



Sustainability Report
2017-2018

Halcyon is Rubber



CONTENT

1. About the Report	02
2. About Halcyon Agri	03
3. CEO Message – Sustainability of the Rubber Industry	07
4. Sustainability at Halcyon Agri	09
5. Delivering Premium Sustainable Product Offering	22
6. Developing our Human Capital	26
7. Community Investment and Empowerment	34
8. Caring for the Environment	37
9. Future Proofing	42
10. GRI Content Index	43

ABOUT THE REPORT

This report provides an overview of Management’s approach towards sustainability in the areas of governance, supply chain management and products, human capital and environment of Halcyon Agri, including its subsidiaries and other assets. As the leading natural rubber franchise and global supply chain manager, our concerns and issues are constantly developing. Hence, this report covers our fiscal year of 2017 (1st January to 31st December), as well as initiatives or activities, started in the first half of 2018. Selected data from FY2016 are included for comparison.

The report complies with the Global Reporting Initiative (GRI) Standards for sustainability reporting. It is prepared in accordance with the “Core” option and to the Singapore Exchange (SGX) sustainability reporting requirements. The GRI Content Index is at the end of this report and marked at the bottom corner of each page. The materiality issues discussed in the report have been approved by our Board. There has been no significant change in the material issues discussed in this report as compared to the previous report. While the report has not undergone full external assurance, due care was taken into the disclosure of the information presented here. We will review our policy on sustainability reporting assurance for future releases.

The report includes our 2017 financial highlights and more information about our financial performance and our business can be found in our 2017 Annual Report [here](#). The information disclosed in this report includes our plantations, processing facilities, tank storage and warehousing facilities, distribution channels, sales offices and business segments across Asia, Europe, United Kingdom and the United States of America. For more details about our corporate structure, please refer to our 2017 Annual Report on page 43. Do note our corporate structure will be updated in the fourth quarter of 2018. The data reflected in this report does not include factories acquired in 2017.

We welcome your questions and value your feedback about our sustainability report. Please contact us at sustainability@halcyonagri.com should you have any feedback.

ABOUT HALCYON AGRI

Our Growth

2017 saw Halcyon Agri cementing its position as the leading natural rubber franchise in the world with strong financial results and strategic acquisitions driving growth in scale, scope and market share. We became the largest rubber exporter and processor of Standard Indonesian Rubber (SIR) with the purchase of five factories bringing the total number of our Indonesian factories to 19. Our acquisitions of some of the oldest rubber trading names, completed in 2018, led us to become the world's leading latex and specialised rubber distributor. Consistent strong revenues throughout the four quarters of 2017 allowed for a total dividend distribution of 2.00 Singapore cents per share in 2018. Our operating structure organised according to customer segments brought about efficiency in financial reporting as well as enhanced our capabilities across the value chain.

Our Operating Structure

	CORRIE MACCOLL GROUP	HALCYON RUBBER COMPANY	SINRIO
	GLOBAL NON-TYRE & SPECIALTY TYRE	GLOBAL TYRE MAJORS BUSINESS	PRC TYRE MAJORS BUSINESS
 PLANTATIONS	112,000ha / 57,000ha ¹ Cameroon  	1,600ha / 1,400ha ¹ Ivory Coast 	10,000ha / 8,000ha ¹ Malaysia 
 PROCESSING	TOTAL CAPACITY: 55,000mT Cameroon 	TOTAL CAPACITY : 882,000mT Indonesia                                                     	

ABOUT HALCYON AGRI

Halcyon Agri is more than just about operating plantations and factories. There is a need to transform the rubber industry from viewing rubber as a commodity to an industrialised product with fair market pricing that benefits not only us but also the millions of smallholders (estimated to be six million) as well as our customers. Notwithstanding sustainable sourcing and procurement practices throughout the supply chain, we must also reduce the friction points of the current price discovery process between the consumers (e.g. tyre manufacturers) and the suppliers (smallholders, intermediaries, third-party producers).

Our CEO explains more in his message on [page 7](#).

Financial Performance

We closed FY 2017 with a dividend announcement on the back of a robust financial performance. Our revenues more than doubled to US\$2 billion based on higher revenue per tonne and higher sales volume. Our strategic acquisitions for the Group strengthened our market position as a leading natural rubber franchise. We recorded a profit before tax of US\$53.5 million in FY 2017, up from US\$51.7 million the previous year. This was mainly due to the increase in gross profit, increase in share of profit of an associate, decrease in net finance cost, offset by increase in selling and administrative expenses, as well as a decrease in other income.

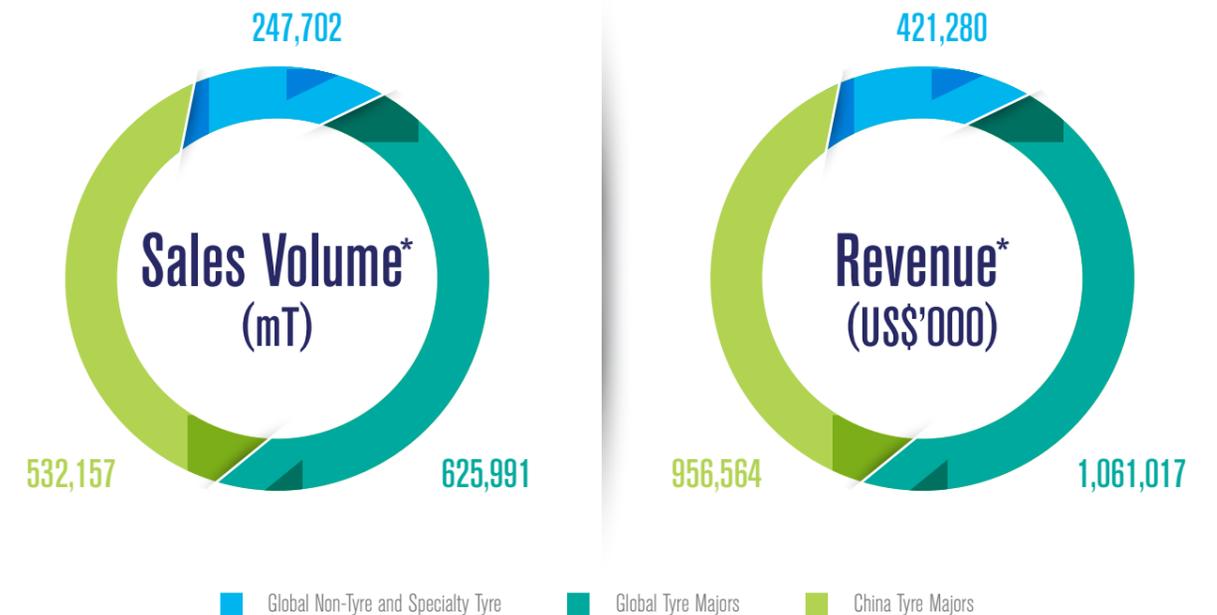
In the first half of 2018, despite weak financial performance due to market conditions and negative macro influences, our overall sales volume rose by 27% mainly driven by the integration of our acquisitions. The distribution businesses under our subsidiaries Corrie MacColl and SINRIO have benefitted from lower operating costs, and higher margins per metric tonne sold which mitigated the low rubber prices for the Group.

Financial Highlights

US\$m	FY 2016	FY 2017	HY 2018
Revenue	970.5	1,988.4	1049.8
Gross Profit	51.5	140.5	69.0
Operating Profit	76.3	64.5	6.7
Net / (Loss) Income	45.3	35.3	(5.6)
EBITDA	(1.9)	66.4	21.3
Sales Volume (mT)	713,481	1,132,851	680,716
Revenue / mT (US\$)	1,360	1,755	1,542

The demand for rubber remains healthy and consistent, and it closely tracks the performance of the global economy, estimated by the International Monetary Fund to be growing at a rate of up to 3.9%¹ for 2018 and 2019. The Association of Natural Rubber Producing Countries (ANRPC)'s report on the natural rubber (NR) economy dated August 2018, revised its figures of world consumption to 5.5%². Yet rubber prices continue to be weak. As our CEO Robert Meyer discusses in his [recent blog](#), the fundamentals of the rubber industry have to change. As a major provider of a critical raw material considered of high importance to the EU economy and high risk associated with their supply³, we remain committed to our long-term strategy to bring change to the natural rubber industry.

FY2017 Segment Contributions



1 : <https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>

2 : <http://www.anrpc.org/> - Natural Rubber Trends & Statistics, August 2018

3 : http://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical_en

* Sales volume and revenue include intersegment amounts of 272,999 metric tonnes and US\$460.6 respectively.

Dear Stakeholders,

On behalf of the board of directors of Halcyon Agri, and our entire global workforce, I am pleased to present our updated Sustainability Report 2017/2018.

Halcyon Agri has continued to develop the scale, scope and reach of its business, and absorbing new assets is no longer just an operational and financial exercise. Increasingly, the selection, and finally the acquisition and amalgamation of new assets is driven by criteria that go beyond model-based valuations and strategic rationale. We buy assets because we believe we can make them work over the long run: sustainably, and in compliance with our commitment to bringing positive change to the natural rubber industry.

To be frank, I no longer consider Halcyon Agri to be a natural rubber producer. We procure, produce, and bring to market, a critical basic ingredient to modern life: natural rubber is an indispensable "chromosome" to human mobility, food and personal health & safety, to name but the key applications – between them, they cover 90% of the global requirement for natural rubber.

It is important then, that we, a leading member of the supplier universe catering to mobility and health & safety, are set-up to deliver this ingredient sustainably, which means reliably, safely, and with complete regard and respect for the ecosystems within which we operate (both social and ecological). Our purpose is to ensure ongoing, undisrupted and dependable supply over the long term. Short-changing critical stakeholders will negatively impact our ability to do so, it will threaten the *sustainability* of our business.

The report you are about to consume, follows the reporting template developed by the Global Reporting Initiative, or GRI. This very useful framework is geared to the pursuit of a clear objective: to facilitate the recording, evaluation, tracking and ultimately improvement of an increasing number of data points that an organisation generates: production efficiency, input/output analysis, organisational stats, impact on external stakeholders, regulatory compliance and, increasingly, an assessment of public good/public bad effects of an organisation. These dimensions are all very important, and improving metrics suggest that an organisation is developing along the right trajectory within the boundaries of its marketplace.

But what if the *marketplace in and by itself is not sustainable*, i.e. not able to persist in its current shape and form over the long or even medium term?

Sadly, this is the case in the natural rubber industry.

Participants such as Halcyon Agri, are compelled both by internal and external forces to become more sustainable, to track and improve all vital aspects of the organisation. The marketplace that we operate in however, sits outside of current sustainability considerations. If prices are below the cost of production, as they have been for an extended period of time, then that is not reported as an unsustainable and thus unacceptable outcome. Why not?

As we develop our business, the industry and the broader ecosystem we serve and operate in, this must change. If you are reading this report, you have already signed up to the sustainability challenge: let us do what we can to disrupt the natural rubber marketplace, such that it generates fair price outcomes for all participants. Consumers of natural rubber can all afford to pay a little more, to the benefit of the weakest participants in the value chain: the farmers. With a little more income, they in turn will nurture their key asset a little better: their smallholding and their children. With less poverty in producing nations of rubber, there will be less deforestation, less corruption, and peaceful societies can emerge. This is a future that we can all subscribe to; any other outcome is not sustainable and therefore unacceptable. This is a clear and present opportunity, and I thank you for your interest in Halcyon Agri.

Sincerely,

Robert Meyer

Executive Director and Chief Executive Officer

SUSTAINABILITY AT HALCYON AGRI

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.

We reviewed our sustainability matters and updated the engagement table with clearer definition and description of their significance and impact on our business as well as indicate our 2018 key initiatives to address the issues and concerns brought up through dialogues and consultations with the stakeholders.

An example of how we engage with four groups of stakeholders (customers, suppliers, employees, and smallholders) is shown in the RUBBERWAY case study.

STAKEHOLDER GROUPS	IMPACT AND SIGNIFICANCE	KEY TOPICS AND CONCERNS RAISED	METHOD OF ENGAGEMENT AND FREQUENCY	ACTION PLAN 2017/2018 KEY INITIATIVES
Our Employees	As a large employer with a sizeable staff in many countries, we must protect the rights of our human capital. As an active M&A player where we absorb personnel upon completion of our M&A transactions, effective and timely communication is crucial. This also means constantly updating our HR policies as our staff strength grows and as we expand to other new countries. Our focus is on the following key points: <ul style="list-style-type: none"> Fair employment practices with no discrimination Local country employment laws and regulations are followed Stringent occupational health and safety measures in place and updated regularly Proper grievance and whistleblowing procedures in place with assurance of confidentiality and appropriate actions taken Improve internal communication and sharing of updates amongst the countries and subsidiaries. 	<ul style="list-style-type: none"> Employee rights and benefits Career development Job satisfaction Updates and sharing of news from headquarters, subsidiaries and other countries. 	<ul style="list-style-type: none"> Quarterly company newsletter Halcyon Days Annual performance review and feedback sessions Training and development programmes Email communication for significant events Whistleblowing policy in place with a dedicated email Empowering team leaders in managing their teams CEO Townhalls in headquarters as well as in other countries Company-wide open-door policy CSR activities and social activities Collective bargaining agreement with factory workers 	We have a Global Employee Policy that is updated regularly. We will continue to improve our employee training and new employee induction programmes based on feedback received. We are aware of the gender inequality at the production level and hence, have an active women empowerment programme in Africa with the hire and training of female tappers and budders. In 2017, we developed more content for our company newsletter Halcyon Days and for 2018, we expanded the number of pages to double that of 2017 with more relevant content. The objective is to share our success stories and know our colleagues better across the businesses, subsidiaries and countries across the world.
Our Customers	Our customers expect transparency and accountability from us. They also demand consistent quality and efficient delivery. Our customers also care about CSR and the environment in which we operate. We acknowledge their sustainability policies on top of drawing up our own policies. We engage with our customers on issues such as the environment and sustainable sourcing. We address these issues head-on with our customers if a concern is raised. Our customers also conduct on-site assessment of our factories and plantations using their own criteria.	<ul style="list-style-type: none"> Quality and price of the product Supply chain resilience Corporate Social Responsibility (CSR) risks Environment risks Sustainable policies Criticisms from NGOs 	<ul style="list-style-type: none"> On-site assessment of our factories and plantations at their own timeframe Networking sessions hosted by industry associations three to four times a year Daily communication via phone and emails Meetings with customers periodically Customer letters to address issues and concerns raised Media releases on NGOs' criticism and posted on our website and updated as and when needed 	We are reviewing our sustainability policy and will align with our customers' sustainability policies. We have explored areas for collaboration on CSR and sustainability initiatives and will continue to do so. We continue to engage with our customers and continue to be transparent about concerns and issues raised by external parties. We posted our responses to criticisms from NGOs on our website and will continue to update as and when needed. We will share more in our next report.
Our Community	Our plantations and factories are located within communities. When we hire workers for our plantations, we provide full housing for the whole family and provide subsidised services such as medical care. We build health clinics and social areas for community activities. We help with infrastructure and provide support for basic needs. We conduct health screening and provide support for education. Our goal is to constantly improve working and housing conditions, provide relevant skill set training and generally be active in community development. We provide community support through various activities (time, social and monetary support). We ensure the odour from our factory is within limits. We initiate FPIC processes with local communities.	<ul style="list-style-type: none"> Well-being of the local community Land rights Odour from factories Environmental concerns from discharged water and air emissions Poor road infrastructure Lack of social support 	<ul style="list-style-type: none"> Education campaigns on health issues (e.g. malaria and anti-drug workshops) throughout the year CSR programmes (activities with social investment) throughout the year Infrastructure projects (build or repair) when needed Meetings with community leaders or social development programmes regularly 	We will continue our community engagement programmes at the discretion of the local country manager. We expect to grow the number of engagement programmes by at least 20% in 2018. We will keep better track of the hours and monetary investments for more transparency. We will have a robust sustainability policy in place in late 2018. Our factories have air scrubbers to ensure emissions meet regulatory requirements. Our treated waste water is recycled to factory operations. Sludge from wastewater treatment process is used as fertilisers and distributed to farmers. We started installing solar power in some villages in Africa and are also looking to install them in our Malaysian factories in 2018.
Our Suppliers	Our suppliers consist of agents, dealers and intermediaries throughout the supply chain. Our goal is to work in partnership on issues that matters (e.g. traceability, fair pricing, environment protection, agricultural practices and techniques, infrastructure issues, health & safety concerns, financing and market information).	<ul style="list-style-type: none"> Market price Market access Low rubber prices Education about how to prevent diseases Pesticides and fertilisers usage 	<ul style="list-style-type: none"> Sharing best practices when needed Training on health & safety and environment protection Training on proper usage of agricultural methods, pesticides and fertilisers These programmes are conducted as and when needed throughout the year 	We have started working on some initiatives with our suppliers such as digitisation development and traceability. More details will be shared in our next sustainability report.

SUSTAINABILITY AT HALCYON AGRI

STAKEHOLDER GROUPS	IMPACT AND SIGNIFICANCE	KEY TOPICS AND CONCERNS RAISED	METHOD OF ENGAGEMENT AND FREQUENCY	ACTION PLAN 2017/2018 KEY INITIATIVES
The Smallholders	90% of rubber comes from 6 million smallholders and hence, they merit a section here. At current market prices, these smallholders supporting their family can barely achieve minimum wage. Unless their livelihoods are protected, they could move away to more lucrative cash crops, affecting the long-term supply of natural rubber. Given persistent low price levels, it is highly unlikely that smallholders will replace ageing or sick trees with new rubber trees.	<ul style="list-style-type: none"> • Sustenance of livelihoods • Well-being of the local community • Land rights • Low rubber prices • Child labour • Market access • Low yield • The onset of leaf disease • Lack of knowledge to combat diseases • Poor road infrastructure • Lack of social support 	<ul style="list-style-type: none"> • Group meetings and discussion as and when needed, direct or via agents • Sharing best practices when needed • Training on proper usage of agricultural methods, pesticides, and fertilisers as and when needed • RUBBERWAY project 	We intend to increase engagement with the smallholders to obtain feedback and ascertain their needs. We hope to have robust programmes to provide guidance on best plantation management practices and also the socialisation of sustainable standards and practices. Our goal is to help them improve their yield, provide access to better seedlings and provide market information on the rubber industry. We will extend RUBBERWAY to smallholders in more remote locations. We repair and build roads for accessibility. We educate them to ensure their children are provided with full access to education.
Regulatory bodies, governments, industry associations and certification bodies	We keep a close relationship with this sector to maintain total legal compliance to local and national regulations. We ensure compliance and review results for certification and re-certification audits. We attend group discussions with industry associations to receive updates or provide feedback on development and policies changes.	<ul style="list-style-type: none"> • Timely disclosure of sustainability issues • Compliance with rules and regulation • Regulatory updates • Renewals of certifications 	<ul style="list-style-type: none"> • Site assessments once a year or as needed to update our certifications • Group discussion and meetings periodically • Attend conferences and speaking at conferences annually • Communication of sustainability and business updates in our Annual Report, Sustainability Report and website • Press releases posted on our website • A dedicated section on Sustainability on our website 	We will continue to engage with the relevant groups at least annually and provide updates via meeting notes and emails and website updates. Our end goal is to demonstrate that we are a good corporate citizen, balancing economic development, returns on investment and minimising our impact on the environment and the communities where we have operations.
The financial community: financial institutions, investors, regulators, analysts and shareholders	We recognise that effective communication with investors will assist the creation and maintenance of an informed market, and enhances corporate governance by encouraging a culture of transparency in relation to its corporate activities and proposals. We employ various platforms to effectively engage the shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Our Board and Management team play a significant role and are fully engage with the financial community. Our aim is to disclose pertinent and accurate information to shareholders and other prospective investors in a balanced, effective and timely manner, and in clear and plain language.	<ul style="list-style-type: none"> • Financial performance • Risk management, compliance with laws and regulations • Transparency and comprehensive reporting • Ethical business practices • Timely disclosure of sustainability information 	<ul style="list-style-type: none"> • A dedicated Investor Relations team which acts as an intermediary between the Group and its investment community • AGM and EGM serve as important platforms for shareholders to communicate directly with the Board • Material updates, quarterly financial statements, press releases and presentation slides are released on SGXNET and uploaded on our websites • Quarterly analysts briefing after the release of financial results • Senior management meetings with investors, analysts, and the media • Channels include conference calls, roadshows and industry conferences organised by major brokerage firms throughout the year • Quarterly company newsletter – Halcyon Days, which publishes the Group's achievements and business updates 	We treat all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' rights. Our purpose is to allow an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications. We will continue to present a balanced and understandable assessment of the Group's performance, position and prospects to the public, to enable the investment community and other stakeholders to better understand the business and operations of the Group.
The Civil Society	As a plantation owner in countries with tropical forests where only rubber can be found, it is inevitable that we would be faced with criticisms from some NGOs. Concerns include deforestation, land rights, FPIC processes and biodiversity conservation. It should be noted our concerns are much broader and include issues such as minimum wage, smallholders' livelihoods, child labour and community development. We have addressed some of the criticisms raised in open responses as well as in customer letters. At the same time, as part of our own sustainability practices, we have initiated actions to address some of these issues in 2018.	<ul style="list-style-type: none"> • Deforestation • Land and indigenous rights • FPIC process • Biodiversity conservation • Political affiliations 	<ul style="list-style-type: none"> • Open responses posted on our websites as and when needed • Communication and meetings with NGOs periodically and scheduled on some of our plantations 	We will continue to discuss overall sustainability standards, strategy and implementation, potential collaboration with partners on conservation projects, reforestation and HCV and HCS management and monitoring. We are reviewing our sustainability policy to cover broad issues and we have projects to address traceability and fair pricing in 2018. We have no political affiliations with any party and will never have any affiliations or make any political donations.

CASE STUDY: Mapping of the supply chain in Indonesia with RUBBERWAY

As mentioned in our 2016 Sustainability Report, we took several measures to enhance our upstream traceability to map our supply of the raw materials in Indonesia. As the largest exporter of SIR in the world, we want to ensure our raw material supply is not produced or sourced at the expense of social and environmental indicators. With this in mind, we partnered with Michelin's RUBBERWAY, a mobile app that assesses CSR practices along the supply chain, be it the agents or intermediaries we deal with, or the smallholders where we sourced our raw material. We also track our CSR practices at our factories. A simple questionnaire consisting of key performance indicators is to be filled up, and the data collected confidentially. Indicators include key issues facing the stakeholders along our supply chain. Key indicators include working hours, health & safety concerns, grievance mechanism and agriculture training, to name a few.

RUBBERWAY Progress Report



Partners: Michelin, Halcyon Agri, GAPKINDO, BSR, SMAG

The overall CSR performance is derived based on the key themes of 'Respecting People', 'Traceability & Transparency', 'Protecting the Environment' and 'Agricultural Practices'. These themes were further drilled down and scored on sub-themes such as biodiversity & deforestation, decent & minimum wages, working hours, health & safety, child labour and grievance systems. The higher the percentage score, the better the CSR performance.

There have been many challenges during the process, and the complexity of the natural rubber supply chain cannot be under-estimated. Smallholders account for more than 80% of natural rubber production, with some located in remote areas with no internet. The results from our survey is not sizeable enough to provide meaningful data for us to develop a concrete action plan to address the concerns raised.

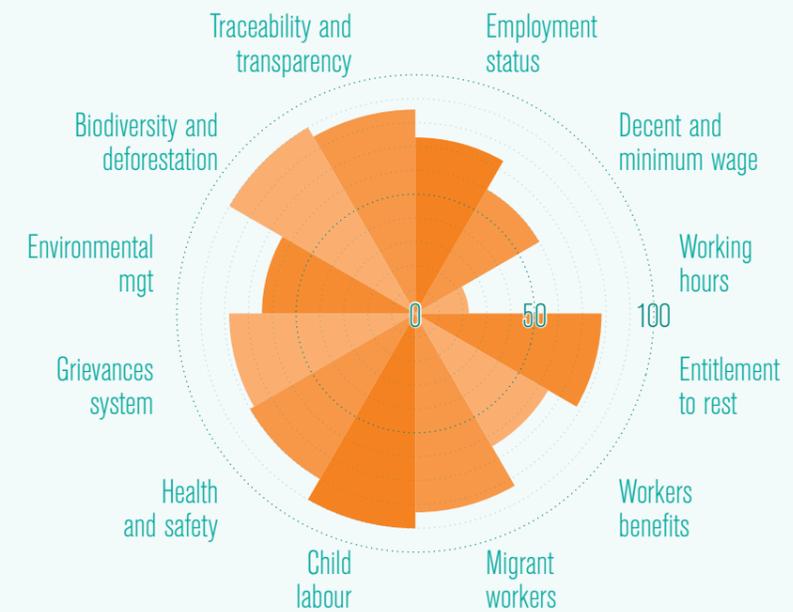
The challenges faced by each group will be addressed by both Michelin and Halcyon Agri once a significant sample size of at least 1,000 questionnaires have been completed, especially with smallholder farmers.

Overall, the score for the issues across the supply chain mentioned in the questionnaire are above 50% and considered average or high. One exception is the working hours which scored below 50%. Long working hours are a common occurrence in the agriculture industry. Halcyon has a strict policy about the number of working hours and abides by local labour laws and legislation for hours and wages for overtime. However, poverty is a major concern in Indonesia and workers generally would want to work extra hours during seasonal periods where wages are significantly higher than their standard monthly wages. Please refer to our *blog* to understand the minimum wage issue for smallholders in Indonesia.

Overall CSR Performance across our Supply Chain



Factories Key Performance Indicators and Action Plan



MOST IMPORTANT CHALLENGES

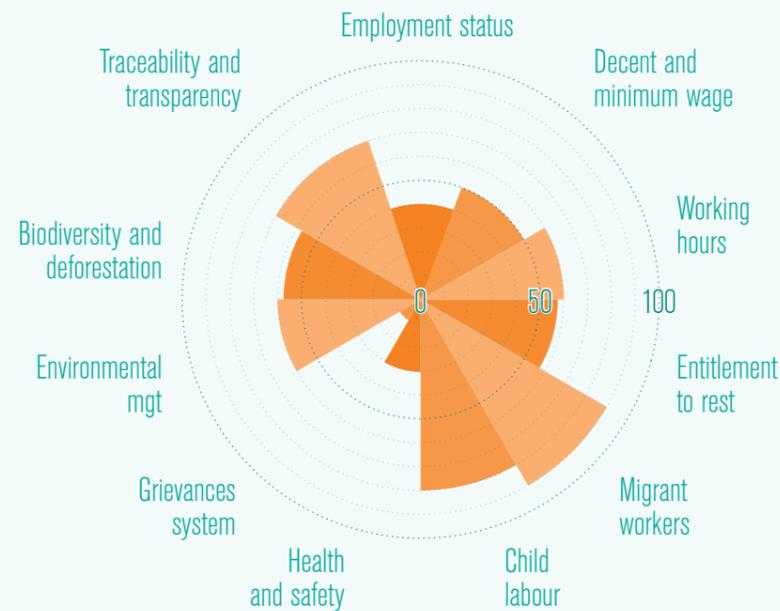
- Lack direct access/communication with rubber farmers
- Knowledge about marketing systems to obtain the best price
- Lack of knowledge on rubber quality
- Health and safety
- Insufficient infrastructure (roads, other)

PROPOSED ACTION PLAN

- Enhance interactions with farmers by facilitating field trips to villages and conduct consultation sessions
- Training on rubber trading and dealing activities and market pricing of natural rubber
- Training on quality standards for the procurement of natural rubber
- Conduct more training sessions on health & safety best practices
- Increase accessibility to factory by building/repairing roads

CASE STUDY: Mapping of the supply chain in Indonesia with RUBBERWAY

Intermediaries Key Performance Indicators and Action Plan



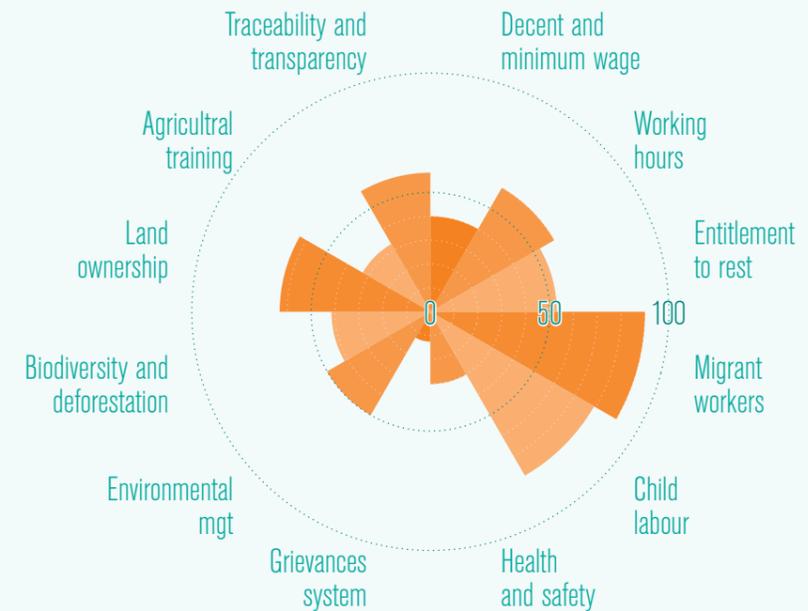
MOST IMPORTANT CHALLENGES

- Training to improve rubber quality
- Information on marketing systems to obtain the best price
- Training about proper fertilisers/pesticides
- Training on health and safety
- Access to affordable inputs (clones, fertilisers, chemicals)

PROPOSED ACTION PLAN

- Training on best tapping practices to increase quality of natural rubber
- Training on rubber trading and dealing activities and market pricing of natural rubber
- Training on best practices for fertiliser and pesticide application
- Training on health & safety best practices
- Facilitate access to dealers of clones and fertilisers to obtain bulk or discounted pricing

Smallholders Key Performance Indicators and Action Plan



MOST IMPORTANT CHALLENGES

- Training to improve rubber quality
- Information on marketing systems to obtain the best price
- Training on how to select and make good use of planting material (clones)
- Training about proper fertilisers/pesticides
- Training on prevention and elimination of rubber free diseases

PROPOSED ACTION PLAN

- Training on best tapping practices to increase quality of natural rubber
- Training on rubber trading and dealing activities and market pricing of natural rubber
- Training on clone species and clone selection for planting
- Training on best practices for fertiliser and pesticide application
- Training on best practices on disease prevention and elimination

The RUBBERWAY project will continue in 2018 to map our smallholder supplier base and to further understand the issues they face. This year, we plan to expand RUBBERWAY to our factories in Rantau Prapat, our new factory in Bintan and possibly one factory in Ivory Coast.

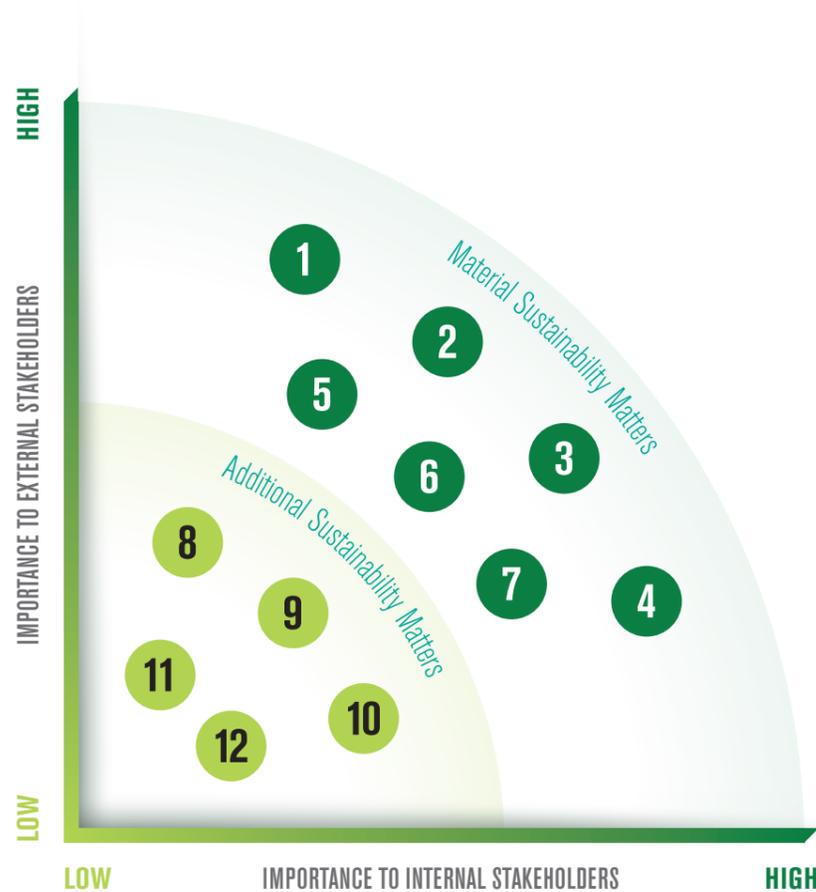
At the same time, we are working on an offline version of the RUBBERWAY application that allows the questionnaire to be rolled out in areas without internet connectivity. The idea is to reach out to more smallholder farmers directly in remote areas further up the supply chain. We will be conducting training to our factory team members to reach out to the smallholders via our relationships with the intermediaries for them to roll out the offline questionnaire application.

SUSTAINABILITY AT HALCYON AGRI

Materiality Assessment

We performed a peer benchmarking assessment of sustainability-related disclosures to generate a list of potential material matters. Subsequently, each business and department head, facilitated by our external sustainability specialist, deliberated and prioritised on the most material sustainability matters. The prioritisation took into consideration the opinions of our stakeholders through a materiality assessment workshop. The material sustainability matters shown here are approved by the Board and the Board will continue to manage and monitor these issues..

Halcyon Agri's Materiality Matrix



#	Material ESG Factors	Mapped GRI Aspects	Location in the Report
1	Volatile, Low Rubber Prices and Industry Sustainability	Management Approach 2016	Future proofing the rubber industry through restoring of fair prices
2	Responsible and Traceable Supply Chain	Management Approach 2016	Managing a Responsible and Traceable Supply Chain
3	Occupational Health & Safety	Occupational Health & Safety 2016	Environment, Occupational Health & Safety
4	Water & Effluent Management	Water 2016 Effluents & Waste 2016	Water and Effluent Management
5	Community Investment and Empowerment of Local Communities	Indirect Economic Aspects 2016 Local Communities 2016	Community Investment and Empowerment, Local Community Engagement
6	Biodiversity Protection and Conservation	Biodiversity 2016	Biodiversity Protection and Conservation
7	Delivering Premium Sustainable Product Offering	Management Approach 2016	Converting Rubber from a Commodity to a Customer-centric Product
8	Forced and Child Labour	Management Approach 2016	Managing a Responsible and Traceable Supply Chain
9	Energy Consumption and Management	Energy 2016	Managing our Energy Consumption and Greenhouse Gas Emissions
10	Ethical Business Conduct	Anti-corruption 2016	Ethical and Responsible Business Conduct
11	Regulatory Compliance	Environmental Compliance 2016 Socioeconomic Compliance 2016	Regulatory Compliance
12	Fair Employment Practices and Employee Well-being	Employment 2016	Developing our Human Capital

SUSTAINABILITY AT HALCYON AGRI

Risk Management

Our approach to risk management is defined in our 2017 Annual Report on page 40. We also have the following policies in place to manage risk at the operational factory level:

- Industrial and quality standards
- Occupational Health & Safety
- Environmental and social (or Halcyon Global Village)
- Supply chain security

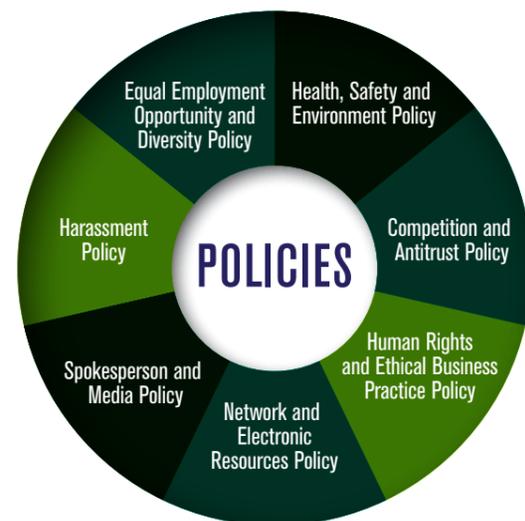
These policies are described in depth under section five on [page 23](#) where we discussed HEVEAPRO.

Our Global Employee principles (updated in April 2018), as well as our soon-to-be-published Sustainability Natural Rubber Supply Chain Policy, include the following principles on managing the associated risks:

- Investor relations: We communicate openly and directly with our investors, shareholders and to the media. We hold quarterly briefings and roadshows, annual general meeting, extraordinary general meetings and have a dedicated team
- Health, safety and environment: To maintain a safe and healthy working environment, provide good health benefits and conduct fair employment practices compliant with local laws and legislation
- Equal employment opportunity and diversity: We practice equal treatment regardless of race, gender and nationality
- Environment considerations: No-burn policy, protection of High Conservation Value (HCV), High Carbon Stock (HCS) and complying with local regulations and customary rights, and emission standards around our factories and plantations
- Responsible supply chain: Our HEVEAPRO promise to our customers

Maintaining Sound Corporate Governance

Sound corporate governance is pivotal to sustainable growth and the continuous success of Halcyon Agri. We are committed to upholding the highest standards of corporate governance to create long-term shareholder value. Under the Board of Directors' (the Board) leadership, our six key capitals – financial, manufactured, intellectual, human, social and natural capital are allocated efficiently and productively in the best interests of our shareholders and other stakeholders. We are guided by a set of sound corporate governance policies that act as a solid foundation for good corporate governance.



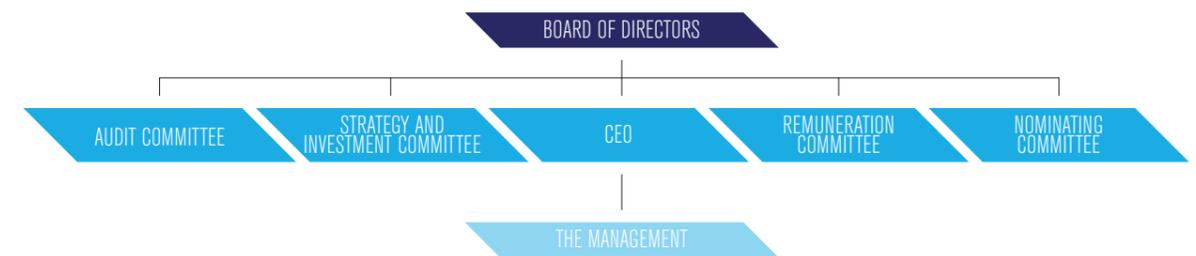
Halcyon Agri's Suite of Policies

At Halcyon Agri, 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 can be found in our 2017 Annual Report on pages 45 to 64.

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 the 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 Singapore Exchange (SGX) sustainability reporting requirements, ultimately remains with the Board.

Halcyon Agri's Governance Structure



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 Committee – 2018

In June 2018, we proceeded with a Sustainability Committee that includes experienced senior management from Halcyon Agri and its subsidiaries. While each committee member has his or her responsibilities and projects set out for the rest of 2018 and beyond, the role the Sustainability Committee plays is to ensure that the projects are aligned with the overall sustainability objectives. We will discuss this more in our next report.

Sustainability Committee 2018



SUSTAINABILITY AT HALCYON AGRI

Ethical and Responsible Business Conduct

At Halcyon Agri, we act with integrity, fairness and transparency and we do not tolerate corruption in any form, whether direct or indirect. Our business principles underpin how our corporate culture delivers healthy growth and positive contributions to our 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 our principles by undertaking declarations of commitment to integrate these principles in 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



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 2016, we maintained an unblemished record of zero confirmed cases of corruption in 2017. To promote ethical business practices, 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 that an investigation is instituted followed by the appropriate actions. We continue to target for zero lapses in business ethics and employee conduct. In 2017, there was one grievance case with regards to our Sudcam operations which we have addressed in our [open letter](#) posted on our website. It is still a significant improvement from 2016.

Grievance/Whistleblowing/Corruption Cases

Focus Areas	2016	2017	2018
Grievances	4	1	Target: 0
Corruption	0	0	Target: 0
Whistleblowing	0	0	Target: 0

Regulatory Compliance

We recognise the risk of regulatory penalties and 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 2017, we did not record any material breaches of relevant laws and regulations in our respective jurisdictions of operations.

Halcyon Agri's Regulatory Compliance Cases

Focus Areas	2016 Performance	2017 Performance	2018 Target
Corporate Governance and Economic Aspect	0	0	To maintain 0
Halcyon Agri Products	Zero cases of non-compliance	Zero cases of non-compliance	Zero cases of non-compliance
Environmental Aspect			

DELIVERING PREMIUM SUSTAINABLE PRODUCT OFFERING

Managing a Responsible and Traceable Supply Chain

Our goal is to develop products that are of high industrial and quality standards, as well as environmentally and socially responsible. These themes form the core of the HEVEAPRO promise to our customers. We assess not only our final products but also the entire value chain culminating in the final product delivered to our customers. We strive to ensure that our raw materials are sourced sustainably, and we periodically visit our smallholders' plantations to provide advice on best practices in agroforestry and agricultural management skills. In 2018, we are also focusing our efforts to improve the traceability of natural rubber through our smallholder and agency networks.

We are creating our Sustainable Natural Rubber Supply Chain Policy and its key principles to serve as a guide for developing a long-term, sustainable supply chain ecosystem that encompasses smallholders, plantations, intermediaries and agents, our factories and trading companies, as well as third-party factories and trading companies. The policy will be published in the fourth quarter of 2018 after the Board's approval.

We have signed a memorandum of understanding with Continental and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in December 2017 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. An electronic system will be developed to ensure full traceability of the raw material along the entire supply chain.

Over in Bintan, Halcyon is currently conducting a trial project for a mobile-based technology to track and trace the raw material supply network. The project allows the location of all the smallholders to be geo-tagged with a dashboard that can be customised. Two-way communication is established with the farmers/smallholders and through the app, administer questionnaires for the farmers to answer and submit. An example of a question is to ask the farmers to commit to a code of conduct relating to no-child labour. The trial has been underway since the second quarter of 2018, and at present, we have mapped out close to 300 farmers with a total land area of approximately 1,200 hectares.

We will provide updates in our 2018/2019 Sustainability Report.

Converting Rubber from a Commodity to a Customer-centric Product

Rubber is a universal resource used in many different types of products. From household and medical products such as medical gloves, adhesives, waterproofing and roofing materials; to industrial products such as expansion joints for highways, paving components, gaskets to o-rings; and to the largest buyers of the product, the transportation sector for tyres manufacturers and vehicle producers. The raw material is processed specifically for each type of product and customised for each customer. It should not be treated as a commodity.

With the understanding that not all rubber is created equally, we developed a brand of natural rubber that represents our commitment to the highest standards, produced sustainably and responsibly.

Since 2015, we have developed our flagship HEVEAPRO brand of natural rubber built on the four core principles of Industrial & Quality Standards, Occupational Health & Safety, Halcyon Global Village that encompasses the environment, CSR and social investment and lastly, Supply Chain Security. These principles are spelt out in the HEVEAPRO section in our website [here](#). By purchasing the HEVEAPRO brand of natural rubber, our customers can be assured that they have a premium product at the highest quality standards and sourced responsibly. Through HEVEAPRO, we aim to be the market leader in driving not just innovation, but also sustainability.

DELIVERING PREMIUM SUSTAINABLE PRODUCT OFFERING

While we have our exacting standards in production, certification of these standards is also important to ensure our factories adhere to these standards. In 2017, we started the process of attaining external certification for our HEVEAPRO processing platform to provide additional assurance to our customers that our product is produced in compliance with our operating framework. Thus, we engaged TÜV SÜD, an independent premium quality, safety and sustainability solutions provider from Germany that focuses on vehicle safety, testing and certification at every stage of the automobile value chain, as our external auditor of these standards.

2017 focus was on TÜV SÜD certification for the three principles of Industrial & Quality Standards, Occupational Health & Safety and Supply Chain Security. TÜV SÜD audits all our HEVEAPRO factories using a stringent 900-point check system, and at present, we have certified 80% of our factories with TÜV SÜD and will continue to do so with all new factories acquired in 2018.

2018 will see our factories being audited by TÜV SÜD for social responsibility under the pillar of "Halcyon Global Village". There will be a detailed checklist covering areas of fair operating practices, fair labour practices, social investment and human rights.

HEVEAPRO Driving Industry Standards



Driving industry rationalisation by leading higher standards and creating value for customers through customisation of products

ISO Management Systems and C-TPAT

Almost all of our factories are ISO 9001 certified and by the end of 2018, we aim to have all of our Indonesian factories certified to ISO 14001:2015. We will also begin implementation of the new ISO 45001:2018 Occupational Health & Safety management system standards by the end of 2018 and factories with OHSAS 18001 certification will upgrade to ISO 45001:2018. We aim to have all of our factories certified to ISO 45001:2018 by the end of 2020. One of our Malaysian factory's in-house laboratory is certified to ISO 17025. Most of our Indonesian factories have Customs-Trade Partnership Against Terrorism (C-TPAT) accreditation to facilitate the export of our products to the United States. Our Indonesian factories have also obtained SNI (Indonesian National Standard) certification that ensures that safe and quality products are sold on the Indonesian market.

ISO Management Systems and C-TPAT Factories

Country	Name of Factory	ISO 140001	ISO 9001	ISO 18001	C-TPAT Certification	Rating
China	BX (Jinghong)	•	•	•		
	BX2M (Manme)	•		•		
	BX3T (Mantang)	•		•		
	BX4L (Menglong)	•		•		
	BX5R (Mengrun)	•	•	•		
	AX (Hainan)	•	•			
	CX (Hainan)	•	•			
Africa	TRCI (Ivory Coast)		•			
	ITCA (Ivory Coast)		•		•	
	Hevecam (Cameroon)		•			
Malaysia	HKB 1 & 2 (Perak)	•	•	•		Gold
	JJ (Euroma Kedah)	•	•			Platinum
Thailand	TBH H6 (Narathiwat)		•			
	TBH H7 (Pattani)		•			
	TBH H2 (Yala)		•			
	TBH H8 (Surat Thani)	•	•	•		
	TBH H1 (Thung Song)	•	•	•		
Indonesia	SCM (Hock Lie Rantau Prapat)		•		•	
	SDH (Hock Lie Sunggal)		•		•	Silver
	SCX (Hok Tong I)		•		•	Gold
	SGO (Hok Tong II)	•	•		•	Gold
	SDR (Hevea Mk I)	•	•		•	Gold
	SEA (Hevea Mk II)	•	•		•	Gold
	SDQ (Remco Palembang)		•		•	Silver
	SCY (Sunan Rubber)	•	•		•	Gold
	SBG (Remco Jambi)		•		•	Silver
	SGB (Hevea GE Jambi)		•		•	
	SCL (Hok Tong Jambi)	•	•		•	Silver
	KAZ (Hok Tong Pontianak)	•	•		•	Silver
	KBM (GMG Sentosa Pontianak)		•			Gold
KBQ (Bumi Jaya Tanjung)	•	•			Gold	

- Does not include factories acquired in 2017.

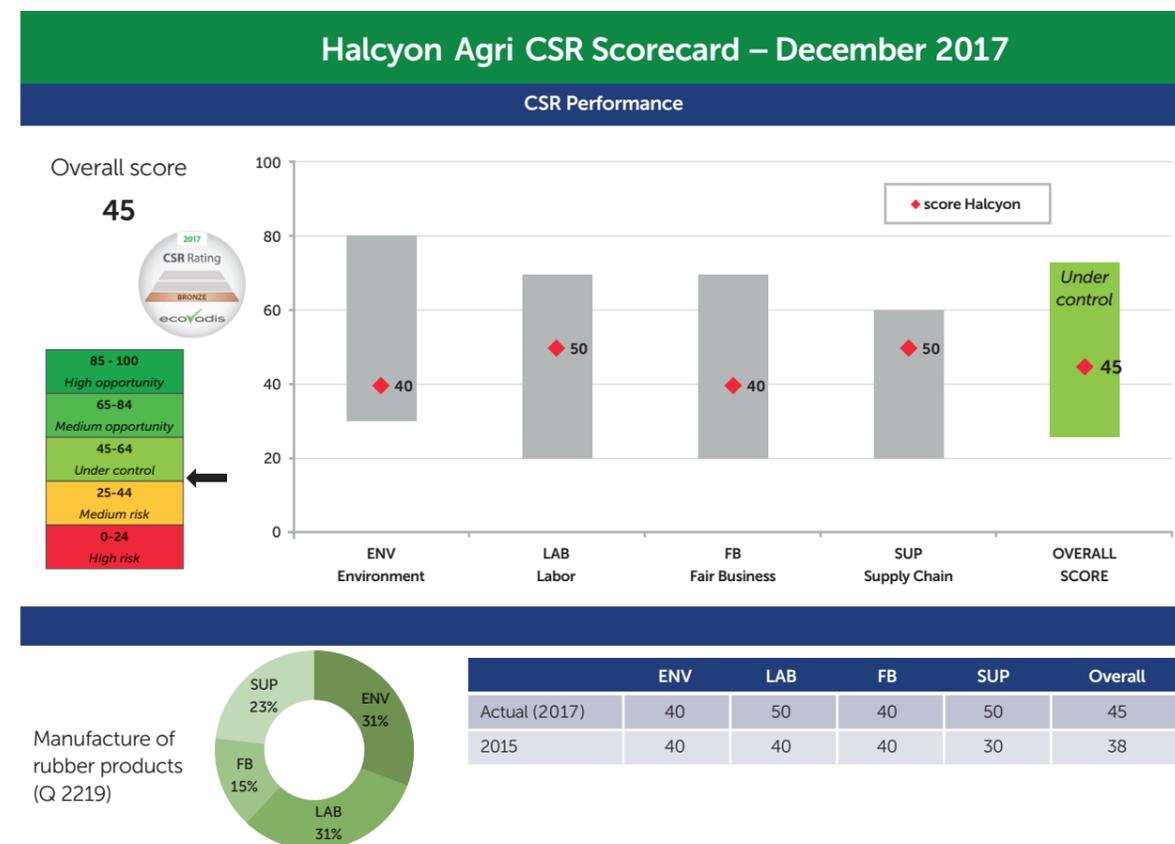
DELIVERING PREMIUM SUSTAINABLE PRODUCT OFFERING

EcoVadis

EcoVadis operates the first collaborative platform providing Supplier Sustainability Ratings for global supply chain managers. Since its founding in 2007, EcoVadis has become a trusted partner for procurement organisations in more than 150 leading multinationals worldwide. Combining People, Process and Platform, EcoVadis has developed the industry-leading team, innovative technology, and a unique CSR assessment methodology that covers 150 purchasing categories, 110 countries, and 21 CSR indicators. More than 30,000 companies use EcoVadis to reduce risk, drive innovation and foster transparency and trust between trading partners.

Some of our customers have requested that we undergo EcoVadis assessment. We attained an overall score of 45/100 with a Bronze rating in 2017, a marked improvement of our earlier score of 38/100 in 2015. We have performed well in the supply chain category due to our implementation of the RUBBERWAY program with Michelin. We fell short in the category of the environment in relation to other Michelin suppliers. For the next assessment in 2019, we aim to obtain a minimum Silver rating by enhancing our policies on fair business and labour practices. We also plan to publish our sustainability policy and supplier code of conduct by the end of 2018 and improve the data collection process for key environmental parameters.

Our CSR Scorecard with EcoVadis



DEVELOPING OUR HUMAN CAPITAL

As a company that owns plantations and factories in most rubber producing countries in China, Southeast Asia and Africa, we do have a culturally rich workplace. Our sales and distribution offices across Asia, Europe and USA together with our head office in Singapore add to our rich pool of diversity at the workplace. The type of work we do covers a wide range of skill sets from production workers, laboratory technicians, office workers, sales persons, logistics coordinators and managers, to name a few. The diversity of skill sets, cultures and nationalities, set the tone of our mission statement and values. We have one Global Employee Policy accessible to all employees, and we are compliant with local country rules, regulations and legislation.

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

Our Values

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



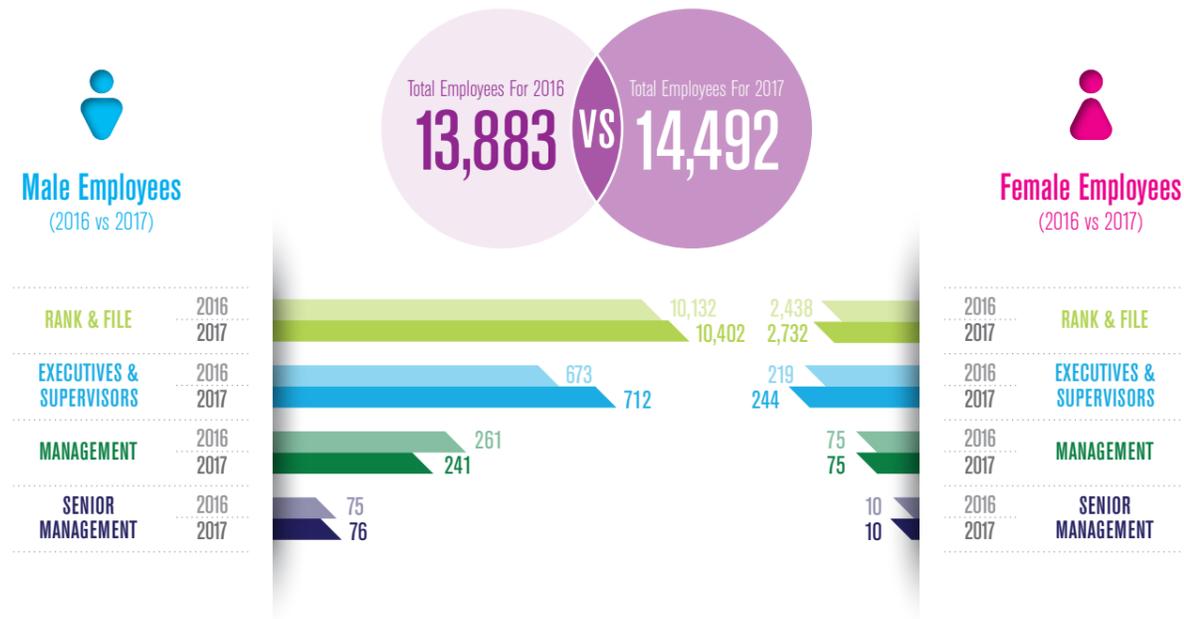
DEVELOPING OUR HUMAN CAPITAL

Employee Demographics

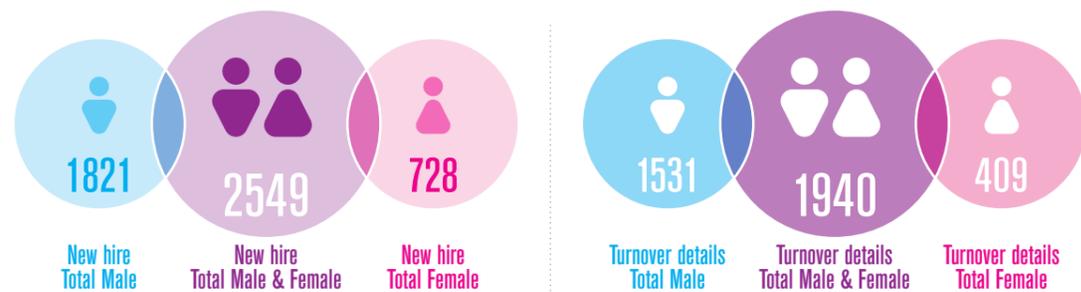
2017 was focused on keeping our staff strength stable after the significant jump in employee numbers in 2016 driven by mergers and acquisitions. 2017 was also a busy year as we initiated acquisitions for the various distribution houses in Europe and the USA as well as new factories in Indonesia. We saw a jump of 4% in staff strength overall. As part of our female empowerment strategy, we also saw a jump of an average of 11.5% for female employees across the different categories of employment (full time vs part time, permanent vs temporary contracts) and as well as across the job scopes (rank and file, executives/supervisors). This jump is significant considering the nature of the job at the factory or production level, which traditionally attracts male rather than female workers. Management and Senior Management's male to female ratio remain constant.

We expect 2018 to end with higher employee numbers as the acquisitions were completed early this year.

Breakdown by Employees Category and Diversity (2016 vs 2017)



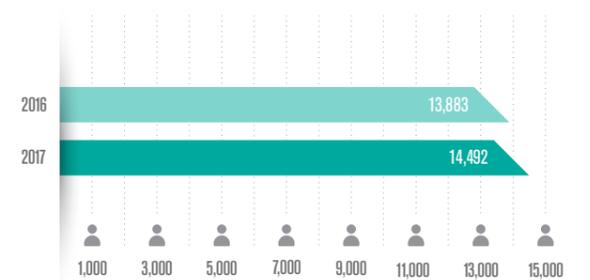
2017 Employees Hire at Halcyon Agri



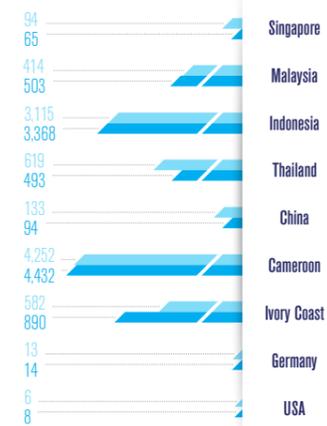
Significant Variances (2016 vs 2017)



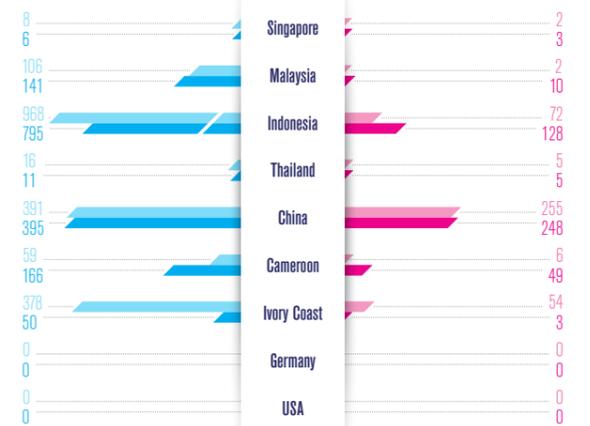
Employment Contract 2016 vs 2017 (Total Employees)



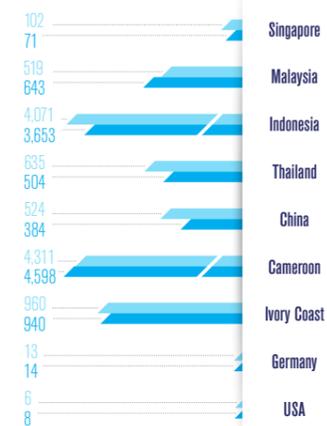
Permanent Contract 2016 vs 2017 (Countries)



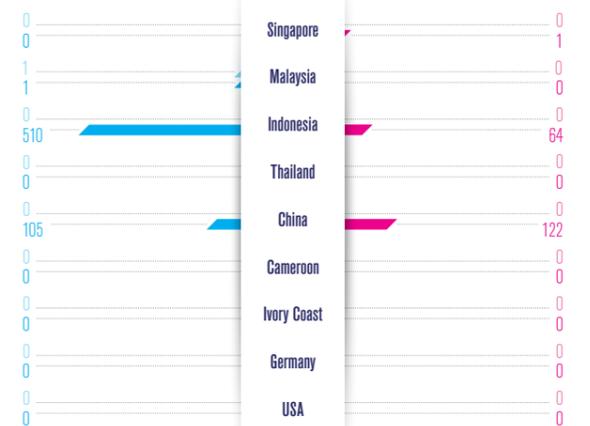
Temporary Contract 2016 vs 2017 (Countries)



Full-Time Employment 2016 vs 2017 (Countries)



Part-Time Employment 2016 vs 2017 (Countries)



DEVELOPING OUR HUMAN CAPITAL

Our Policies

Our Business Principles laid out in our employee handbook affirms our commitment to the highest standards of ethics and business conduct. We strive to maintain a culture respecting free expression consistent with legitimate business concerns and encouraging good corporate citizenship:

- Uphold corporate governance and compliance
- Maintain a safe working environment and nurture and reward colleagues
- Contribute to society and a sustainable environment
- Promote ethical business practices
- Engage responsibly with our customers, suppliers and partners with integrity

We have strict policies spelt out clearly in our handbook which are self-explanatory:

- Equal employment opportunity and diversity
- Competition and anti-trust
- Network and electronic resources
- Harassment
- Health, safety and environment
- Human rights and ethical business practice
- Spokesperson and media
- Whistleblowing and grievance

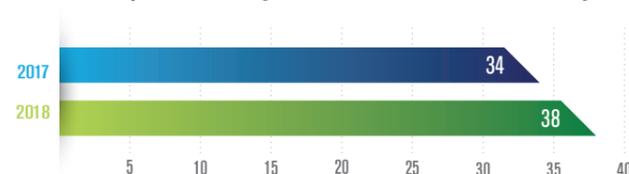
Any employee at any level of seniority or responsibility caught breaking these policies will be dealt with swiftly and in accordance with local laws. In 2017, we reported only one incident of grievance as mentioned early in this report.

Career Development and Training

We empower the head of departments to discuss with their teams on training needs to develop their career further. Our training programmes come in various forms such as daily briefings, on-the-job coaching, seminars, management courses and apprenticeships. We also encourage job rotations and opportunities to further oneself through professional qualifications. Due to the nature of our business, we place a strong focus on environmental and safety training. We equip our employees at all levels with the requisite knowledge and relevant skill sets to improve work performance. We provide training courses on safety matters such as risk assessment, 5S (Sort, Set in Order, Shine, Standardise, Sustain) training, chemical spillage response, noise and hearing protection, machinery safety and hand injury prevention, electrical safety and emergency evacuation and response drill.

Additionally, external courses on ISO 14001 audit, OHSAS 18001 audit, scheduled waste handler competency, fire emergency and first aid, are provided to the employees with managerial roles. To further support our employees' safety training, we engaged Safety Training Officers to conduct training at specified sites. While the group level data are not yet available, we have begun tracking hours of certain safety training matters and as we grow, we expect our training programmes to improve. We also extended our training programme to external stakeholders such as our contractors, in particular for the EHS Safety Induction training which covers topics such as good housekeeping, working at height and confined spaces, manual handling, hazardous materials and accident investigation.

An Example of Training Hours Recorded for One Factory



Environment, Occupational Health & Safety

We recognise that effective Environment, Health & Safety (EHS) Management is critical to the success of our business. We are committed to operate 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 EHS requirements into our business management decisions
- Continually improve our EHS performance through setting objectives and regularly monitor them
- Hold managers and supervisors accountable for the EHS performance of their facilities and departments
- Provide appropriate resources and training

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

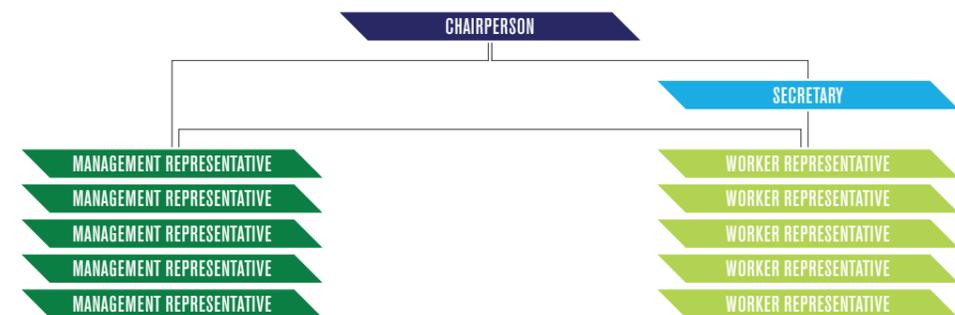
- Comply with relevant legal, industry standards and Group corporate requirements
- Administer all significant EHS risks through continual improvement in the working environment, effective and operational procedures, safe systems and methods of work
- Lead a positive organisation culture in which employees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

All employees in the organisation are responsible and accountable for achieving the objectives set out above, and are encouraged to participate in and contribute to the company's EHS management efforts.

Halcyon Agri understands the importance of forming a commitment to sustainable business practice. With more insights from our Occupational Health & Safety statistics, we can formulate effective policies and practices to ensure a safe and productive workplace for our employees. Our factories have a formal joint management-worker Occupational Health & Safety committee. The committee will:

- Assist in the development of health and safety rules and safe systems of work
- Review the effectiveness of health and safety programmes
- Carry out studies on the trends of accident, near-miss accident, dangerous occurrence, and occupational disease which occurs at the place of work
- Report any unsafe or unhealthy condition or practices at the place of work together with recommendations for corrective actions
- Review the safety and health policies at the place of work and make recommendations for any revision of such policies

Occupational Health & Safety Committee

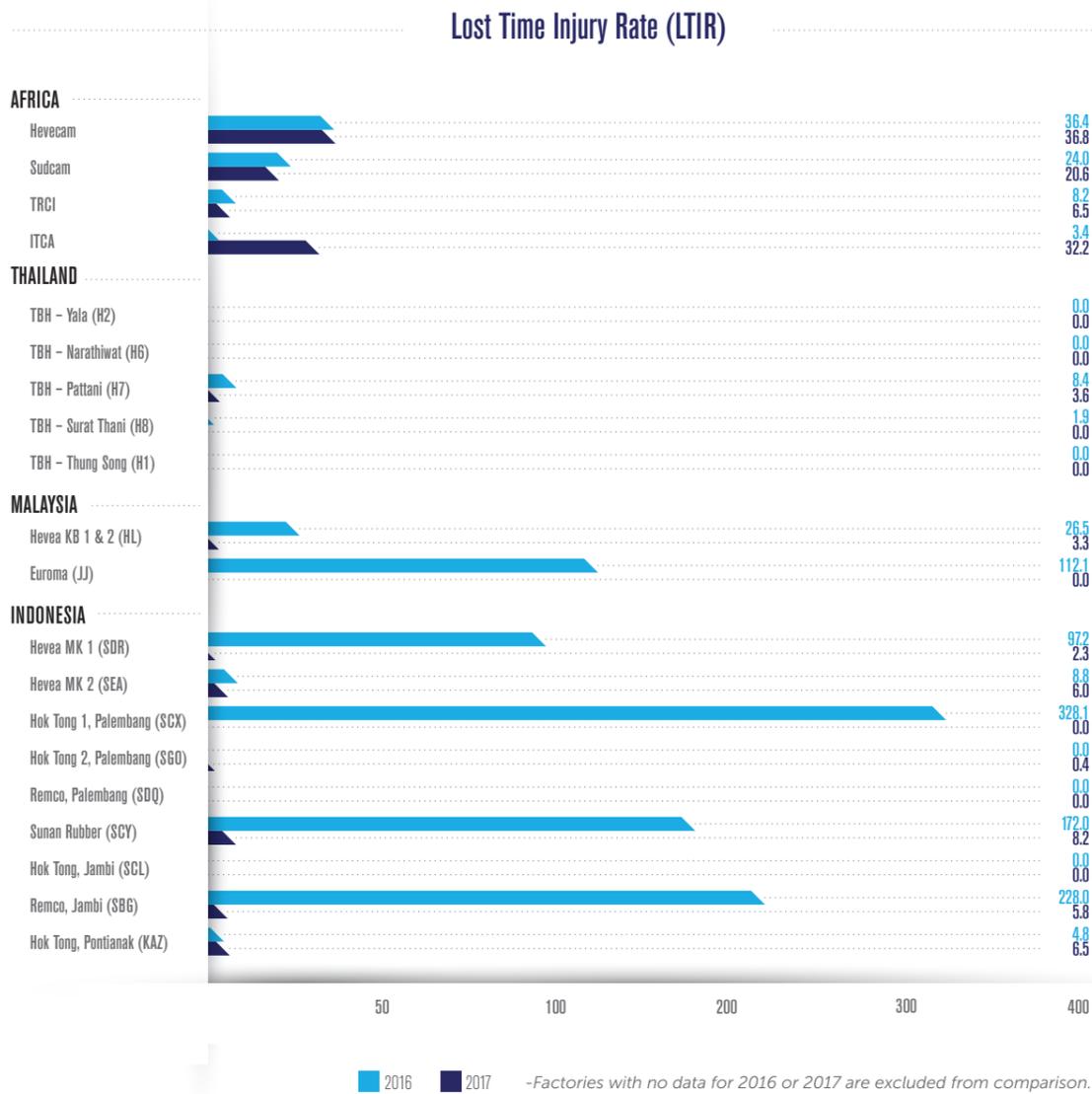


We are committed to ensuring no occupational fatalities at all. Our factories adhere to the HEVEAPRO standards audited by TÜV SÜD with regular inspection by local government agencies and customers. Hazard Identification Risk Assessment Control (HIRAC) is also carried out to identify risks, and we devise EHS management plans to reduce risk severity. We also integrate training on safe workplace practices in our daily operations.

DEVELOPING OUR HUMAN CAPITAL

Lost Time Injury Rate

There were recorded incidences of vector-borne diseases and occupational diseases in 2017. Non-fatal accidents were recorded which included injuries relating to activities such as receiving, unloading and storage of raw materials, driving vehicles, picking objects from the moving belt conveyor in the factories, slips and falls from ladders and high platforms, electric shock from armoured cables, skin ailments from handling chemicals and entanglement in chain guards. We are working to reduce our Lost Time Injury Rate through various training programmes such as personal protective equipment and safety training. While the data here does not include absentee rates, we will be including them in the next report.



	Injury Rate For the year ended 2017	Occupational Disease Rate For the year ended 2017	Lost Day Rate For the year ended 2017
Malaysia	4	0	7
Indonesia	3	0	50
Thailand	4	0	18
China	291	0	646
Cameroon	38	118	144
Ivory Coast	34	256	476
Average Rate	22	69	115

- Numbers shown are for factory and plantation operations only
- For China, numbers are for BX (Jinghong) factory only
- For Thailand, numbers are for Teck Bee Hang- Pattani (H7) factory only
- Lost day rates do not include occupational disease cases
- Minor injuries included as well
- Includes employees and non-employees as well
- Calculated using ILO methodology

We have made significant improvement in our LTIR rates in 2017. Eight factories attained a LTIR of zero in 2017 as compared to six factories in 2016. Our aim is to have at least 12 factories attain a LTIR of zero in 2018. The improvement made can be attributed to the implementation of our HEVEAPRO Occupational Health & Safety standards, a testament on HEVEAPRO's ability to redefine industry practices. We will continue to expand the HEVEAPRO Occupational Health & Safety standards to attain improvement in LTIR performances across all our factories.

We have put in measures to improve our injury rate, occupational disease rate and lost day rate. Our injury rate and lost day rate for China in 2017 is high because data was only available for BX (Jinghong) factory. This should be improved in 2018 when data is consolidated across all our China factories. We acknowledge that occupational disease rates for our operations in Ivory Coast and Cameroon are high. We aim to reduce these numbers by having targeted training for employees with higher exposure to occupational diseases in accordance to their job scopes. We also aim to reduce our lost day rates in Ivory Coast by conducting more root cause assessments on incidents that occur in our daily operations.

Workplace Fatalities

There were two workplace fatalities in 2017. One involved a third-party operator who was electrocuted in our factory in Ivory Coast. Following the incident investigation, corrective actions were undertaken to isolate the machine, and a thorough electrical installation audit was conducted by Bureau Veritas. The second incident occurred in our Sudcam plantation and involved a hydraulic malfunction of heavy machinery which resulted in a worker being trapped. Following the incident, workers and supervisors were re-trained on machinery safety. Tasks for heavy machinery inspection were redesigned, and new working instructions of heavy machinery inspections were established.

2016 Performance	2017 Performance	Target for FY2018	Action Plan
5 fatalities	2 fatalities	0 fatalities	<ul style="list-style-type: none"> Increased training on Occupational Health & Safety and increased awareness creation Improve and enhance HEVEAPRO Occupational Health & Safety standards

CASE STUDY: CHINA FACTORIES (AX, BX, CX) NOISE POLLUTION AND HAZARD IDENTIFICATION

We take Occupational Health & Safety seriously. Constant noise pollution is a chronic ailment that can result in deafness over prolonged exposure. Our operations are generally noise pollutive. Hammer mills, crushers and creper lines generate high decibels. We undertake comprehensive noise assessments in our factory areas and identify areas of high risks. Our workers in high risk areas are issued with ear plugs and noise mufflers accredited to international standards. Our factories in China, AX & CX, have invested 100,000 yuan to install two soundproof covers of pelletizers in the wet line to reduce boundary noise. This significantly lowers noise exposure to our workers by more than 40%.

In BX factory, we have invested a total of 1.74 million yuan in Occupational Health & Safety. 372,000 yuan (21.4% of total spending) was invested in the prevention of occupational disease. We also adopted Dupont's safety practices in our daily operations in BX factory. New employees are subjected to occupational health medical examinations and are put through training induction programmes. We also periodically put our employees through written examinations on their knowledge of Occupational Health & Safety.

At Halcyon, we believe in empowering our employees. In line with this, a team was put together to promote the reporting of hazards observed in factory operations to senior management. Through this bottom-up approach, a WeChat group was initiated and employees were provided with incentives to identify and report hazards through the platform. At the end of 2017, 383 potential safety hazards were identified and preventive actions were undertaken. Some of the hazards identified include a lack of safety railings around cleaning tanks. New safety railing were subsequently installed around the cleaning tanks as well as on both sides of the stairwell leading to the top of the tanks.

COMMUNITY INVESTMENT AND EMPOWERMENT

Community Investment and Empowerment

Community investment creates value for both our business and the communities living around our factories and plantations. We recognise our responsibility to people and society. Recognising this responsibility means we use our resources and influence to impact the community in positive ways. We see community investment as a key element of our business strategy, and in fostering inclusivity in the geographies we operate. Community investment activities are regularly evaluated by obtaining feedback from members of the community on an ad-hoc basis. We hope to ramp up our current community investment over the next year with a greater emphasis on our operations in Africa. We intend to implement long-term projects that impact and create value for the wider community. Moving forward from 2018, we will measure the outcomes and impact of all our community investment activities.

SEVEN PILLARS OF HEVEA PRO



COMMUNITY INVESTMENT AND EMPOWERMENT

Local Community Engagement – Highlights

Country	Activities
Cameroon	<ul style="list-style-type: none"> • Trained local Bagyeli cartographers • Trained and worked with the local community in the participatory mapping of the area • Conducted body hygiene awareness workshop • Conducted healthcare and vaccination campaigns across the villages • Distributed seedlings and clones to smallholders • Regular meetings through the forest committee with the Bantou and Bagyeli communities • Awareness and training on user rights, HCV and FPIC (Free and Prior Informed Consent) • Donated to riparian and Baka schools in Bulu township of Dja under the coordination of the head of sub-division of Bengbis • Meetings with riparian villages to establish village water point • Assist local communities with alternate incoming generating activities by enabling the rearing of white larvae (source of protein) and sale of harvested produce at weekly markets • Conducted the 4th edition of the "Travelling Bus" program in the Meyomessala subdivision. The educational programme for children is to learn about the fight against poaching and the need for conservation of flora and fauna
China	<ul style="list-style-type: none"> • Conducted and trained local rubber agro-farmers 5 times in the year to foster greater cooperation • Funded 6 surrounding villages for repair work of flood ditches, street lamps, and water supply facilities • Provided financial support for elderly care • Organised basketball tournament with nearby villages • Sponsored and participated in ethnic activities during major festivals with surrounding villages • Donated 50 sets of safety bags to the local primary school
Indonesia	<ul style="list-style-type: none"> • Conducted dengue fogging and vector control • Provided nutritional support for expectant mothers and new-borns • Provided education, teacher salary support and student bursaries • Provided food aid and donations to needy communities • Contributed to infrastructure development of pathways, roads, mosques and public cemeteries • Provided seedlings and tapping tools to local farmer groups as well as crop and fish cultivation support • Provided equipment and infrastructure support for sports facilities • Donated fertilisers (made from sludge from our wastewater system) to communities

Country	Activities
Ivory Coast	<ul style="list-style-type: none"> • Assisted 16,769 smallholders in partnership with FIRCA • Conducted 1 session of tapping training per month over 20 days with the participation of 20 learners and trained 144 farmer delegates • Built roads and buffer zone in plantation • Provided smallholder farmer technical assistance with FIRCA • Built roads and paths, constructed canteens, renovated and expanded classrooms • Provided bursaries to top students at selected high schools
Malaysia	<ul style="list-style-type: none"> • Provided training on tapping and budding for smallholder farmers • Provided packed food for 500 local residents • Donated sets of food items comprising of rice, cooking oil, sugar to families • Sponsored desktop computers to a local school • Donated tapping tools to smallholder farmers • Repaired roads in the surrounding area • Painted local mosque • Provided firefighting and evacuation training for local primary school students • Upgraded roads in Orang Asli Village • Organised annual futsal tournament with the local community • Sponsored computers for a local school • Provided raincoats and rubber boots to smallholder rubber tappers • Upgrading of fluorescent lighting in the classroom facilities of some schools in Kanthan area • Provided emergency and fire response training for orphanage home
Thailand	<ul style="list-style-type: none"> • Donated fertilisers (made from sludge from our wastewater system) to communities • Donated wares to the local community during the flood disaster • Donated to elders during Songkran festival • Donated old conveyor belts to the local temple to create a pathway for visitors

CARING FOR THE ENVIRONMENT

Biodiversity Protection and Conservation

Biodiversity is necessary for our existence as well as valuable in its own right. It provides the fundamental building blocks and biological resources for our end products. We are faced with threats to our biodiversity from land degradation, fragmentation and loss of habitat. The spread of invasive species, climate change and changes in the aquatic environment and water flow also pose a threat to our biodiversity. As an organisation that is heavily reliant on biological resources, we take an active role in protecting and conserving areas rich in biodiversity.

We have enforced a strict zero burning policy at our plantations area and comply with all relevant local legislation and codes. We will undertake every reasonable effort to continue to protect and preserve areas of high conservation value and biodiversity concentration, placing it as one of our long-term targets. To promote biodiversity protection and conservation, we engage third-party evaluation and assessment by external consultants and obtain regular feedback from local NGO groups.

In 2018, we aim to establish a long-term partnership with a reputable and well-established NGO to conduct a holistic gap analysis of our current management practices in our concessions in Cameroon. Upon the conclusion of the analysis, we would adopt landscape management approaches to enhance our biodiversity conservation and protection practices without compromising the needs of our community.

Plantation	Sudcam (Cameroon)	Hevecam (Cameroon)	JFL (Malaysia)	Ivory Coast
Land Area (Hectares)	58,931	53,267	9,844	1,580
Plantable Land Area (Hectares)	29,668	30,736	8,152	1,415
Land Area for Conservation (Hectares)	10,323	-	-	-
Environment & Social Impact Assessment (ESIA) (every 5 years)	Conducted in 2011 for North and Center concessions and implemented ESMP. Conducted in 2015 for South concession and implemented ESMP	Conducted in 2007 and 2016 Conducted in 2011	Environmental Management Plan (EMP) for Forest Enrichment Project completed in 2014	
High Conservation Value (HCV) Assessment	Conducted in 2016 with 10,323 ha of HCV1 area (rare, threatened and endangered species) identified and not developed, mainly in Centre and South	Conducted in 2016		
Other Assessments	Conducted environmental audit in 2016 to evaluate the rate of conservation of North concession and a certified conservation plan (CCP) was drawn showing that 45% of the concession was conserved. An audit is currently being carried out in North and Centre concessions to assess the ESMP of the 2011 ESIA	Both certificates granted by Rainforest Alliance for forestry activities in agriculture for Hevecam 1		

Sudcam and Dja Faunal Reserve

As our business grows, we see the increasing importance of practising sustainability across our entire value chain, including our plantations, where part of our supplies originates. A case in point is our Sudcam plantations in Cameroon.

We ensure that practical measures are implemented to mitigate the environmental consequences of extensive logging operations that preceded the development of our concessions. The planting of natural rubber results in faster restoration of carbon stocks, which were depleted from the previous intensive logging operations. We do not conduct industrial logging in our concessions. All valuable timber has been extracted by logging companies prior to planting. These logging companies are appointed by the government and not associated with Halcyon. We clean up the debris left behind, which is used as organic matter for our rubber plants.

Beyond our concessions, we also play our part in safeguarding the rich biodiversity of Dja Faunal Reserve – a UNESCO World Heritage Site located in proximity to our concessions. Sudcam sits on the inter-ministerial committee in charge of safeguarding Dja Faunal Reserve, and we have a five-year conservatory partnership with the reserve. The partnership aims to maintain the integrity of wildlife resources around our concessions and protect the value of its biosphere reserve.

While the Cameroonian government has yet to define the exact size of a buffer zone between our plantations and Dja Faunal Reserve, we have proactively maintained a buffer zone. Also, we maintain minimal disturbance in the border areas by conducting foot patrols and prohibiting our employees from entering the Reserve or the Dja River, which is a natural buffer zone. We will extend the buffer zone if necessary.

As a sign of our commitment to safeguarding biodiversity, we will continue to review ESIA and HCV studies regularly. Our upcoming ESIA review of the North and Centre concession is scheduled, and we have renewed our partnership with Dja Faunal Reserve from 2019 to 2024. Acknowledging the multiplied impact of concerted efforts, we will continue to be a member of the inter-ministerial committee and work with UNESCO and International Union for Conservation of Nature (IUCN) to protect Dja Faunal Reserve.

We have in place other monitoring measures to address key threats to areas identified as HCV. These include working closely with the local communities, implementing bio-monitoring of human activities and wildlife populations, anti-poaching patrols, staff training and management involvement, amongst other indicators.

There have been published reports by other NGOs criticising our Sudcam operations. We ask that you read our responses posted on our website [here](#).

CARING FOR THE ENVIRONMENT

Water and Effluent Management

Managing effluent is important because rubber processing requires a high volume of water for cleaning and washing raw materials. Although the process is chemical free, waste water contains higher concentrations of biological matter and suspended solids. Typically, our rubber factories are located near rivers and other water sources into which industrial waste water 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. All our facilities are fitted with state-of-the-art waste water treatment systems. The output is monitored daily for the following parameters: Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), pH, Total Suspended Solids (TSS) and nitrogen content. 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.

All waste water from the factory has to be treated to meet legislative requirements before discharge. We do not discharge chemicals used in labs into drains, water bodies or sewers. They are collected and disposed of by authorised hazardous waste collectors. We are committed to improving the quality of our effluent discharge and recycling as much water as possible back to our factory operations. The respective EHS officers and factory managers are responsible for managing the effluent discharge from our factories. All processes in managing effluents adhere to the requirements imposed by the local regulatory authorities present in the countries where our factories operate. We monitor and benchmark effluent quality, amount of water used, discharged and recycled water through our Hevea Data Centre. Our factories are also subjected to regular inspections by local regulatory authorities.

In 2018, we aim to increase our water-recycling rate to 55% from the current 49.5% in 2017 by reducing dependence on fresh water sources and ground water. We also aim to keep our effluent levels to below 10% of regulatory requirements in our respective countries of operation by improving our sedimentation period and increasing microbe dosage. In 2018, we will also start collating and reporting water usage data in our plantation operations.

Effluent Parameters

pH		BOD (mg/L)		NH ₃		COD (mg/L)	
2016	2017	2016	2017	2016	2017	2016	2017
6.95	7.15	23.06	22.37	4.0	4.45	78	59.51

- Data does not include the factories acquired in 2017 and plantation operations.

We continue to increase investment in environmental protection and effluent management technology. Our BX factory in China invested 470,000 yuan in improving effluent treatment processes. The recycling rate of water in 2017 was 91%, double that of 2016.

We invested 200,000 yuan in improving the rain and sewage diversion system of our CX factory to prevent sewage overflow. 1.66 million yuan was invested in renovating the sewage treatment system at the factory to improve the quality of recycled water. The factory also engaged professional processing institutions to handle 5.52 tonnes of hazardous waste materials. The goal of zero discharge of sewage was achieved throughout the year, and the recycling rate of water was 100%.

Our wastewater effluent parameters are within respective legal requirements in the countries we operate. In 2018, we plan to disclose our key effluent parameters based on geographical regions. This will allow us to better benchmark effluent parameters against legal requirements as the legal effluent requirements vary significantly from country to country. We will also start monitoring our water consumption by source, namely, fresh water bodies, groundwater or recycled water from waste water treatment facilities, and by country.

Water Consumption 2017

Water Consumption (m ³)	Water Discharged (m ³)	Water Consumption Intensity (m ³ /mT)	Water Recycled (m ³)	Recycling Ratio
13,759,912	8,483,092	15.5	6,804,369	49.5%

- Data does not include the factories acquired in 2017 and plantation operations.

CARING FOR THE ENVIRONMENT

Managing our Energy Consumption and Greenhouse Gas Emissions

Energy is a crucial element of our everyday operations at Halcyon Agri. Natural rubber processing is highly energy intensive. For our long-term business continuity, we require access to secure and 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 better manage our energy use and minimise our 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. The other three key processing metrics are electricity use, water use and manning efficiency. Our Hevea Data Centre enables up-to-data monitoring of SPC data. Where possible, our factories use natural ventilation and reduce dependence on air-conditioning units and fans. Some of our factories are using crushed palm kernels as an energy source for our dryers. We are also exploring the use of clean, renewable energy to decarbonise our energy portfolio and reduce dependence on fossil fuels.

While we do not have any formal energy reduction policies and long-term targets, we are committed to reducing energy use and exploring other forms of cleaner, renewable energy. We are in the midst of developing a project to install roof-top solar energy panels for our operations in one of our Malaysian factories. Over in Africa, we use solar panels in some villages and we will start collecting data for our next report. We will also be initiating a group-wide carbon emission reporting exercise for all our factory and plantation operations in line with ISO 14064 standards.

We currently monitor our factory electricity and dryer energy consumption for every work shift. Data is keyed into the Hevea Data Centre by factory operators and is used to benchmark factories to improve energy efficiency. We are also subject to regular compliance audits by local government agencies.

2017	Electricity (MWh)	Biomass (tonne)	Gas (MMBTU)	Diesel (m ³)	Coal (tonne)
Consumption	173,395	4,911	575,613	6,026	1,380
Intensity (per m² factory floor area)	0.12	0.07	0.58	0.01	0.01

- Data does not include the factories acquired in 2017 and plantation operations.

FUTURE PROOFING THE RUBBER INDUSTRY THROUGH RESTORING OF FAIR PRICES

The prices of natural rubber have been languishing near record lows causing smallholders to struggle with their livelihoods. At current market prices c.US\$1,350 per mT, the typical smallholder in Indonesia is earning less than half of minimum wage. This is not sustainable, as smallholders will move to other more economically attractive crops to sustain their livelihoods. In order for smallholders to earn the minimum wage, natural rubber prices need to be north of US\$2,000 per mT.

To ensure stability and fair prices, the raw material price cannot be determined by the Shanghai Futures Exchange as it is at present. Volatility needs to be reduced, speculators need to be removed from the pricing equation, and the traditional supply chain model of rubber has to be changed. An alternative to the futures markets has to be offered to fight the pricing distortion, and Halcyon Agri intends to do just that by launching a digital marketplace only for producers and consumers of natural rubber, where not only our customers will benefit, the smallholders will too as well with the restoration of prices that support a living wage. Our goal is that the platform will allow producers and consumers to set rubber prices bilaterally, bypassing the futures market, to reflect the true cost of production of a critical resource that is increasingly becoming more of a customised industrial product rather than an agricultural commodity. The digital platform will provide a market for ethically, sustainably and responsibly sourced and produced natural rubber via the implementation of our HEVEAPRO manufacturing standards on the natural rubber grades traded through the platform.

We look forward to sharing more about our drive to future-proof the industry in our next report.

GRI Content Index – “Core” Option

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Organisational profile			
GRI 102: General Disclosures 2016			
102-1	Name of the organisation	About Halcyon Agri	Pg. 3
102-2	Activities, brands, products, and services	About Halcyon Agri	Pg. 3-6
102-3	Location of headquarters	About Halcyon Agri	Pg. 4
102-4	Location of operations	About Halcyon Agri	Pg. 4
102-5	Ownership and legal form	About Halcyon Agri	Pg. 3
102-6	Markets served	About Halcyon Agri	Pg. 4
102-7	Scale of the organisation	<ul style="list-style-type: none"> About Halcyon Agri Corporate Profile Employee Demographics 	Pg. 3-6 Pg. 3 Pg. 27-28
102-8	Information on employees and other workers	Employee Demographics	Pg. 27-28
102-9	Supply chain	<ul style="list-style-type: none"> About Halcyon Agri Delivering Premium Sustainable Product Offering Website Case study: Mapping the supply chain in Indonesia with RUBBERWAY 	Pg. 3-6 Pg. 22-25 Pg. 13-16
102-10	Significant changes to the organisation and its supply chain	Corporate Profile	Pg. 3
102-11	Precautionary principle or approach	<ul style="list-style-type: none"> Risk Management Corporate Governance 	Pg. 19-20 Pg. 3
102-12	External initiatives	<ul style="list-style-type: none"> Managing a Responsible and Traceable Supply Chain Converting Rubber from a Commodity to a Customer-centric Product 	Pg. 22-23
102-13	Membership of associations	<ul style="list-style-type: none"> Malaysian Rubber Products Manufacturers' Association Rubber Trade Association of Singapore (RETAS) International Rubber Study Group (IRSG) Member/Panel of Advisor/Signatory to SNRi (Sustainable Natural Rubber Initiative) Singapore International Chamber of Commerce Rubber Association (SICCRA) GAPKINDO (Gabungan Perusahaan Karet Indonesia/ Rubber Association of Indonesia) The Thai Rubber Association China Rubber Industry Association China Natural Rubber Association 	
Strategy			
102-14	Statement from senior decision-maker	CEO Statement	Pg. 7-8
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	<ul style="list-style-type: none"> Mission Statement Our Values 	Pg. 26
102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> Maintaining Sound Corporate Governance Ethical and Responsible Business Conduct Annual Report 2017 	Pg. 19-21 Pg. 45-64
Governance			
102-18	Governance structure	Maintaining Sound Corporate Governance	Pg. 19-21
102-22	Composition of the highest governance body and its Committees	Maintaining Sound Corporate Governance	Pg. 19-21
102-23	Chair of the highest governance body	Maintaining Sound Corporate Governance	Pg. 19-21
102-24	Nominating and selecting the highest governance body	Annual Report 2017	Pg. 52
102-26	Role of highest governance body in setting purpose, values and strategy	Maintaining Sound Corporate Governance	Pg. 19-21
102-29	Identifying and managing economic, environmental, and social impacts	Maintaining Sound Corporate Governance	Pg. 19-21
102-32	Highest governance body's role in sustainability reporting	Maintaining Sound Corporate Governance	Pg. 19-21
102-35	Remuneration policies	Annual Report 2017	Pg. 54-56
102-36	Process for determining remuneration	Annual Report 2017	Pg. 54-56

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	Pg. 9-12
102-41	Collective bargaining agreements	Stakeholder Engagement	Pg. 9-12
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Pg. 9-12
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Pg. 9-12
102-44	Key topics and concerns raised	Stakeholder Engagement	Pg. 9-12
Reporting Practice			
102-45	Entities included in the consolidated financial	Corporate Profile	Pg. 3
102-46	Defining report content and topic boundaries	About the Report	Pg. 2
102-47	List of material topics	Materiality Assessment	Pg. 17-18
102-48	Restatement of information	Corporate Profile	Pg. 3
102-49	Changes in reporting	About the Report	Pg. 2
102-50	Reporting period	About the Report	Pg. 2
102-51	Date of most recent report	31 December 2017	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	About the Report	Pg. 2
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	Pg. 2
102-55	GRI Content Index	GRI Content Index	Pg. 43-46
102-56	External assurance	About the Report	Pg. 2

MATERIAL MATTERS

Volatile, Low Rubber Prices and Industry Sustainability

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Future proofing the rubber industry through restoring of fair prices	Pg. 42
103-3	Evaluation of the management approach	Future proofing the rubber industry through restoring of fair prices	Pg. 42

Not mapped to GRI Standards

	Market selling price of rubber	Future proofing the rubber industry through restoring of fair prices	Pg. 42
	Cost of sales of rubber	Future proofing the rubber industry through restoring of fair prices	Pg. 42
	Market purchase price of rubber from smallholders	Future proofing the rubber industry through restoring of fair prices	Pg. 42

Responsible & Traceable Supply Chain

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The management approach and its components	Stakeholder Engagement Managing a Responsible and Traceable Supply Chain	Pg. 17-18 Pg. 22
103-3	Evaluation of the Management approach	Managing a Responsible and Traceable Supply Chain	Pg. 22

Not mapped to GRI Standards

	Results from RUBBERWAY Project	Case Study: Mapping of the supply chain in Indonesia with RUBBERWAY	Pg. 13-16
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Occupational Health & Safety

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Environment, Occupational Health & Safety	Pg. 30
103-3	Evaluation of the Management approach	Environment, Occupational Health & Safety	Pg. 30

GRI 403: Occupation Health & Safety 2016

403-1	Worker representation in formal joint management-worker health and safety commitments	Environment, Occupational Health & Safety	Pg. 30
403-2	Types of injury and rates of injury, occupation diseases, lost days, and absenteeism, and number of work-related fatalities	Lost Time Injury Rates Workplace Fatalities	Pg. 31-32

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Water & Effluent Management			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Water and Effluent Management	Pg. 39-40
103-3	Evaluation of the Management approach	Water and Effluent Management	Pg. 39-40
GRI 303: Water 2016			
303-3	Water recycled and reused	Water and Effluent Management	Pg. 39-40
GRI 306: Effluents and Waste 2016			
306-1	Water discharge by quality and destination	Water and Effluent Management	Pg. 39-40

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Community Investment & Empowerment of Local Communities			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Community Investment and Empowerment	Pg. 9-12 Pg. 34-36
103-3	Evaluation of the Management approach	Community Investment and Empowerment	Pg. 34-36
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure Investments and Services Supported	Community Investment and Empowerment	Pg. 34-36
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Local Community Engagement	Pg. 35-36

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Biodiversity Protection & Conservation			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Biodiversity Protection & Conservation	Pg. 9-12 Pg. 37-38
103-3	Evaluation of the Management approach	Biodiversity Protection & Conservation	Pg. 37-38
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity Protection & Conservation	Pg. 37-38
304-3	Habitats protected or restored	Biodiversity Protection & Conservation	Pg. 37-38

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Premium & Sustainable Product Offering			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Converting Rubber from a Commodity to a Customer-centric Product	Pg. 22-23
103-3	Evaluation of the management approach	Converting Rubber from a Commodity to a Customer-centric Product	Pg. 22-23
Not mapped to GRI Standards			
	HEVEA <i>PRO</i> audit results in 2016	Converting Rubber from a Commodity to a Customer-centric Product	Pg. 22-23

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
ADDITIONAL MATERIAL MATTERS			
Forced & Child Labour			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Mapping of the supply chain in Indonesia with RUBBERWAY	Pg. 9-12 Pg. 13-16
103-3	Evaluation of the Management approach	Mapping of the supply chain in Indonesia with RUBBERWAY	Pg. 13-16

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Energy Consumption Management			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Managing our Energy Consumption and Greenhouse Gas Emissions	Pg. 41
103-3	Evaluation of the Management approach	Managing our Energy Consumption and Greenhouse Gas Emissions	Pg. 41
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	Managing our Energy Consumption and Greenhouse Gas Emissions	Pg. 41
302-3	Energy intensity	Managing our Energy Consumption and Greenhouse Gas Emissions	Pg. 41
302-4	Reduction of energy consumption	Managing our Energy Consumption and Greenhouse Gas Emissions	Pg. 41

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Ethical Business Conduct			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Ethical and Responsible Business Conduct	Pg. 9-12 Pg. 21
103-3	Evaluation of the Management approach	Ethical and Responsible Business Conduct	Pg. 21
GRI 205: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and actions taken	Ethical and Responsible Business Conduct	Pg. 21

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Regulatory Compliance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Regulatory Compliance	Pg. 9-12 Pg. 21
103-3	Evaluation of the Management approach	Regulatory Compliance	Pg. 21
GRI 307: Environmental compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Regulatory Compliance	Pg. 21
GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance	Pg. 21

GRI Standard	Disclosure requirements	Location or reason(s) for omission	
Fair Employment Practices & Employee Wellbeing			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg. 17-18
103-2	The Management approach and its components	Stakeholder Engagement Developing our Human Capital	Pg. 9-12 Pg. 26, 29-30
103-3	Evaluation of the Management approach	Developing our Human Capital	Pg. 26, 29-30
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Employee Demographics	Pg. 27-28



Halcyon Agri Corporation Limited
180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922

www.halcyonagri.com