Transparent Company in Manufacturing’ by SIAS Investors’ Choice Awards

27 Sep  
Partnered with BSF Asia in Sports for the Disabled and main sponsor of the International Wheelchair Rugby Tournament 2018/2019

**December 2018**

6 Dec  
Announced cessation to all land clearing and felling operations in SudCam and HeveCam

17 Dec
Halcyon and DBS Bank announced HeveaConnect partnership

**March 2019**

7 Mar  
ITOCCHU Corporation completed investment into HeveaConnect

11 Mar  
Announced redemption of US$150 million 4.5% Senior Perpetual Securities on 26 April 2019

**February 2018**

26 Feb  
Acquisition of Corrie MacColl Trading Limited subsequently renamed as Corrie MacColl Limited

26 Feb  
Announced cash dividend of 2 SG cents

**August 2018**

29 Aug  
Incorporation of HeveaConnect, a digital marketplace for sustainably processed natural rubber

**November 2018**

19 Nov  
Sustainable Natural Rubber Supply Chain Policy launched

19 Nov  
Sustainability Council for Cameroonian operations announced

**February 2019**

10 Feb  
Launch of Open Day for Sports for the Disabled in Ipoh

22 Feb  
PT Aneka Bumi Pratama of Indonesia and Von Bundit Co., Ltd of Thailand announced adoption of HEVEAPRO adding potential volume of 1 million mT to HeveaConnect
At the end of 2018, Halcyon Agri Corporation Limited was 8 years and 8 months old.

Looking back, we acquired our first two factories in 2011, and the immediate focus thereafter was on synchronising the processing operations with our risk-averse marketing model, and, that being done, listing the company on SGX in February 2013. Following that, we expanded our operations both geographically and along the value chain. By the end of 2015, we owned 14 factories, our first greenfield rubber plantation project, and the beginnings of a global distribution network. In our second big growth push, 2016 saw us embark on our most ambitious project to date, the acquisition of Sinochem's global natural rubber business, which included the privatisation of GMG Global Ltd. In 2018, we rounded off our Indonesian portfolio with the acquisition of another five factories, and made a final addition to our global distribution business – by now the world’s leading - towards the end of that year.

Halcyon Agri now owns and operates 38 factories, employs over 17,000 people in 35 countries and owns plantations covering more than 100,000 hectares (of which 40,000 are planted). In 2018 we became the biggest supplier of dry rubber and latex globally, with an aggregate delivered volume of 1,432,335 mT.

Taking stock, it seems that 2018 was an important year not just for our group, but also for many facets of the global economy and perhaps even for civil society. Several geopolitical and societal developments strike me as being of particular significance:

1. The U.S. will not cede its position as the world’s leading economy to China without a fight
2. Income inequality within developed economies is producing irrational outcomes at the ballot, and the ever-widening wealth gap between frontier and developed economies has unleashed migratory forces that potentially threaten the World Order
3. Climate change is upon us regardless if politicians and world leaders are prepared to acknowledge or to deal with it

The ongoing tariff dispute between the U.S. and China is a testament to the first point. While there is much political posturing, the strategic rationale for the tariff conflict may well lie in two ideological and systemic differences.

Firstly, most post-war U.S. administrations have engaged in global interventionist policies, while China has continued to pursue its policy of ‘non-interference in the domestic affairs of other countries’. Secondly, the American conviction is that government stays out of the business arena, while state-owned enterprises in China account for 30%-40% of Chinese Gross Domestic Product (GDP).

Several decades of pursuing these policies have resulted in imbalances that endanger the friendly coexistence of the two most successful political and macroeconomic systems since World War II.

In an apparent paradox, the U.S. can lay claim to the world’s most thriving economy on one hand, and the most indebted government on the other. The National Debt is due, in no small part, to the U.S. providing global security and military support services in the name of upholding the democratic order. In current day, the United States government has become the world’s largest debtor, relying on the world’s largest creditor and its principal lender, China, to provide continuously increasing amounts of funding. Hindsight suggests that this was a tenable situation so long as the American economy was much bigger than the Chinese economy in absolute terms, but the last two years have seen increased friction between the world’s leading economic superpowers.

The key driver of the American economy has always been innovation and creativity, both of which require robust safeguarding of intellectual property (IP) to deliver a sustained competitive advantage. At the point in time where China’s GDP is threatening to eclipse that of the U.S., Chinese infringement of American IP has become the battle-cry for a critical mission: defend the economic status quo, with all else up for renegotiation. Adding further pressure to the American economic outlook, Chinese state-owned enterprises (SOE) have been on a global acquisition spree, cleverly navigating the ‘laissez-faire’ capital markets of the West to gain control of strategically important technologies, raw materials and market access.

The inevitable American response, such as the imposition of trade tariffs, more stringent CFIUS intervention in SOE-driven mergers and acquisitions, and intensified U.S. efforts to denuclearise the Korean peninsula, has increased global volatility and taken over the centrestage of global newswires.

Much has been written about income inequality, not only within the U.S. and Europe, but also between regional neighbours such as the European border states and the Middle East North Africa (MENA) region. A deep sense of disillusionment seems to have taken hold of large parts of the developed world, leading to irrational outcomes at the ballot box and, as seen recently in France, demonstrations and street protests. The migratory forces originating from the MENA region into Europe are a source of much anxiety for large tracts of the European Union (EU) population, and threaten the prevailing mindset of tolerance and acceptance.

As to my third point on climate change: At the 2018 World Economic Forum (WEF) in Davos, Sir David Attenborough, famed broadcaster and natural historian, warned that human activity has brought about the end of climatic stability. To quote: “If people can truly understand what is at stake, I believe they will give permission for business and governments to get on with the practical solutions. Get it right, and humans can create a world with clean air and water, unlimited energy and sustainable fish stocks, but only if decisive action is taken now.” A WEF survey taken just prior to the event showed that environmental threats are now the biggest danger to the global economy1.

How do these developments impact Halcyon Agri and the global market for natural rubber?

The outlined shifts in geopolitical agendas and voter consciences may well bring to an end this current era of Globalisation. Instead, key indicators point towards a resurgence in national security awareness, for instance of the high risk of a supply disruption for a raw material of significant economic importance, such as natural rubber. In September 2017, the European Commission identified natural rubber as a critical raw material for the European Union2. Furthermore, an inconvenient, but very real truth is that the technology and low-interest-rate driven economic cycle of the last 10 years has failed to deliver a sustainable price environment for key crops such as natural rubber. While global asset prices and capital market pricing benchmarks have doubled, even trebled, rubber prices have tumbled. Farmers who planted rubber trees during the high-price period of 2005-2011, have had to realise that this has been a poor investment, thus far. Without exception, all origins of natural rubber have experienced significant consumer price inflation (CPI) over the last 10 years, which has caused labour costs to more than double in Indonesia, for example. This is in stark contrast to the FOB price of natural rubber, which remains locked 40% below the 10-year average price!
Ecological concerns, brought about by changing weather patterns, impact the natural rubber industry beyond the immediate agricultural effects of climate change. In 2017, General Motors announced a sustainable sourcing strategy for tyres and the natural rubber they contain. Other major automotive manufacturers have since launched similar initiatives, which have brought a group of principal industry actors together to form the Global Platform for Sustainable Natural Rubber (GPSNR). Halcyon Agri is a founding member of this important platform, which has defined its sustainability principles and has commenced operations.

Oddly absent, in the first iteration of sustainability principles, is the notion of fair prices. Ensuring sustainable economic outcomes along rubber’s value chain has long been a focal point of Halcyon’s corporate strategy. In part because higher prices deliver us better operating margins, but largely because we depend on a continued supply of smallholder-produced raw material to meet the ever-growing demand for natural rubber. The reality is that subsistence farmers produce more than 90% of global natural rubber supply. Rising CPI and minimum wages have made even the most basic and unskilled jobs in construction or manufacturing pay twice as much as the average farmer can earn from tapping his rubber trees.

Lured by the high-price period from 2005 to 2011, increased planting mainly in Thailand, Indochina and Ivory Coast has masked a significant increase in global demand. Annual consumption has expanded by more than 30% to 13.8 million metric tonnes between 2010 and 2018. In absolute terms, demand has grown by 3 million metric tonnes over eight years – which has required an increase in planted acreage by 30,000 square kilometres – roughly the size of Belgium! There is little reason to believe that demand growth will slow down, but how can we expect supply to keep up when prices are at historical lows and further land clearing for new plantings is no longer feasible?

In addition to the increasingly complex framework of supply, demand and sustainability principles, 2018 saw a group of relative newcomers to the natural rubber industry firmly taking their seat at the table. Non-Governmental Organisations or NGOs. Equipped with war chests that are much bigger than any rubber planters could ever be, they pursue a twin agenda: socio-economic development of indigenous communities, and ecological conservation. With prior experience from the pulp & paper and oil palm sectors, NGOs have gained much traction in the rubber business within a very short period of engagement. They are a force for good, and one that, carefully harnessed and directed, will help rubber market participants to build a sustainable future.

So let us take stock of where we are today. The New Normal, as we might call it, is a state of contradiction: increased demand and supply, low prices leading to record-lows in actual farmer incomes, set against a backdrop of rising ecological and socio-economic awareness. The obvious remedy might be to cut down trees, and then prices might rise? Perhaps, but who will bear the immediate economic loss? Political agendas, a painful reality in most rubber-producing regions, render this obvious remedy inexpedient. Austere logic has never won many votes.

My view is that technology has the potential to reverse rubber’s declining fortunes. Mobility apps are making it easier and cheaper for people to commute. Historical entry barriers, such as vehicle ownership itself, regulatory hurdles such as driving permits, and even basic health requirements, are falling away. Consequently, the world is likely to consume more mobility at lower levels of per capita GDP – which suggests further expansion of rubber demand. Tyre technology will have to evolve to cater to these new developments, as will regulation, but driven miles - the single largest demand driver for natural rubber – is a metric that is likely to keep increasing.

While some countries still permit legal deforestation, the global market place will not accept an irresponsible supply chain much longer. Sustainably farmed and produced rubber must offer better returns than commodity grade rubber, and technology will help to distinguish the one from the other. Mobile technology provides the technical means to connect with smallholders, to assess their farming, harvesting and delivery models and to monetise that information along with the physical product. The benefits of new technology are thus twofold: one, stimulating rubber demand by making ‘mobility’ more accessible, two, stabilising supply chain returns by financially rewarding responsible and sustainable behaviour.

Halcyon Agri has spearheaded the development of this technological evolution of the industry. In 2018, we incorporated HeveaConnect as a digital marketplace to merchandise our TUV SUD -audited HEVEAPRO grade of responsibly produced rubber. As we further integrate traceability and ultimately agronomical data, we will expand the sustainable certification options to HEVEATRACE and HEVEAGROW.

In December, HeveaConnect received an unprecedented endorsement in the form of a direct equity investment by South East Asia’s largest financial institution, DBS Bank Ltd. A forerunner in digital financial services, DBS Bank will support the growth of HeveaConnect to include a suite of financing options for value chain participants. Trade finance, simplified documentation, and smallholder microfinancing – these are exciting future possibilities for discerning producers and consumers of HEVEAPRO. From its launch in Q1 2019, HeveaConnect will invite other producers to invest in its share capital and to adopt the HEVEAPRO methodology. In March 2019, ITOCHU Corporation of Japan joined the ranks of HeveaConnect shareholders - another milestone event.
In order to prepare Halcyon Agri for these anticipated future shifts, we embarked on a strategic review of our asset base in 2018. Two key realisations stand out: Firstly, fundamentals differ greatly across origins, mainly due to labour costs and raw material availability; secondly, and most importantly, Halcyon Agri’s market capitalisation represents a deep discount to the sum-of-the-parts value of our constituent entities. This is frustrating and seems to stem from the diverging cash flow & income profiles of the individual business units, coupled with a certain conglomerate discount.

In response, we have formulated a strategic roadmap for 2019/2020 that will not only tick the boxes outlined above, but also generate significant liquidity to accelerate the deleveraging of our balance sheet. In the face of rising macro-economic uncertainties, potentially rising interest rates and ultimately rebounding rubber prices, balance sheet strength is a source of enduring competitive advantage – especially now that we have substantially completed our asset buy & build programme.

The salient points of our strategic roadmap are:

➢ Consolidate our TSR production platforms to focus on the global market for tyre rubber; this will ultimately lead to a combination of our HRC and SINRIO units into one global franchise with four origination & processing platforms
➢ Carve-out HeveaConnect and invite other producers to adopt the HEVEAPRO standard, as well as broaden its shareholder base to include strategic partners who can contribute to achieving the vision of a sustainable natural rubber industry
➢ Spin-off Corrie MacColl into a separate listed entity: thereby offering investors the tailored option of investing in Halcyon Agri, and/or Corrie MacColl

Complementing the above, we will rationalise non-core investments, which will further strengthen our balance sheet and facilitate sustainable and recurring distributions to shareholders.

Finally, a couple of thoughts on the natural rubber market, which remains doggedly stuck in a narrow trading range at historically low levels. In the context of demand, supplier economics and consumer price inflation in most producing economies, this is counterintuitive.

There is however, a plausible reason for this. In the high-price period from 2005 to 2012, non-traditional origins (NTO) entered the fray: North-east Thailand, Vietnam, Cambodia and Ivory Coast have planted approximately 2 – 2.5 million hectares of rubber; most of which are currently being tapped. In 2018, a safe estimate is that NTO rubber amounted to almost 3.5 million mT of total output. This NTO volume is substantial and has, in the period from 2012 – 2018, outpaced the growth in global demand.

NTO producers face a couple of problems though. Rubber factory homologation requirements of global tyre majors, coupled with increased ecological and social oversight by NGOs make it difficult to find acceptance for NTO production in the global marketplace. There is only one certain destination for this cargo, and that is China, where the degree of scrutiny of both factory quality and supply chain integrity is less rigorous. China, being very much a spot buyer however, forces NTO producers to hedge their production in the rubber futures market, which has consequently remained depressed.

This pressure on the rubber futures markets has caused problems in traditional origins, where production costs tend to be higher. Compounded by the distorting effects of misguided policy responses, the persistent low prices are now having an adverse impact on the replanting of old rubber trees in Indonesia, Malaysia and Southern Thailand. Public perception is that natural rubber is an oversupplied commodity, when, in effect, this is not the case. There may well be too much NTO rubber, but supply from traditional, homologated origins is increasingly tight.

To conclude, Halcyon Agri is prepared for the challenges that lie ahead. Our HeveaConnect initiative is both timely and necessary. By opening the HEVEAPRO, HEVEATRACE and HEVEAGROW sustainability standards to third-party producers, we have equipped the natural rubber market with a tool to differentiate pricing and reward responsible behaviour. The vast majority of our assets are strategically well placed and will provide us with dependable income as we decouple from the price vagaries of the futures markets. Finally, we have a clear and actionable plan to delever our balance sheet and unlock significant amounts of trapped value for our shareholders.

At this point, I would like to thank all members of the Halcyon Agri family for their hard work and dedication. My sincere appreciation extends to our esteemed Board Members, our Joint-venture Partners, our bankers and all other external stakeholders for their unwavering support. 2018 was a disappointing year financially, but I can assure you that the best is yet to come.

Robert Meyer
Co-founder and Chief Executive Officer

References:
3. https://www.gmsustainability.com
5. iii
Our Board of Directors includes respected lawyers, bankers, accountants, investors and experts in mergers & acquisitions, sustainability, agriculture, human resources, chemicals and logistics – all of the components needed to ensure that a global company in the rubber industry is well-run and prepared for the future.
Mr Alan Nisbet is a highly experienced accountant and serves as Lead Independent Director and Chairman of the Audit Committee. He joined the Board in 2013 and is also in the Remuneration, Nominating, and Strategy & Investment Committees. His other current roles include:

- Principal at Kanni Advisory, a consultancy firm
- Independent Director and Chairman of the Audit Committee of Ascendas Property Trustee Pte Ltd (the Trustee-Manager of Ascendas (India Trust)
- Independent Director and a member of the Audit Committee and Remuneration Committee at KrisEnergy Limited
- Independent Director and Chairman of the Audit Committee at Standard Chartered Bank (Singapore) Limited

Mr Nisbet was a member of the Institute of Singapore Chartered Accountants until his retirement. He graduated with a Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia.

Mr Randolph Khoo is Independent Director and Chairman of the Nominating Committee. He joined the Board in 2013 and is also part of the Audit and Remuneration Committees.

He is currently the Deputy Managing Director for Dispute Resolution at Drew & Napier LLC and also heads the disputes practices of its China, India and International Trade Desks and Private Client Services Group. His other current roles include:

- Advocate and Solicitor of the Supreme Court Singapore, a Notary Public and a Commissioner for Oaths
- Panel Arbitrator, Singapore Institute of Arbitrators and Law Society of Singapore Arbitration Scheme
- Panel Arbitrator, Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission and Shenzhen Court of International Arbitration
- Panel Arbitrator, Kuala Lumpur Regional Centre for Arbitration and the Malaysian Institute of Arbitrators
- Panel Arbitrator, Chinese Arbitration Association, Taipei
- Panel Arbitrator, Institute of Modern Arbitration of the Russian Federation
- Panel Arbitrator (Foreign National), Indian Council of Arbitration
- Fellow of arbitral institutes of Singapore, Malaysia, Hong Kong, the UK, India and New Zealand
- Member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law

Mr Khoo graduated with a Bachelor of Law from the National University of Singapore with various academic prizes.

Mr Liew Choon Wei is Independent Director and Chairman of the Remuneration Committee. He was appointed to the Board in 2014 and also sits on the Audit and Nominating Committees. He joined Ernst & Young LLP in Singapore in 1979 and was Audit Partner for its largest real estate, commodities, banking, media, hospitality and retail clients before retiring in 2013. His current roles include:

- Independent Director at Frasers Hospitality Asset Management Pte Ltd (manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (trustee-manager of Frasers Hospitality Business Trust)
- Independent Director, Chairman of the Audit Committee and Nominating Committee and member of the Remuneration Committee of F J Benjamin Holdings Ltd
- Independent Director at The Hour Glass Limited, Chairman of its Audit Committee and member of the Nominating and Remuneration Committees
- Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants

An international banker with more than 20 years of senior management experience, Mr Raymond Ferguson is Independent Director and Co-Chairman of the Strategy and Investment Committee. He joined the Board in 2016. He is also Founder and Chief Executive at Caber Partners Pte Ltd, a Singapore licensed fund manager, Chairman of Singapore Life Pte Ltd, a Singapore life insurance company, Chairman of YouTap Ltd, a global mobile payments firm, and a Non-Executive Director of LenndoEFl, an alternative data credit scoring, identity verification and insights company. He is also Chairman of HeveaConnect Pte. Ltd., a digital marketplace for sustainable natural rubber.

He previously served as:

- Regional Chief Executive Officer, Southeast Asia at Standard Chartered Bank
- Chief Executive Officer at Standard Chartered Bank (Singapore) Limited
- Chairman and Director of several Standard Chartered Bank’s subsidiary boards
- Executive Vice President and Group Chief Officer at Arab Banking Corporation, B.S.C.

Mr Ferguson is also:

- Associate of the Chartered Institute of Bankers in Scotland
- Distinguished Fellow of the Institute of Banking and Finance Singapore
- Member of the Singapore Institute of Directors
- Advisor, Singapore Institute for International Affairs

Mr Ferguson holds a master's degree in Business Administration from Henley Management College and Brunel University.
Jeremy Goon
Independent Director

Mr. Jeremy Goon contributes his extensive experience in sustainability issues in his role as Independent Director. He was appointed to the Board in 2017. He is Chief Sustainability Officer at Wilmar International Limited and Executive Director of their Plantation Division. He is also Council Member of the Malaysian Palm Oil Association (MPOA) and Board of Trustees of the Malaysian Palm Oil Certification Council (MPOCC) as well as a member of the Steering Committee of the Tropical Forest Alliance 2020. He was also previously:

- Head of European Operations for Kuo Oils and Grains Pte Ltd in Germany and The Netherlands
- Vice President of the Executive Board of the Roundtable for Sustainable Palm Oil (RSPO), where he represented the MPOA
- Co-Chair of the RSPO Greenhouse Gas Working Committee

Mr. Goon graduated with a Bachelor of Arts in Law and Management Science from Keele University in the United Kingdom.

Liu Hongsheng
Non-Executive Chairman

Mr. Liu Hongsheng brings decades of experience in business and human resources to his roles as Halcyon Agri’s Non-Executive Chairman and Co-Chairman of the Strategy and Investment Committee. He joined the Board in 2017. He is currently Director and Chief Executive Officer of Sinochem International Corporation Ltd. His previous posts include:

- Vice President at Sinochem International Corporation Ltd
- Senior Vice President at Sinochem International Corporation Ltd, Chemicals Segment
- General Manager at Sinochem International Corporation Ltd, Logistics Business Division
- Deputy Head of Human Resources at China’s Ministry of Foreign Trade and Economic Cooperation
- First Secretary of the Economic and Commercial Counsellor’s Office at the Chinese Embassy in Thailand

Mr. Liu holds a bachelor’s degree in Philosophy from Peking University and an executive master’s degree in Business Administration from Shanghai Maritime University.

Robert Meyer
Executive Director and Chief Executive Officer

Mr. Robert Meyer is Halcyon Agri’s Chief Executive Officer. He also serves as Executive Director and sits on the Strategy and Investment Committee. He founded Halcyon Management Partners Pte Ltd, the precursor to Halcyon Investment Corporation Pte Ltd, in 2004. In 2010, Mr. Meyer co-founded Halcyon Agri. As Chief Executive Officer, Mr. Meyer is in charge of formulating and executing the business strategy of the Group, and of overseeing its day-to-day management.

Mr. Meyer graduated with a Bachelor of Arts in Business Management from the European Business School, Schloss Reichartshausen. Prior to his business studies, Mr. Meyer completed a commercial banking apprenticeship with Dresdner Bank AG in Hamburg, Germany.

Pascal Demierre
Executive Director

Mr. Pascal Demierre is Halcyon Agri’s Executive Director and a member of the Audit and Remuneration Committees. He co-founded Halcyon Agri and joined the Board in 2010. He is responsible for all corporate matters, including mergers & acquisitions, legal, corporate governance, corporate structuring, information technology, human resources and general administration. He also holds appointments in other organisations, including:

- Independent Director at The Hour Glass Limited
- Council member at Alliance Française, Singapore

Mr. Demierre graduated with a Bachelor of Law (Upper Second) from King’s College London, in the United Kingdom. He also obtained a graduate diploma in Law from the National University of Singapore.

Qin Jinke
Non-Executive Director

Mr. Qin Jinke joined the Board in 2018 and is a Non-Executive Director. He has been with Sinochem International Corporation for nearly 20 years and is now its Chief Financial Officer. He joined Sinochem in 2001 and has held senior positions in its auditing, finance and accounting departments, including:

- Deputy Chief Financial Officer at Sinochem International Corporation
- General Manager of the Finance Department
- Vice General Manager of the Finance Department
- General Manager of the Accounting and Tax Office
- Chief Financial Officer at Metallurgy and Energy Division
- Assistant General Manager of the Auditing Department

Wang Wei
Non-Executive Director

Mr. Wang Wei is a seasoned investor and investment analyst who was appointed to the Board in 2017 as a Non-Executive Director. He serves as Executive Director of the China-Africa Development Fund’s (CADFund) Infrastructure and Energy Investment Department. He is presently Director at HNA & CADF Logistics, Nanjing Ocean (CM) Co. Ltd and Ansogli Power (Ghana) Ltd. His previous roles include:

- Consultant with APCO Worldwide LLC (Beijing)
- Consultant with KPMG Huazhen LLP

Mr. Wang holds a master’s degree in International Relations, and a Bachelor of Arts in International Economics and Trade, from the China Foreign Affairs University. He is also an alumnus of Johns Hopkins University-Nanjing University, Center for Chinese and American Studies.
Mr Andrew Trevatt is a co-founder of Halcyon Agri and oversees the daily commercial affairs of the company. He has more than 30 years of experience in the natural rubber industry, having worked in the United Kingdom, The Netherlands, the United States of America and Singapore.

Mr Trevatt also assumes responsibility for the SINRIO group.

Mr Ng Eng Kiat joined Halcyon Agri in 2013 as Chief Financial Officer where he was responsible for corporate finance, treasury, tax and capital management. From 2017 to 2018, he was Country Head of our Indonesian office and Managing Director of SINRIO.

He is presently the Group Chief Operating Officer responsible for the day-to-day business operations of the Group.

Mr Jeremy Loh is the Chief Financial Officer at Halcyon Agri and is responsible for the Group's financial affairs, including corporate finance, treasury and capital management.

He joined Halcyon Agri in 2016 as the Deputy Chief Financial Officer and brings with him almost 20 years of financial control and risk expertise to the Group. His work experiences include senior roles at international banks and auditing firms in Singapore, Thailand and Malaysia.

Mr Leonard Beschizza co-founded Halcyon Agri in 2010 and is in charge of the HRC business unit. His responsibilities include merchandising and risk management functions, as well as oversight of the Indonesian factory operations. He was previously responsible for our operations in China, Malaysia and Thailand.

He draws from more than four decades of in-depth knowledge of the natural rubber and agricultural industry. He is also an expert in the palm oil and cocoa industries.

Mr James Bugansky joined Halcyon Agri in 2013, and is in charge of all our plantation assets globally, including JFL Plantations in Kelantan, Malaysia and the HeveCam and SudCam estates in Cameroon.

He brings with him more than 40 years of experience.

Mr Horst Sakreida joined Halcyon Agri in 2015, having spent 40 years in the rubber industry. He has extensive natural rubber and latex distribution experience and is responsible for the commercial and risk management of our Global Non-Tyre & Specialty Tyre segment. This unit includes Centrotrade, Wurfbain Polymer, Alan L Grant, Corrie MacColl Rubber, Kelvin Terminals and Momentum Technologies International.
At Corrie MacColl, we take a modern approach to fair and sustainable value creation in the origination and distribution of the vital material that is natural rubber. As a sustainable model corporate citizen, we are extensively invested in ecological conservation, economic growth and social development. Our rubber is grown, sourced and produced to the highest quality, matching supply and demand with as little impact as possible.

We are consciously positioned to serve today’s rubber consumer through our customer-centric merchandising model. Demand for made-to-measure rubber for use in diverse, premium and specialty applications is fulfilled by our entrenched position in key procurement and distribution markets and custom-made delivery programmes to customers.

Our products are delivered to over 1,000 customers in 350 cities through our second-to-none logistical assets, flanked by our dedicated technical advisory and support unit.

We supply Natural Latex for the annual production of 3.9 Billion Balloons, 3 Billion Balloons, 60 Million Catheters, 32 Million Metres of Medical Tubing, and 870,000 Mattresses.

All figures above are based on Corrie MacColl’s analysis of sales and customer information and IRSG data.

- 9% Global Latex Market Share
- 11% Global Latex Market Share in China
- 24% USA Non-Tyre Market Share
- 196,000 pallets shipped

Corrie MacColl

A PARTNER in POLYMERS

Our plantations drive positive change through third-party certified, all-encompassing social and environmental standards, securing rural development and ecological conservation.

Outgrower programme targeting in excess of 10,000 smallholders, preserving and improving quality of human life through secured income and food security.

25,000-hectare biodiversity reserve for ecological conservation.

Trusted partners in rubber with globally diversified, deep-seated relationships with premium suppliers, fulfilling all footprints of customer requirements.

Value commitment through extensive midstream investment in technical infrastructure and logistical assets second-to-none in the industry.

Entrenched position in key distribution markets serving a diversified range of customers with demand for made-to-measure rubber.

Our plantations drive positive change through third-party certified, all-encompassing social and environmental standards, securing rural development and ecological conservation.

Outgrower programme targeting in excess of 10,000 smallholders, preserving and improving quality of human life through secured income and food security.

25,000-hectare biodiversity reserve for ecological conservation.

Trusted partners in rubber with globally diversified, deep-seated relationships with premium suppliers, fulfilling all footprints of customer requirements.

Value commitment through extensive midstream investment in technical infrastructure and logistical assets second-to-none in the industry.

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Entrenched position in key distribution markets serving a diversified range of customers with demand for made-to-measure rubber.
Corrie MacColl Plantations (CMP) develops and manages 110,000 hectares (ha) of rubber plantations in Malaysia and Cameroon of which almost 40,000 ha are planted. 2018’s output was 19,000 mT with a 10-year plan to reach full capacity. This will be enhanced by yield maximisation through the implementation of our highest agronomical and collection standards as well as the maturing of our trees.

CMP is a non-traditional plantation operator. We have taken a thoughtful, measured and considered approach to investing in a viable future not only for rubber, but for the environment and communities in which we operate. We recently set-up a 25,000 ha protected biodiversity reserve, as part of our drive for ecological conservation. Our endeavour to create responsible, inclusive and sustainable societies is evidenced by the establishment of an outgrower programme, directly engaging with surrounding communities. We are deeply committed to establishing a benchmark business model capable of concurrently providing rural development, ecological conservation and adequate shareholder returns.

### Sustainability Council

2019 will see the formation of a Sustainability Council with members representing business and industry, community leaders, NGOs and relevant government representatives.

The role of the Council is to bring together multi-stakeholder groups throughout the entire value chain, and to monitor the Group’s sustainability standards, provide expert opinion and advise on the Group’s implementation of its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) and other external party recommendations. An updated Environmental and Social Impact Assessment will be conducted in 2019, in partnership with NGOs.

### Outgrower Programme

Investment has been focused on a large scale outgrower programme aimed at empowering in excess of 10,000 smallholders. Up to 27,000 ha has been selected, consisting of degraded forest, fallow land, old rubber plantations and converted crops belonging to landowners surrounding our plantations. Through direct engagement with surrounding local villagers, the programme will finance and assist the development of smallholder rubber crops. CMP will leverage its agronomical expertise by teaching plantation best practices while adding a secured source of income through a commitment to purchasing the raw material. Now in its final development stage, the programme targets the initial planting of 500 ha in 2019. Land within High Conservation Value or High Carbon Stock areas will be exempted from clearing or management.

The programme brings with it many opportunities. It will enable CMP to educate and empower local communities on a large scale. The teaching of agronomical practices and guaranteed purchasing of the raw material is in line with CMP’s drive towards the long-term employment of local Cameroonians. The vision of developing latex based smallholders will increase the value of their product and therefore their income. The programme will also involve cultivation of additional crops within areas not feasible for rubber.

This will integrate a food security programme into smallholder development, encourage trade between farmers and create an opportunity for income during immaturity periods. As for CMP’s business, our fully traceable rubber currently seen only within our plantations will be extended to outgrower rubber, paving the way for similar engagement with smallholders, worldwide.

### Global Distribution

Strategically located across key markets, our distribution team is broken down into regional champions, a dedicated synthetic rubber provider and a specialised technical marketing business. This allows for a customer-centric approach in delivering our products from supplier to the doorstep of our customers. In 2018, our teams distributed a total of 400,000 mT to over 1,000 customers in more than 60 countries.

Corrie MacColl International (CMI), our distribution, logistics and technical support unit employs over 150 people, located across 19 cities globally. Our key markets are served by our regional champions Wurfbain Polymer (WB) and Alan L Grant (ALG), in specialty rubber distribution.

Our key markets are served by our regional champions Wurfbain Polymer (WB) and Alan L Grant (ALG), Europe and America respectively, for all things natural rubber, rubber chemicals and ancillary products. Our global, specialised technical marketing business, Centrade, assumed exclusive rights to the distribution of CMP’s business, while serving their key customers with third-party sourced rubber and latex. Momentum Technologies International (MTI) is our dedicated synthetic rubber provider, primarily focused on the American market. Together, the teams distributed 149,000 mT of latex, 219,000 mT of dry rubber and 35,000 mT of synthetic rubber globally.
In 2018, CMI accounted for over 20,000 container deliveries. Our centrally managed logistics department oversees product transfer from point of origination to customer delivery. In our target markets, we have a suite of network services to meet the diverse requirements of our clients.

Kelvin Terminals, our natural and synthetic latex storage terminal located in the Terneuzen, Netherlands, is Europe’s leading tank installation, with capacity to hold up to 6,500 mT. Our strategic positioning means just-in-time delivery to the Benelux Union in under 24 hours, and the remainder of Europe in under 72 hours.

Our American latex customers are served by three latex terminals strategically located in Baltimore (1,900 mT), Norfolk (1,200 mT) and Savannah (2,300 mT). To support our dry rubber distribution, we operate a dedicated warehouse in Richmond, Virginia with 2,600 mT capacity and a 150 mT hot room used to bring any rubber delivered during winter months, back to optimum temperature.

The last addition to our support services is Momentum Technologies Laboratories (MTL). This year, US$1 million was committed to expanding the existing synthetic rubber facility in Akron through an investment in a natural rubber and latex laboratory. With our dedicated and centralised technical advisory and support unit, the state-of-the-art facility has the capabilities to formulate, design and test rubber, provide certification of analysis as well as custom mix compounds. Being third-party accredited by A2LA allows for peace of mind and confidence for customers and stakeholders that all results are held to a higher standard and kept in complete confidence. Having the laboratory is key to supporting the full gamut of technical services for our partners.

Solar Power Project

Kelvin Terminals is currently undergoing a capacity expansion of 50% and refurbishment of the office and laboratory complex. At the same time, the terminal is taking the opportunity to dramatically reduce its carbon footprint through investment in photo-voltaic solar panels to generate its own electricity, and also in air-source heat pumps to cut its dependence on diesel as the main source of heating for both the latex storage tanks and the site office and laboratory complex.

126 solar panels are being installed on the roof of the new tank hall, with a predicted output capacity of 51,000 kWh per annum. On completion of the project in early 2019, the terminal will be capable of producing close to 100% of the electrical energy required to power all site operations. At the same time the existing diesel oil fuelled boiler, which provides heat to maintain the temperature of the latex in the terminal, will be replaced by a series of air-source heat pumps. Powered by our renewable solar energy, these will completely eliminate our dependence on fossil fuels in Terneuzen. In terms of carbon footprint, our emissions in 2019 are forecast to be reduced by 93% from 2017 and 2018 levels. As we increase our imports from certified CO₂-neutral latex sources, our next target is to be able to maintain that carbon-neutrality on delivery from our tank facilities, or even on a delivered customer basis.

Europe and America saw large volumes of 127,000 mT and 125,000 mT respectively. Across both markets, our latex distribution saw a commanding market share, what we put down to our deep-seated relationships with premium suppliers. In Asia, the majority of rubber delivered into the non-tyre & specialty-tyre sector is purchased direct from suppliers. We delivered a total of 77,000 mT of which the majority was latex (60,000 mT) and concentrated mainly in the China and Malaysia markets. Other key destinations include Turkey, South Africa and South America, notably Brazil.
CHANGING THE GAME

In our 2017 Sustainability Report, we wrote about how the natural rubber industry is not sustainable at current market prices. Volatility has to be reduced, and the traditional natural rubber supply chain has to change. In August 2018, we incorporated HeveaConnect, a digital marketplace for sustainably-processed natural rubber that could help restore fair prices that truly reflect the cost of supply of a critical resource, where all natural rubber stakeholders, be it farmers, producers or consumers, can benefit. In 2018, South East Asia’s largest financial institution DBS Bank announced their partnership with us in HeveaConnect. By March of this year, Japan’s leading trading house ITOCHU Corporation and two natural rubber processors in Indonesia and Thailand confirmed their adoption of HEVEAPRO, to be sold on HeveaConnect.

HeveaConnect intends to set the industry standard in the natural rubber supply chain — HEVEAPRO at the factory level, HEVEAGROW at the farmer level and HEVEATRACE which will map the source of the raw material used in the production of HEVEAPRO, from tree to the customer.

THE BOTTOM LINE

In 2018, following the strategic review of the assets arising from the acquisition of GMG Global and SINRIO, three business segments were set up according to key customer segments:

- Halcyon Rubber Company (HRC)
- Sinochem International Rubber Investment Overseas (SINRIO)
- Corrie MacColl Group

As part of the review, we identified opportunities for the divestment of non-core assets in SIAT S.A (SIAT), a former associate of the Group. The proceeds from the disposal were partially reinvested into numerous bolt-on acquisitions in 2018 such as:

- Completion of the purchase of the Corrie MacColl Group, which houses Alan L Grant, Momentum Technologies International, Kelvin Terminals and Wurfbain Polymer
- Completion of the purchase of five rubber factories in two separate transactions into HRC

These investments further strengthen Halcyon’s position as the world’s leading natural rubber supply chain manager. The businesses of HRC and Corrie MacColl acquired in FY2018 contributed about 61,000 mT and 205,000 mT in terms of sales volume respectively to the Group (c.19% of total Group FY2018 sales volume). They also contributed a combined US$12.8 million of operating profit to the Group in FY2018.

Operating Results

Equipped with the contribution of the acquisitions made in FY2018, the Group reported a third consecutive year of record-high sales volume in FY2018 of 1,432,335 mT, which is 16.7% higher than 1,227,027 mT in the previous year. However, revenue dropped by 0.8%, from US$2,158.4 million in FY2017 to US$2,141.0 million in FY2018 reflecting the depressed market price levels. As a comparison, the average 2018 SICOM TSR20 market price per metric tonne was US$1,365, 17% lower than the average 2017 market price of US$1,647.

As the average selling prices decreased our margins came under pressure, resulting in FY2018 gross profits of US$118.4 million, 21.3% lower than that of US$150.6 million recorded in FY2017. Our operating profits decreased 92.4% from US$59.3 million recorded in FY2017 to US$4.5 million in FY2018, which is caused by the reduction in gross profit as abovementioned, coupled with the absence of FY2017 one-off gains of US$21.5 million.

The effect of margin compression, the absence of one-off gains, as well as the non-recurrence of share of associates’ profits, resulted in our EBITDA dropping from US$64.9 million in FY2017 to US$36.2 million in FY2018. Net financing costs have decreased 6.6% year-on-year from US$22.7 million in FY2017 to US$21.3 million, mainly due to the replacement of US$125 million medium-term notes in FY2017 with US$150 million worth of perpetual securities.

The above factors resulted in a loss per share of 0.53 U.S. cents in FY2018, a reversal from 1.95 U.S. cents earnings per share in FY2017.
Balance Sheet

Our net assets have reduced from US$833.2 million in 2017 to US$735.9 million in 2018 mainly due to the following factors:

- Strengthening of U.S. Dollars vs local currency resulting in foreign currency translation losses
- Distribution of a final and a special dividend of SG cents 0.01 each as well as distributions to holders of perpetual securities
- Full year loss in FY2018

The Group has a stable funding base where financing tenors are matched, cash balances are unencumbered and fixed assets are sustainably financed.

The table below summarises management’s assessment of the Group’s capital structure:

<table>
<thead>
<tr>
<th>(US$ million)</th>
<th>31-Dec-18</th>
<th>31-Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital employed 1</td>
<td>599.4</td>
<td>427.7</td>
</tr>
<tr>
<td>Working capital loans</td>
<td>520.4</td>
<td>207.6</td>
</tr>
<tr>
<td>% Efficiency of Working Capital Funding</td>
<td>96.5%</td>
<td>48.5%</td>
</tr>
<tr>
<td>Operational long term assets 2</td>
<td>938.7</td>
<td>718.1</td>
</tr>
<tr>
<td>Term loans</td>
<td>361.6</td>
<td>430.0</td>
</tr>
<tr>
<td>% Fixed Asset Gearing</td>
<td>41.7%</td>
<td>56.1%</td>
</tr>
<tr>
<td>Cash and cash equivalents 3</td>
<td>122.9</td>
<td>163.4</td>
</tr>
<tr>
<td>Non-core assets 4</td>
<td>46.8</td>
<td>144.5</td>
</tr>
<tr>
<td>Total Equity (excluding Perpetual Securities)</td>
<td>5812</td>
<td>664.5</td>
</tr>
<tr>
<td>Perpetual Securities</td>
<td>148.7</td>
<td>148.7</td>
</tr>
<tr>
<td>Total Equity (including Perpetual Securities)</td>
<td>735.9</td>
<td>833.2</td>
</tr>
</tbody>
</table>

1 Working capital employed for the Group is defined as the sum of operational trade and other receivables, net derivative assets, pledged deposits and inventories, netted off against trade and other payables. In Dec-18, loan receivable from third-party has been reclassified from non-core assets.

2 Operational long term assets of the Group are defined as intangible assets, property, plant and equipment, plantation and biological assets, other non-current assets, net off against non-current liabilities. In Dec-18, plantation assets and Property, Plant & Equipment (PPE) in Malaysia have been reclassified from non-core assets.

3 Cash and cash equivalents as stated in the cash flow statement.

4 Non-core assets as at Dec-18 include investment properties only. As at Dec-17, non-core assets include investment properties, loan receivable from third-party and plantation assets & PPE located in Malaysia.

The Group continues to explore options to deleverage, including listing of the Corrie MacColl Group on the London Stock Exchange.

Cash Flows

Our cash inflows from operations (before working capital changes) is US$4.14 million, a decrease from US$58.5 million in the previous year, due to lower profits in FY2018. The working capital continues to be funded by working capital loans.

The Group recorded a net cash outflow of investing activities of US$201.2 million in FY2018 against net cash inflow of US$113.4 million in FY2017, mainly due to the nature of the capital transactions that took place – in which the proceeds from the divestment in SIAT stake in FY2017 are recycled to fund acquisitions of Corrie MacColl and the five Indonesian rubber factories in FY2018. In the interim, the divestment proceeds were used to pare down FY2017 loan balances (along with the proceeds from the issuance of perpetual securities), resulting in lower net cash inflow from financing activities in FY2017. These proceeds have been redrawn in FY2018 to fund the abovementioned acquisitions.

Note: Intragroup elimination column and corporate segment not displayed separately. Please refer to Note 33 in the consolidated financial statements for details where relevant.
**Segmental Review**

**Corrie MacColl**

The bottom line contribution from Corrie MacColl to the Group has improved from the previous year, due to the results of the acquired businesses and subsidiaries. The expanded market presence further strengthened our market positioning in the regional latex and natural rubber market, leading to improved operating profits from US$9.2 million to US$14.2 million.

**HRC**

Despite additional revenue contribution from the 2018 acquired subsidiaries, scarcity of raw materials, especially in Indonesia, not only limited the output of the segment but also resulted in margin compression as higher prices were paid to secure raw material supply, to fulfill our sales commitments.

This has resulted in HRC reporting an operating loss of US$24.6 million in FY2018, in comparison to operating profit of US$45.4 million in FY2017.

**SINRIO**

This segment generated positive returns in FY2018, mainly due to the adoption of selective selling strategies, with a focus on profitability instead of volume. While segmental volume and revenue has decreased year-on-year, SINRIO has reversed from an operating loss of US$10.2 million in FY2017, to turn in an operating profit of US$9.9 million in FY2018.

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**Risk Management**

Risk is intrinsic to our business and risk management is imperative to business sustainability. The Group proactively manages risks and embeds the risk management process into the Group’s planning, decision-making process as well as its day-to-day operations. Our risk registers are reviewed continuously to ensure any necessary risk treatments are addressed and updated.

The risk registers are presented to the company’s Audit Committee, highlighting significant risks, measures taken by the management and residual risk exposures that have an impact on the Group. Our risk management policy is enhanced on an ongoing basis to match the expanded scale and scope of our business.

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**GRI CODE \ 102-11 \ 34**
### Our Material ESG factors

The table below describes each ESG factor. Examples of activities or projects relating to the ESG factors are shown throughout this report.

#### Price Visibility and Fair Pricing in Supply Chain
- The key narrative of Halcyon’s sustainability drive. The reason for the development of HeveaConnect, for sustainably processed natural rubber at fair prices where all natural rubber stakeholders from smallholders to consumers can benefit.

#### Responsible and Traceable Supply Chain
- A key element of Halcyon’s sustainability policy and GPSNR principles. Progress on Rubberway, a risk assessment tool for raw material source jointly developed with Michelin, will be reported together with raw material tracing to source through HEVEA TRACE which feeds into HeveaConnect.

#### Occupational Health and Safety
- A crucial issue due to the labour intensive nature of our factory and plantation operations. Keeping track of occupational injury and disease rate statistics is important as we constantly work towards improving working conditions. The implementation of HEVEA PRO’s EHS standards has helped reduce occupational incident and injury rates.

#### Waste and Effluent Management
- Water is a crucial component of natural rubber processing with high amounts of sludge/waste generated. This report shares statistics on waste generated, disposed and recycled at an operational level. This report also shares statistics on the volume of water used in operations and recycled as well as effluent discharge parameters.

#### Community Investment and Empowerment
- A key element of the Halcyon Global Village, our corporate social responsibility programme where we support activities financially as well as with volunteering. On top of our regular Corporate Social Responsibility (CSR) activities at factory and plantation level, Halcyon Agri supports Sports for the Disabled at a corporate level.

#### Biodiversity Protection and Conservation
- A primary focus of Halcyon’s sustainability policy and GPSNR principles. This report will discuss the set up of the Sustainability Council for the Cameroonian operations and activities at SudCam and HeveCam.

#### Industry Standards for Sustainable Product Offering
- The vision for HeveaConnect is to set the industry standards for sustainable natural rubber. HEVEAPRO, HEVEAGROW and HEVEA TRACE standards provide the tools to help ensure the implementation of Halcyon’s sustainability policy.

#### Energy Consumption and Management
- Energy is a crucial element of natural rubber processing. This report discusses our energy emissions and the steps we take to manage our energy use better to minimise greenhouse gas emissions.

#### Ethics and Compliance
- Anti-corruption is included in our sustainability policy and is one of the 12 GPSNR principles. We share mechanisms we have in place to ensure compliance with business ethics and code of conduct.

#### Fair, Responsible and Inclusive Employment
- Factory operations are human-intensive, and as a large employer with a workforce of more than 16,000 factory and plantation workers, we must address issues of minimum wage, child and forced labour.

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### Halcyon Agri’s Materiality Matrix

In 2017, we performed a peer benchmarking assessment of sustainability-related disclosures to generate a list of potential material matters. There were 12 material Environmental, Social and Governance (ESG) factors approved by the Board and in 2018, we further deliberated and prioritised on the most material sustainability matters. The Board having considered sustainability issues as part of its strategic formulation, determined the 10 material ESG matters shown here, and the Board will continue to oversee the management and monitoring of these issues.

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Stakeholder Engagement

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on, socially and economically. Our economic and social role is tied to our capacity to create value through a multi-stakeholder approach. The table below shows eight groups of stakeholders and the impact and significance of each of them. Examples are shown throughout this report on our approach to our stakeholders. Our 2017 Sustainability Report provides more details on methods of engagement and frequency.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Employees</td>
<td>• Fair employment practices with no discrimination</td>
</tr>
<tr>
<td></td>
<td>• Annual performance review and feedback sessions</td>
</tr>
<tr>
<td></td>
<td>• Ensure country employment laws and regulations are followed</td>
</tr>
<tr>
<td></td>
<td>• Stringent occupational health and safety measures in place</td>
</tr>
<tr>
<td></td>
<td>• Proper grievance and whistleblowing procedures in place with assurance of confidentiality and appropriate actions taken</td>
</tr>
<tr>
<td></td>
<td>• Internal communication and sharing of updates amongst the countries and subsidiaries through various channels</td>
</tr>
<tr>
<td></td>
<td>• Training and career development programmes</td>
</tr>
<tr>
<td></td>
<td>• CSR activities and social activities</td>
</tr>
<tr>
<td></td>
<td>• Collective bargaining agreement with factory workers</td>
</tr>
<tr>
<td>Our Customers</td>
<td>• Transparency and accountability from us</td>
</tr>
<tr>
<td></td>
<td>• Consumer, quality and efficient delivery</td>
</tr>
<tr>
<td></td>
<td>• Meeting their sustainability policies</td>
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<tr>
<td></td>
<td>• Quality and price of the product</td>
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<td></td>
<td>• Supply chain resilience</td>
</tr>
<tr>
<td></td>
<td>• Reduce environmental risks</td>
</tr>
<tr>
<td></td>
<td>• Response to criticisms from NGOs through various channels</td>
</tr>
<tr>
<td></td>
<td>• On-site assessment of our facilities and plantations at their own timeline</td>
</tr>
<tr>
<td>Our Community</td>
<td>• Well-being of the local community</td>
</tr>
<tr>
<td></td>
<td>• Reduce environmental and societal risks</td>
</tr>
<tr>
<td></td>
<td>• Education campaigns on health issues</td>
</tr>
<tr>
<td></td>
<td>• CSR programmes along our 7 pillars to address concerns raised</td>
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<tr>
<td></td>
<td>• Infrastructure projects</td>
</tr>
<tr>
<td></td>
<td>• Meetings with community leaders</td>
</tr>
<tr>
<td>Our Suppliers</td>
<td>• Market price, market access, rubber prices</td>
</tr>
<tr>
<td></td>
<td>• Education about how to prevent diseases</td>
</tr>
<tr>
<td></td>
<td>• Training on proper usage of agricultural methods, pesticides and fertilizers</td>
</tr>
<tr>
<td></td>
<td>• Training on health &amp; safety and environment protection</td>
</tr>
<tr>
<td>The Shareholders</td>
<td>• Land rights</td>
</tr>
<tr>
<td></td>
<td>• Rubber prices viability</td>
</tr>
<tr>
<td></td>
<td>• No child labor</td>
</tr>
<tr>
<td></td>
<td>• Infrastructure projects to improve access and safety</td>
</tr>
<tr>
<td></td>
<td>• Training on proper usage of agricultural methods, pesticides and fertilizers</td>
</tr>
<tr>
<td></td>
<td>• Traceability projects</td>
</tr>
<tr>
<td>The Smallholders</td>
<td>• Market price, market access, rubber prices</td>
</tr>
<tr>
<td></td>
<td>• Education about how to prevent diseases</td>
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<tr>
<td></td>
<td>• Training on proper usage of agricultural methods, pesticides and fertilizers</td>
</tr>
<tr>
<td></td>
<td>• Training on health &amp; safety and environment protection</td>
</tr>
<tr>
<td>The Civil Society</td>
<td>• Dereliction concerns</td>
</tr>
<tr>
<td></td>
<td>• Land and indigenous rights concerns</td>
</tr>
<tr>
<td></td>
<td>• Free and Informed Consent (FIC) process</td>
</tr>
<tr>
<td></td>
<td>• Biodiversity conservation</td>
</tr>
<tr>
<td></td>
<td>• No political affiliations</td>
</tr>
<tr>
<td></td>
<td>• Open letters and responses posted on our websites</td>
</tr>
<tr>
<td></td>
<td>• Communication and meetings with NGOs</td>
</tr>
<tr>
<td></td>
<td>• WWF visits to plantation and villages</td>
</tr>
<tr>
<td>Regulatory bodies, governments, industry associations and certification bodies</td>
<td>• Timely disclosure of sustainability issues via various channels</td>
</tr>
<tr>
<td></td>
<td>• Compliance with rules and regulation</td>
</tr>
<tr>
<td></td>
<td>• Regulatory updates</td>
</tr>
<tr>
<td></td>
<td>• Renewals of certifications</td>
</tr>
<tr>
<td></td>
<td>• Site assessments to update certifications</td>
</tr>
<tr>
<td></td>
<td>• Communication of sustainability and business updates in our Annual Reports, Sustainability Reports and website</td>
</tr>
<tr>
<td>The financial community, financial institutions, investors, regulators, analysts and shareholders</td>
<td>• Financial reporting through various channels</td>
</tr>
<tr>
<td></td>
<td>• Risk management, consultation with health and regulations</td>
</tr>
<tr>
<td></td>
<td>• Transparency and comprehensive reporting through various channels</td>
</tr>
<tr>
<td></td>
<td>• Ethical business practices</td>
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<tr>
<td></td>
<td>• Timely disclosure of information through various channels</td>
</tr>
<tr>
<td></td>
<td>• Corporate governance</td>
</tr>
<tr>
<td></td>
<td>• Environmental and social impacts</td>
</tr>
</tbody>
</table>

Maintaining Sound Corporate Governance

We are committed to upholding the highest standards of corporate governance to create long-term shareholder value. Under the Board’s leadership, six key capitals – financial, manufacturing, intellectual, human, social and natural capital are allocated efficiently and productively in the best interests of our shareholders and other stakeholders. We adhere to all material principles and guidelines of the Code of Corporate Governance 2012, the disclosure guide developed by the Singapore Exchange Securities Trading Limited (SGX-ST), and all other applicable laws, rules and regulations. We also engage proactively with regulators, governments, industry leaders and industry associations to understand the local legal requirements across the jurisdictions where we operate. The details of the Group’s corporate governance practices can be found in Book Two of the 2018 Corporate Report.

Corporate Governance Structure

The Board embraces the principle of empowerment. While the Board delegates certain functions to the Chief Executive Officer (CEO), Board Committees and Management, the responsibility of overseeing the design, implementation and monitoring of the GRI Standards in conformance with the ‘Core’ option and in accordance to the SGX Sustainability Reporting Guide, ultimately remains with the Board.

The CEO leads the management of the issues we cover in the GRI Standards that are indivisible from the day-to-day operations while Management maintains a structured risk management approach that incorporates a continuous process of identification, evaluation and effective management of the risk factors. The Board also appoints professional firms to identify impacts, risks, and opportunities, as well as conduct comprehensive studies on issues or concerns relating to the GRI risks as and when necessary.
SUSTAINABILITY

Ethics and Compliance

We act with integrity, fairness and transparency and we do not tolerate corruption in any form. Our business principles underpin how our corporate culture delivers growth and positive contributions to the host communities where we operate. The Board oversees these principles, recorded in our standardised Global Employee Policy made available and easily accessible by all employees. We encourage our partners and suppliers to adhere to the principles by undertaking declarations of commitment to integrate these principles into their operations.

Furthermore, we hold regular engagement sessions with them to understand any issues they might face in integrating these principles in their operations and provide assistance where required. Where needed, we will visit our supplier sites to ascertain demonstrable integration of the principles in their operations.

Halcyon Agri’s Business Principles

<table>
<thead>
<tr>
<th>Focus Areas</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 Target</th>
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</thead>
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<tr>
<td>Whistleblowing</td>
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<td>0</td>
<td>0</td>
<td>Target: 0</td>
</tr>
</tbody>
</table>

Global Platform for Sustainable Natural Rubber (GPSNR)

In October 2018, natural rubber stakeholders convened in Singapore for the ceremonial launch of an independent platform to lead improvements in the socio-economic and environmental performance of the natural rubber value chain. Halcyon was one of the 18 founding members. Other founding members who signed on the GPSNR Member Statement included 11 members of the Tire Industry Project (TIP), Ford Motor Company, ITOCHU Corporation, PT Kirana Megatara, SIPEF, The Socfin Group, and Southland Global Pte Ltd. In joining the platform, we demonstrate our commitment to the integration of principles for sustainable natural rubber into our operational activities. HeveaConnect represents our first step towards a sustainable natural rubber supply chain.

Stakeholders including tyre manufacturers, other rubber users, suppliers and processors, vehicle makers and NGOs, contributed to the development of the GPSNR. This included alignment on a wide-reaching set of priorities for the natural rubber supply chain. The GPSNR will work to harmonise standards across 12 principles to improve respect for human rights, prevent land-grabbing and deforestation, protect biodiversity and water resources, improve yields, and increase supply chain transparency and traceability. Some of these principles are reflected in our material ESG factors seen on page 36.

Development of the platform was initiated by the CEOs of the World Business Council for Sustainable Development (WBCSD) and TIP in November 2017 and has since been led by a working group of TIP member companies. TIP will financially support the platform during start-up and its first two years of operations while a paying membership base is being established. The GPSNR, headquartered in Singapore with a dedicated secretariat, will maintain its independence. The inaugural GPSNR General Assembly kicked-off operations in March 2019.

Our employees are also expected to uphold strict standards of ethical business conduct and are made aware of the standards through our mandatory induction programmes. As in 2017, we maintained an unblemished record of zero confirmed cases of corruption in 2018. We have a whistleblowing policy outlined in our employee handbook. All grievances can be directed to a dedicated email that goes to the Audit Committee members. We encourage our employees to raise any concerns relating to suspected improprieties. In the event of a reported whistleblowing case, the Audit Committee ensures an investigation is instituted followed by the appropriate actions. In 2018, an anonymous letter was mailed to SGX and some of our customers. The Board and Management examined the content of the letter to determine the grievance. After the investigation, the Board and Management concluded that no action was required as there was no concrete accusations of corruption or non-compliance.

We recognise the risk of regulatory penalties and the resulting loss of reputation arising from non-compliance with relevant legal requirements. As we expand rapidly through acquisitions, we proactively keep abreast of applicable legal requirements in the countries we operate. In 2018, we did not record any material breaches of relevant laws and regulations in our respective jurisdictions of operations.
In November 2018, Halcyon launched its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) which applies to the Group and other stakeholders with whom Halcyon trades. As the world’s leading supplier of natural rubber and the owner of large plantation concessions, we understand our role and obligation to minimise impact on the environment while continuing to meet the growing demand for a raw material vital to modern life. The policy addresses seven principles:

1. **Ecosystem protection**
   - To achieve zero-net deforestation and ensure responsible cultivation, harvesting and processing of natural rubber across the value chain.

2. **Good agricultural practices and yield improvement**
   - To promote effective and safe methods to maximise yields, including providing training, encouraging natural fertilisers and improving environmental conservation practices.

3. **Working conditions and living environment**
   - To protect the rights of all supply chain stakeholders and create a positive work environment.

4. **Responsible land acquisition and use**
   - To promote a socially and environmentally responsible value chain and improve the livelihoods and economic viability of local communities, ensuring FPIC methodology and guidelines are applied.

5. **Traceability**
   - To actively facilitate the development of traceability across the supply chain.

6. **Ethics and transparency**
   - To prevent corruption across the value chain, practice free and fair competition and develop a transparent grievance mechanism process for all stakeholders.

7. **Policy implementation and compliance**
   - To ensure corruption-free and transparent implementation and reporting of this policy across the value chain.

The Group is committed to adhering to the principles stated in the SNRSCP and providing customers with a premium sustainable product. We will also work closely with our suppliers to ensure they integrate the principles of the SNRSCP within their operational activities. We will send out letters to suppliers to acknowledge and ensure compliance with the principles of the SNRSCP in 2019. To monitor compliance with the policy, Halcyon will commission random audits as and when required.

### Biodiversity Protection and Conservation

**World Wildlife Fund (WWF) Visit to SudCam Plantation**

In the face of allegations from NGOs, Halcyon invited World Wildlife Fund (WWF) to visit our SudCam plantation in Cameroon in August 2018. The visit enabled WWF to gain an understanding of the situation on the ground and provide some guidance to SudCam on how to address environmental and social issues and move towards a sustainable natural rubber plantation practices. This included gathering background information from documentation and discussions with the local communities and SudCam employees.

In summary, the villages reported improved relations with SudCam since it was acquired by Halcyon.

The local communities acknowledged that Halcyon has contributed to local development by implementing drinking water facilities, building rubber training centres, constructing primary schools and a well-resourced hospital as well as fostering greater dialogue. The villages did express dissatisfaction with certain aspects of SudCam’s engagement, especially the lack of access to employment within SudCam operations. SudCam continues to provide jobs to riverine communities. Currently, 178 out of the 841 workers of SudCam are from neighbouring villages. In addition, subcontractors employ more than 1,000 workers, of which the majority are from riverine communities. Villagers have access to medical services and are supported in the establishment of small-scale rubber plantations. Halcyon will continue collaborating with local communities and step up its social investments. SudCam anticipates employing approximately 10,000 workers in the coming years. Taking into consideration their families, SudCam would ensure housing and food for about 50,000 inhabitants.

Local communities expressed concern about the limited space left for their farming activities and the collection of forest products and SudCam will work to address this. They absolved SudCam of any direct responsibility in restricting their access to land. Land allocation was determined by the Government of Cameroon and not SudCam/Halcyon and the process was not aligned with FPIC as defined by the UN-REDD Programme. The local communities insisted SudCam should find a solution to the land access issue given that the company is the entity now developing the area.

All three SudCam concessions are former logging concessions. In line with government regulations, a logging company appointed by the government cleared the areas of all economically valuable timber. The remaining trees were cleared by SudCam in preparation for planting rubber trees. SudCam is reviewing the return of 13,000 ha of its south concession to the government as most of the concession is classified as High Conservation Value (HCV) because of its function as an elephant corridor.

The full WWF report is published on our [website](#) together with the SNRSCP.

### Zero-Net Deforestation

Halcyon acknowledges the legacy issues prior to our acquisition of SudCam, particularly regarding access to land, limited space for local farming activities and the slow implementation of a concrete environmental management plan. Halcyon is committed to achieving zero-net deforestation in all its plantations and will implement an integrated landscape management approach in consultation with key environmental and social civil society organisations.

All clearing and felling operations have been ceased, until the Sustainability Council has been formed and oriented to conduct necessary inquiries. Halcyon remains fully committed to the people of Cameroon and will create additional business pathways that enable the development of a local ecosystem of smallholders and outgrower farmers complementary to estates in HeveCam and SudCam.

Halcyon is working on next steps based on the recommendations of WWF and will share updates in the next report.
HEVEAPRO and ISO Industry Standards

In 2018, we audited all of our factories across four pillars of Quality Standards, Environmental Health & Safety, Supply Chain Security and Social Responsibility. Social Responsibility was the latest pillar added to the HEVEAPRO standards in 2017, increasing the number of total audit points to about 1,000. Three of our factories attained the highest rating of 'Platinum' in 2018 as compared to only one in 2017 after being independently audited by TÜV SÜD.

All our factories possess ISO 9001 certification. In 2018, 19 factories were certified ISO 14001. All of our Indonesian factories except for the recently acquired ones have ISO 14001 certification. We aim to have all factories certified and transited to the ISO 14001: 2015 standards by 2021. Factories exporting products to the U.S. have acquired the Customs-Trade Partnership Against Terrorism (C-TPAT) certification. Our Indonesia factories have also obtained SNI (Indonesian National Standard) certification that ensures safe and quality products are sold to the Indonesian market. We further aim to have all our factories certified to ISO 45001: 2018 by the end of 2021.

Our Four Core Principles

1. Quality Standards
2. Environmental, Health & Safety
3. Social Responsibility
4. Supply Chain Security
**Bintan Islands, Indonesia**

Traceability of our natural rubber supply chain is a key principle of our sustainability policy and a material ESG factor. In June 2018 we partnered with CropIn, a digital agriculture solutions provider, to conduct traceability studies in Bintan Islands. Using the digital application created by CropIn, we interviewed smallholder rubber farmers with the help of the local government using smartphones. Through the exercise, we identified 60 farmer groups comprising a total of 1,038 smallholder farmers. Only 40 farmer groups comprising of about 300 farmers remained actively involved in the natural rubber trade while the rest tap rubber periodically. The mapping of active farmers group in various regions of Bintan Islands can be seen in the map.

GPS coordinates were obtained for about 95% of farmer groups. Difficulties were faced in gathering information on land size, type of clones planted, average yields, farmer access to electricity and financial services. Farmers were also suspicious and apprehensive as to why interviews were being conducted without incentives being provided. They were also instructed by their agents and dealers not to disclose information. Collecting massive amounts of data through the application was a laborious and tedious process. As such, we were not able to obtain sufficient data sets to conduct a feasibility study on traceability. The traceability exercise concluded in November 2018.

While we managed to identify our sources of natural rubber in Bintan Islands, the pilot study highlights the challenges faced in tracing our natural rubber supply chain. Low rubber prices, convoluted supply chains, resistance by incumbents and the lack of technological infrastructure and incentives pose a major hindrance to data collection. The next step for Halcyon would be to scale up its traceability efforts by initiating such studies in Palembang, Pontianak and Jambi. For the next study, we will seek assistance from local NGOs who have on-the-ground expertise in dealing with local communities to secure buy-in. We hope a partnership with an NGO knowledgeable of local rubber communities in Palembang, Pontianak and Jambi will help us to overcome the challenges we faced in the pilot.

**RUBBERWAY**

In 2018, we extended Michelin’s RUBBERWAY programme in Indonesia on risk mapping of the natural rubber supply chain to two additional factories; SCM (Hock Lie Rantau Prapat) and SAR (Pulau Bintan Djaya). In doing so, we have almost doubled our outreach to smallholder farmers from 197 to 334. As smallholders account for up to 80% of total natural rubber production, we plan to develop a detailed roadmap with Michelin to scale up the outreach to smallholder farmers. This will be shared in our 2019 report. Reaching out to smallholders directly has been a key issue the natural rubber industry is grappling with and we believe that the formation of the Global Platform for GPSNR will provide solutions to address the needs for the smallholder farmers. Our pilot traceability study in Bintan Islands highlights the problems faced in reaching out to smallholder farmers.

**Continental and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**

In 2017, we signed a memorandum of understanding (MOU) with Continental and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to pilot a traceability system to increase the traceable production of rubber in West Kalimantan over the next three years. In total, 400 farmers will be trained to grow high-quality rubber by clearly defined sustainability criteria. Continental has secured a vendor to develop an IT traceability system to ensure full traceability of raw material from source to factory gate.

Prior to signing the MOU, GIZ had conducted a baseline household income study with 200 families on agroforestry systems in the Kapuas Hulu district in July 2017. As of mid-2018, around 150 farmers have been registered for this project. GIZ is working to bring in more participants and progress has been slow due to various reasons, particularly weak rubber prices. GIZ has secured a warehouse for collecting raw material within Mentabah village in the Kapuas Hulu District. Farmers will be paid factory gate price at the warehouse and payments will be made through bank transfers. The warehouse will be opened for most days during the week and IT personnel will be stationed there to collate and enter traceability data into the IT system. The raw material will then be transported to Halcyon’s processing facility, KAZ (Hok Tong Pontianak). The traced rubber will be segregated at KAZ and used to fulfill Continental’s orders.

A training manual has been developed by GIZ on implementation of good agricultural practices, management and social and environmental standards. Overarching themes include:

- Farm economics
- Soil fertility management, location selection, species selection, crop protection, tapping, post-harvest treatment and quality management
- Land rights, registration, conflict resolution, local financing opportunities, child labour and formation of farmers’ associations
- Scope for income diversification and simple book-keeping
DEVELOPING HUMAN CAPITAL

At Halcyon Agri, we believe in good management and equal opportunity for all. We recognise all contributions from our employees and that we must work together to make the company a viable, healthy and profitable organisation. We understand that no business or company is free from day-to-day problems and hence, we have policies in place to guide us and we share best practices to help resolve issues.

Mission Statement

To develop a world-class group of companies serving the rubber industry

To operate with integrity and clear business conscience, and to achieve perfect health, safety and environmental records

To support our customers by providing superior products of exceptional value, which help them gain a competitive advantage in their markets

To sustain our vision and mission by constantly seeking renewal via continuous education and learning, and the application of new technologies and skills

To provide a pleasant, nurturing and growth-oriented environment, which encourages our employees to be highly productive and to grow personally and professionally

To develop diversified markets, which provide stability and adequate financial returns allowing us to achieve our vision and to provide full opportunities for all employees

Halcyon Agri Values

Our values direct how we behave and our approach to achieving our goals:

- PERFORMANCE
- QUALITY
- RESPONSIBILITY
- INTERGRITY

Employee Demographics

We expanded our presence in the rubber industry as we absorb employees from the Corrie MacColl Group as well as employees under the five Indonesian factories acquired in 2018. Our staff strength grew by 21% for total full-time employees.

The natural rubber business is a seasonal industry where it is fairly common to have contract workers and part-time employees which may not be advantageous to the individual employees as well as to us. Female workers are also always in smaller numbers than male workers due to the nature of the industry. However, as part of our diversity model in 2018, we increased the total number of female employees across most categories.
We recognise that effective Occupational, Health & Safety (OHS) Management is critical to the success of our business. With a large global workforce, we have a responsibility in protecting the health, wellbeing and safety of our employees. We are committed to operating our business in an environmentally-sound manner and to provide a safe and healthy workplace for all employees, suppliers, contractors and visitors.

We made the following commitments:

- Incorporate OHS requirements into our business management decisions
- Continually improve our OHS performance through setting objectives and regularly monitor them
- Hold managers and supervisors accountable for the OHS performance of their facilities and departments
- Provide appropriate resources and training

Each subsidiary’s Management is responsible for having an OHS management system in place to achieve the Group’s overall objectives, namely:

- Comply with relevant legal, industry standards and Group corporate requirements
- Administer all significant OHS risks through continual improvement in the working environment effective and operational procedures, safe systems and methods of work
- Lead a positive organisation culture in which employees value good OHS practices as a way of life

All employees are responsible and accountable for achieving the Group’s objectives and are encouraged to participate in and contribute to the company OHS management efforts. Our factories have a formal joint management-worker OHS committee.

**Injury Rate**

In 2018, our workers spent a total of 30,600,551 hours in our factory and plantation operations. Though our overall injury rate increased slightly in 2018 (24) compared to 2017 (22), we saw reductions in injury rates across all the countries where we have factory and plantation operations, except for Indonesia. This spike in number for Indonesia can be attributed to our newly acquired factories in early 2018, which have yet to undergo a full year cycle of our HEVEAPRO standards.

Our overall injury lost day rate improved significantly in 2018 (65 in 2018 compared to 115 in 2017). The severity of injuries has also reduced resulting in fewer lost-workdays. The improvement is a testament to the HEVEAPRO standards adopted over the last two years to manage environmental, health and safety aspects in our operations. Moving forward we hope to reduce our overall injury lost day rate to below 50 and our injury rate to below 20.

In 2018, we attempted to monitor our absenteeism rates across all our plantation and factory operations. However, we had trouble in collecting accurate data. We are fine-tuning this process to ensure that we have data to report on for 2019. 2018 also resulted in zero workplace fatalities across all of Halcyon’s factory and plantation operations.
Career Development and Training

In 2018, we proactively started to monitor training hours across our factory and plantation operations globally through an online data centre. Training was conducted on chemical safety, confined space work, electrical safety, induction for new workers, emergency response & drills, environmental protection control, fire prevention & protection, first aid, working at height, road safety, personal protective equipment (PPE) usage & maintenance, personal hygiene & sanitation, log out & tag out (LOTO), hot works, forklift safety, lifting equipment handling, handling of cutting tools, general machinery handling and ISO management system awareness.

Training was conducted both in-house and by external parties. Our plantation operations in HeveCam focused on confined workspace due to the high-risk nature of work in latex storage and collection tanks. Fire poses a risk to our business and hence significant training hours were dedicated to emergency response & drills and fire prevention & protection. Most of our workers were also trained in basic first aid.

In 2018, a total of 4,891 workers were trained for 12,183 hours on environmental and occupational health & safety issues. This works out to about an average of 2.5 hours of training per worker. Insights from these statistics will enable us to formulate effective policies and practices to ensure a safe and productive workplace for our employees. We will continue to collate these statistics year-on-year to benchmark them to identify correlations and patterns in relation to workplace incidents.
Waste, Effluent and Chemical Management

Rubber processing generates large volumes of waste. These include scrap rubber, pallets, rags, packaging material, used chemicals, oil and grease. We are committed to reducing waste in our operations by recycling and reintegrating waste into our production process. Waste chemicals are collected by licensed hazardous waste collectors and scrap rubber is reprocessed in our factories. Plastic is a material component of our packaging needs and we intend to track our plastic use moving forward to actively reduce the amount.

In 2018, we achieved a 36% recycling rate of our non-hazardous waste across our factory and plantation operations. We aim to achieve a 5-10% increase in waste recycling rates by the next reporting cycle.

Wastewater is treated in our water treatment facilities in our factories. Aerobic, anaerobic and microbial activated sludge processes are utilised to treat our wastewater to meet regulatory effluent parameters before it is recycled or discharged into water bodies. All our factories are subject to inspections from regulatory authorities periodically to ensure compliance.

The treatment of wastewater generates significant volumes of sludge. Due to the low calorific value of the sludge, we are unable to use it as biofuel, an option we had explored. The sludge is recycled as fertilisers and distribution to our factory workers and local communities for their farming activities. In 2018, we reused about 73% of sludge generated from the wastewater treatment process. Moving forward, we target to reuse 100% of all the sludge generated.

Wastewater contains higher concentrations of biological matter and suspended solids. Our rubber factories are located near rivers and other water sources into which industrial wastewater is discharged. If effluence is not sufficiently treated, this poses a threat to natural ecosystems and to the communities who live around water bodies and use it for their daily needs. The output is monitored daily for the following parameters: Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), pH and Total Suspended Solids (TSS).

Moving forward we target to have improved effluent quality of at least 5% below legal limits for BOD, COD & TSS parameters across all the geographies we operate. We intend to achieve this by reviewing our wastewater treatment system processes to enhance their treatment efficiency. We also plan to reduce contamination of raw material at source by improving our contamination picking procedures that would result in better effluent quality.

Chemicals are required in rubber processing and latex storage. Chemicals provide the required specifications of our customers for the finished products. Chemicals play a crucial role in altering the natural polymer structure of our raw materials. They affect the properties of the final products such as plasticity, nitrogen, dirt & ash content and plasticity retention index (PRI). Key chemicals used include Deorub, turpentine, oxalic acid, sulphuric acid, phosphoric acid and hydrated lime. In 2018, we monitored the use of key chemicals used as they have a direct correlation to the amount of hazardous waste generated in our operations. We aim to reduce chemical use as much as possible without compromising the quality and durability of our finished products.
Water Consumption and Management

Water is a crucial component of rubber processing. Significant volumes of water are required to clean rubber before it is processed. With climate change intensifying, it is crucial for Halcyon to manage its water risk and resources. Most of our factories are located in areas of high concentration of communities. It is essential that we conduct our business responsibly and are mindful of stakeholders who depend on water bodies and basins for their livelihoods. We actively monitor water consumption in our factory operations during each shift.

To minimise the withdrawal of fresh water from local utilities and water bodies (rivers), we also recycle water back to our factory operations after treatment where possible. The respective EHS officers and factory managers are responsible for managing the effluent discharge from our factories. Our factories are subject to regular inspections by local regulatory authorities. Through our HEVEAPRO standards, better sensitisation of factory workers on sustainable water management and efficient wastewater treatment facilities, we had improved our water recycling rate from 49.5% in 2017 to 59.5% in 2018. We target to increase by another 5% in our water recycling rate for the year 2019.

With climate change exacerbating, it is essential that we manage our exposure to water risk in our operations. In 2018, we started mapping and identifying our site-specific water risk for all our factory operations. We commenced this exercise using the World Resources Institute (WRI) Aqueduct Water Risk Atlas tool. The overall water risk of each site was determined by considering the physical risk quantity & quality and the regulatory & reputational risk. Factories close to water basins such as the Mekong (China), Batang Hari (Indonesia) and Sungai Kapuas (Indonesia) were identified through the exercise.

Most of our factory operations are situated in areas of low-medium water risk. Our factories in China being located close to the Mekong water basin pose medium-high water risk. Some of our Indonesian factories in Medan and South Kalimantan pose medium-high water risk together with our Thailand factory in Narathiwat. Moving forward in 2019, we will extend our water risk mapping exercise to cover our plantation operations too. We will also focus on derisking factories with medium-high water risk by working with NGO partners. We intend to identify and engage key stakeholders that surround water bodies and basins where we source water for factory use. We will also benchmark water use with other relevant industries, map out available water resources and develop mitigation plans for episodes of water shortage due to droughts.
Energy Consumption and Management

Natural rubber processing is highly energy intensive. For our long-term business continuity, we need to secure reliable energy sources. Consequently, we are concerned about our energy emissions as well as the potential climate change risks to our operations and our communities. Our factory operations currently use energy from the grid. As for our dryers, energy comes from a variety of sources such as coal, diesel and natural gas. We are taking active steps to manage our energy use better and minimise greenhouse gas emissions.

For example, we adopted statistical process control (SPC) to closely monitor the temperatures inside our dryers to ensure optimal heat use. We conduct dryer energy use benchmarking across all factories as one of our four key processing metrics for each work shift. The other key processing metrics are factory electricity use and manning efficiency. Some of the factories use crushed palm kernels as an energy source for the dryers.

In 2018, we initiated a group-wide carbon emission reporting exercise for all factory operations in line with Greenhouse Gas Protocol and Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report. We monitored our Scope 1 & 2 emissions for our latex and natural rubber production operations only. Scope 1 emissions (direct emissions) accounted for 26% of total emissions while Scope 2 (purchased electricity) accounted for 74% of total emissions. Our Scope 1 and 2 emissions intensity were 0.06 tCO2e and 0.17 tCO2e per tonne of natural rubber respectively.

Natural gas (61%) and diesel (34%) were the two main types of fuels that contributed to most of our Scope 1 emissions. Within the next 2-3 years, we hope to phase out the use of coal (4%) in our production processes. We also intend to increase the use of palm kernel in our fuel mix to at least 5% within the next 2-3 years to decarbonise our energy portfolio. We are also actively exploring options to utilise renewable energy (solar) in our operations. 2018 is our base year for any direct initiatives undertaken to reduce our Scope 1 and 2 emissions in the future.

### CASE STUDY

**LifeStraw Community Water Filters in HeveCam**

In 2018, we collaborated with Vestergaard to install 10 LifeStraw Community water filters for the communities in our HeveCam plantation. With a high microfiltration capacity that removes odour, turbidity, bacteria, viruses and protozoa, the filters were placed in selected hospitals, schools and villages. Members of the community were sensitised on the use of the water filters. We monitored the incidences of vector-borne water diseases such as dengue and malaria as well as incidences of diarrhoea.

We have found that the incidents of diarrhoea had reduced by 44% with the installation of the filters. To tackle the onset of dengue and malaria which increased by 8%. In 2018, we increased the frequency of our education programmes on better Water Sanitation & Hygiene (WASH) practices. We also scaled up immunisation, distributed more mosquito nets and eradicated sources of high mosquito breeding potential. Our goal is to reduce the incidences of dengue and malaria in HeveCam by 30% within the next two years.

### Total Energy Consumption

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<th>Year</th>
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<th>Gas (MMBTU)</th>
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<th>Coal (T)</th>
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<td>534,201</td>
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**GHG Emissions By Fuel Type**

- **Scope 1**:
  - 34% Diesel
  - 4% Coal Industrial
  - 61% Natural Gas
  - 1% Palm Kernel

- **Scope 2**:
  - 1% Coal Industrial
  - 26% Natural Gas

**Total Intensities**

- **0.23 tCO2e per tonne of natural rubber**

**Total Energy Consumption (2017 vs 2018)**

- **Electricity (MWh)**
  - 2017: 173,395
  - 2018: 158,990

- **Biomass (T)**
  - 2017: 4,911
  - 2018: 13,480

- **Gas (MMBTU)**
  - 2017: 575,613
  - 2018: 534,201

- **Diesel (m3)**
  - 2017: 6,026
  - 2018: 6,357

- **Coal (T)**
  - 2017: 1,380
  - 2018: 901
As a large employer with operations close to communities and villages, we roll out many activities which involve monetary investment as well as community hours to support these activities. One of our material ESG factors, our community activities and investment are aligned with seven pillars and listed below are some examples of our CSR activities.

- **Build**: Infrastructure projects such as repairing roads, street lamps, roofs of mosques and schools, gutters and water supply facilities
- **Grow**: Workshops on nursery management and effective use of fertilisers for smallholders
- **Health**: Free health screening and donation drive for specific medical needs. Workshops on control of mosquito-borne diseases. Boring of water wells
- **Learn**: Sponsorship programme with special education schools. Scholarship assistance for needy students and salary support for teachers at selected schools
- **Life**: Blood donation drives and provision of food aid for needy families and orphans
- **Safe**: Workshops at schools to educate students and staff on safety management and fire hazards. Workshops on pest control methods
- **Sports**: Joint activities with communities. Sports activities and training for the disabled

Our newsletter Halcyon Days share some of these activities and can be accessed via our [website](#).

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**Partnership with BSF Asia on Sports for the Disabled**

Our 2018/2019 Corporate Social Responsibility programme is focussed on sports for the disabled. Within our communities and towns where we have operations, our Halcyon Global Village, we know there are young adults with disabilities, and we believe that sports can help them build better skills and foster a sense of camaraderie amongst everyone involved, from participants to volunteers to coaches. In 2018, we started to work with BSF Asia, a non-profit based in Indonesia that focuses on sports for the disabled. BSF Asia has been developing sports for the disabled activities since 2009, with the first country activities in Bali, Indonesia and now in other ASEAN countries such as Vietnam, Timor-Leste and Cambodia. BSF’s coaches are all volunteers and include Paralympian and Special Olympics winners.

Together with BSF Asia, our goal is to reach out to people with disabilities within our communities and encourage them to participate in the appropriate sports. We will hold out reach programmes and work with the local NGOs and government associations in each country to reach out to the disabled community across South East Asia. BSF Asia will then work with each participant to identify the type of sports suitable for the individual and help develop the skills needed for the sports.

Our first outreach was in October 2018 in Ipoh. We did another event in February this year and recruited more than 50 participants in Ipoh. Halcyon Agri was the title sponsor for the 2018 International Wheelchair Rugby Tournament in Singapore and will continue to be the title sponsor in 2019.

### 2nd Singapore 4s International Wheelchair Rugby Tournament

Our corporate CSR day at our Singapore headquarters was spent volunteering at the 2nd Singapore 4s International Wheelchair Rugby tournament where Halcyon was the title sponsor. The event, organised by BSF Asia, was held at the Canadian International School from 17th to 21st October 2018. We watched as teams from Singapore, Malaysia, Indonesia and the U.S. played against each other rounding off with Indonesia vs Malaysia in the finals.

Indonesia won the game 45–41. Our volunteers and supporters came from various departments including Human Resources, Information Technology, Sales, Finance, Treasury, Risk, Legal and Strategy & Marketing.

Wheelchair Rugby is recognised by the Singapore Disability Sports Council, practised in over 25 countries around the world, and is recognised as a summer Paralympic Sport.

### Launch of Para-sports Program in Ipoh, Malaysia

In September 2018, we launched our para-sports program in our Hevea KB processing facility in partnership with BSF Asia. The event was attended by over 100 participants from NGOs, government officials, customers, local charity groups and included our colleagues from Singapore, Malaysia and Indonesia. Through the program, we aim to provide a safe and supportive environment where disabled youths are treated with dignity, respect and reintegrated back into society. The program provides youth with opportunities to develop new skills, form friendships with like-minded individuals, enhance their social networks, obtain a high level of professional training, improve their wellbeing and enrich their lives through sports.

Type of para-sports include wheelchair basketball, boccia, blind soccer, volleyball and archery. Persatuan Hock Kean Perak has graciously allowed us to use their school, SJK @ Poi Lam, Ipoh as a training facility. The newly built school has disability access, 24-hour security, covered and open-air courts and a football field. Hevea KB will supply equipment required for the respective sports. The Hevea KB team will reach out to NGOs, suppliers, customers, local communities and government organisations to enlist volunteers and participants for the program. The first training session is targeted for early 2019 with a games event to be held in mid-2019.
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