



PT SOCFIN  INDONESIA
(SOCFINDO)

Socfindo Sustainability Report 2018

Socfindo

Sustainability Report 2018

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(SOCFINDO)

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A person is seen from behind, operating a drone in a tropical forest. The drone is flying in the sky, silhouetted against a bright sunset. The sun is low on the horizon, casting a warm glow over the scene. The foreground is filled with the silhouettes of palm trees and other tropical vegetation. The overall atmosphere is serene and focused on sustainable technology.

SECTION I

Our Approach to Sustainability

Our Approach to Sustainability : About Socfindo

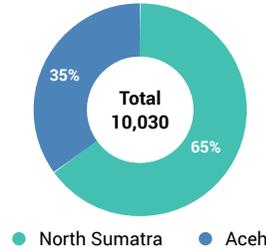
Socfindo at a Glance

PT Socfin Indonesia (**Socfindo**) is a world class Oil Palm and Rubber Plantation Company with its operations in North Sumatra and Aceh Provinces and its headquarters in Medan, North Sumatra, Indonesia. Socfindo's origin can be traced back to the early 1900's, however, it was not formally established as PT Socfin Indonesia until 1968 starting its rubber and oil palm planting activities in North Sumatra and Aceh Province where it is still active today. Socfindo is known for its efficiency and leading agronomic practices.

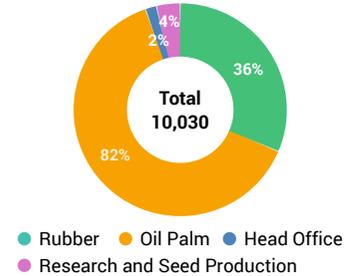
Socfindo Today

Socfindo is part of the Socfin Group and is a joint venture between the Socfin Group (90% of shares) and the Government of Indonesia (10% of shares).

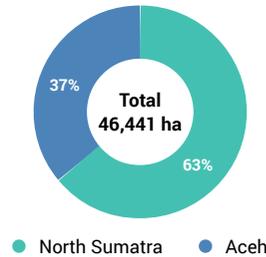
Employees by Region



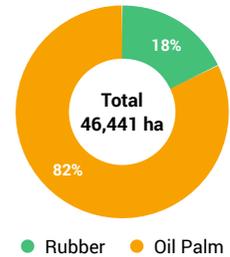
Employees by Activity



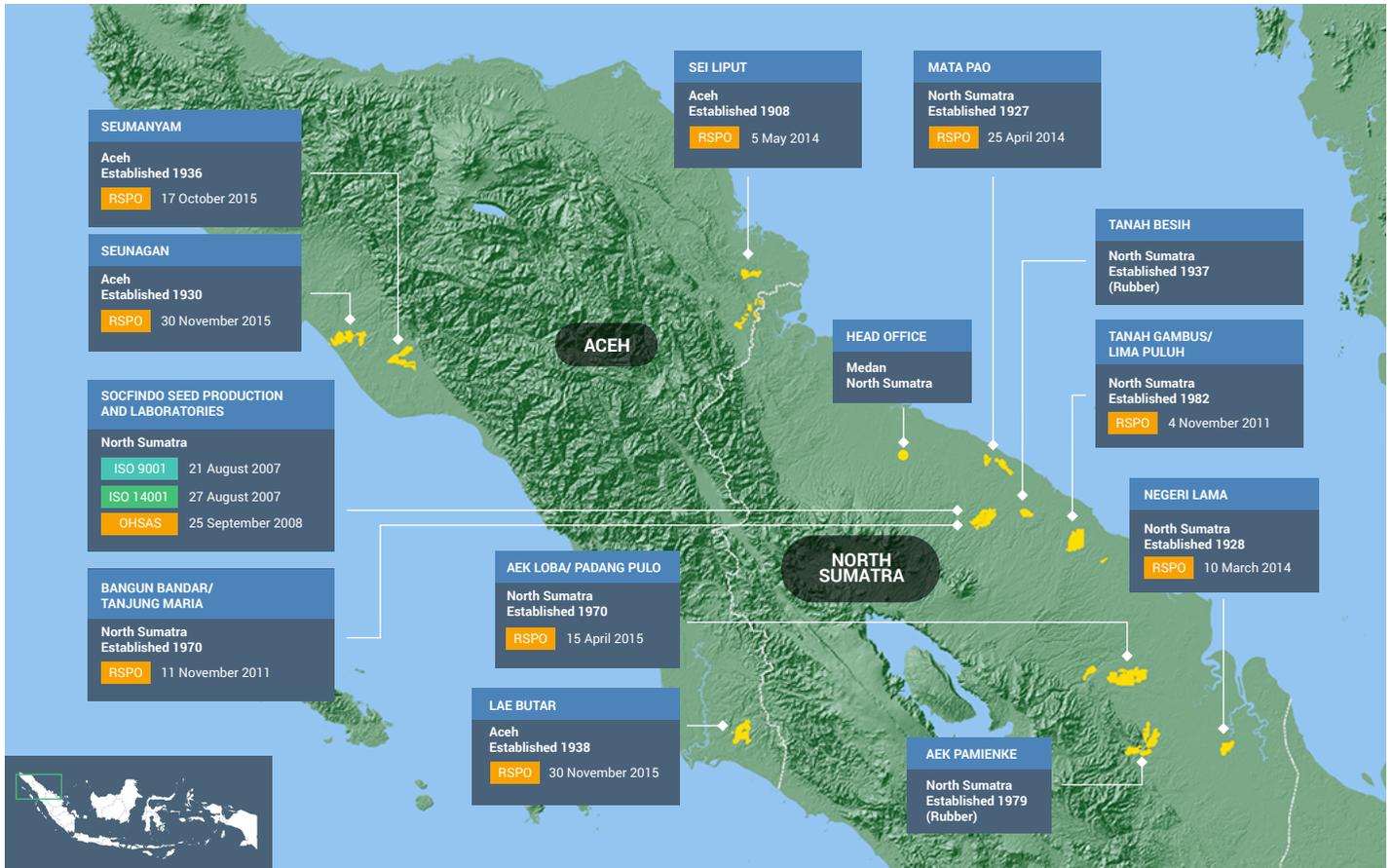
Total Planted Area by Region



Total Planted Area by Crop



Map of Socfindo Plantations



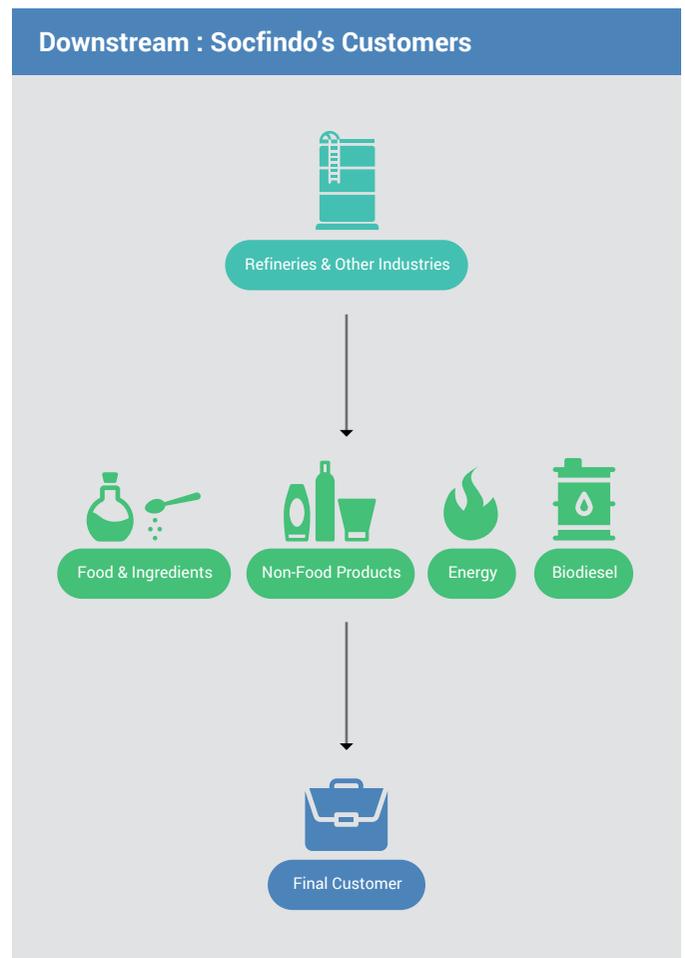
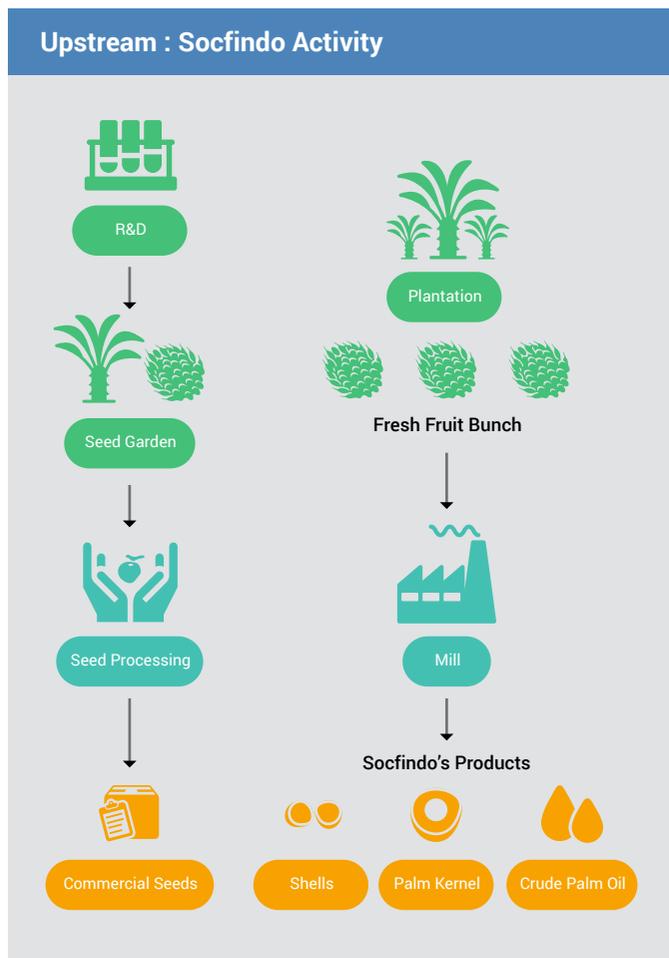
Products

Socfindo has the following products and services related to its oil palm business:

1. Crude Palm Oil and Palm Kernel production
2. Oil Palm Seeds
3. Agronomic Consultancy Services & Analytical and Laboratory Analysis

Crude Palm Oil and Palm Kernel

Socfindo is an upstream Plantation company with its major products in its oil palm business being Crude Palm Oil (CPO) and Palm Kernel, which are sold to downstream companies which will further process and refine these ingredients into end products as per figure below.



Oil Palm Seeds

Socfindo has an established reputation for producing oil palm seeds of the highest quality, and has been legally appointed as a source and producer of oil palm seeds in Indonesia since 1984. Currently Socfindo produces the following seed varieties for sale:

- DxP Socfindo (L) - Lame variety
- DxP Socfindo (Y) - Yangambi variety
- DxP Socfindo MT Gano - variety tolerant to Ganoderma disease

For more details on Socfindo's seed business please see [Page 22](#) or visit www.socfindo.co.id/products.

Agronomic Consultancy Services & Analytical and Laboratory Analysis

Socfindo's business is centered on the creation and management of palm oil and rubber plantations, and the milling of its associated products. Socfindo has invested large resources into research and improvement of its agronomic practices, and has a history of cooperation in relation to research, development and agronomy science. Today Socfindo provides agronomical consultancy services as well as analytical and laboratory services from its own laboratories which in relation to oil palm include :

- Fertiliser Analysis and Recommendation
- Compost Analysis
- Soil Analysis
- Leaf Analysis
- Rachis Analysis
- Waste & Water Analysis

For more details on Socfindo's Agronomy Consultancy & Analytical and Laboratory Analysis business please see [Page 22](#) or visit www.socfindo.co.id/services.



Membership of Associations

Socfindo is an involved and contributing member of the Indonesian community and Palm Oil industry. The two key organisations which specifically address sustainability and oil palm which Socfindo belong to are the Round Table for Sustainable Palm Oil (RSPO) and the Indonesian Sustainable Palm Oil organisation (ISPO). Socfindo is also a member of the following associations:

- GAPKI (Indonesian Palm Oil Association)
- GAPKINDO (Indonesian Rubber Association)
- APINDO (Indonesian Entrepreneur Association)
- BKS-PPS (Sumatra Planters Association)
- KADIN (Indonesian Chamber of Commerce and Industry)
- DMSI (Indonesian Palm Oil Board)
- Konsorsium Plasma Nutfah Indonesia (Indonesian Germplasm Consortium)
- FBKS (Forum Benih Kelapa Sawit Indonesia/ Indonesian Oil Palm Seed Forum)

Message from the Principal Director

The completion of our first Sustainability Report marks a significant step in our sustainability journey, and we are pleased to introduce it as testament to the effort and dedication of our employees who are behind our success as an organisation.

As a plantation company which has thrived for over 100 years on the same soils, Socfindo itself is a model of sustainability in agriculture. Our focus has always been on our actions and mindful management in a disciplined manner, focusing on results, the land and our people. However the world is becoming ever more interconnected, and there is a genuine desire from our customers and the market to have honest information on how their products are grown and the environmental and social footprint involved in getting those products to market. This report is published in respect to these desires, providing a transparent window to how we manage sustainability, our policies and a snapshot of our performance across a range of material parameters. Importantly it also sets out our values as an organisation which are the foundation upon which our success has been built over the last 100 years, and which continue to guide us into the future.

Our first formal steps into a structured sustainability path was in 2002 when we embarked on ISO 9001 in our rubber estates and completed the process in 2010 for all estates and head office (ISO 9001, 14001 and 18001). This paved the way for our future adoption of RSPO processes which began in 2004 when we joined RSPO and began the journey of certifying all our plantations which was achieved in 2015. Today RSPO and ISPO still form the backbone of our sustainability reporting framework for our palm operations, representing the most globally relevant sustainability framework for sustainable palm oil. Our current and near term future initiatives with regard to sustainability are to meet the new RSPO 2018 Criteria which represent another raise of the bar on an already stringent standard. Socfindo is committed to meeting this new version of the RSPO which, along with further integration of all aspects of sustainability into a single coherent unit and increased transparency, represents the next evolution in our ongoing sustainability journey.

As regards to our initiatives in reducing our carbon footprint, we are pleased to see our hard work over the last 8 years finally rewarded with the successful verification and issuing of 27,656 Certified Emission Reduction Units (CERs) from our UNFCCC Registered Co-composting Program of Activities (PoA). This PoA which was first registered in 2012 has been run and monitored daily in accordance with the strict conditions of the approved UNFCCC parameters. This was the first Co-composting PoA project in Indonesia to actually earn CERs, which reflects the professionalism of the team on the ground, of which we are very proud. It also showcases our commitment to reducing greenhouse gases whereby we undertook the costs and ongoing monitoring expenses day in day out for the last 8 years despite the fact that there is no longer a fluid market for the credits.

However the path of greater sustainability is not without its challenges. Being more sustainable does mean rising costs which need to be shared across the value chain. A commensurate effort needs to be reflected down the supply chain and into end consumers who must be prepared to contribute to the true cost of their products. The fact that only half of the sustainably supplied oil by RSPO is sold as such demonstrates the fact that there is currently an unbalanced commitment by the consumer markets to assume their responsibility.

Sustainability is a core part of our business, and the trend towards increased performance in sustainability will continue as will our efforts to ensure that Socfindo plays its part as a responsible sustainable producer of Palm oil and remains a trusted and reliable supplier to our customers in a more demanding market. We look forward to continuing our reporting in an open, honest and transparent manner.

— **Harold O. Williams**
Principal Director

Our Values

“One can do nothing with nothing,
but one can do plenty with little”.

— Adrien Hallet (1867-1925)

Socfindo Vision and Values

Socfindo First Steps

The origin of Socfindo is credited to a Belgian agronomical engineer by the name of Adrien Hallet (1867-1925). Hallet first distinguished himself as a successful planter in Congo, Africa, then in 1905 moved to Sumatra, Indonesia where he devoted himself to opening new plantations concentrating initially on rubber exclusively.

Hallet had a keen scientific mind - he observed the vigour of the ornamental palms planted close to the tobacco fields on the east coast of Sumatra. In particular, he noticed the productivity and the oil content of their fruits compared to those he had been pressing in the Congo as an oil palm mill manager. Hallet observed the effect of the improved local conditions on oil palm yield and productivity, and realising the potential, he collected seeds, began planting and before long the first commercial oil palm plantation in the Deli region of Sumatra was born. The vision of Hallet was not only to predict the potential of oil palm in Asia, but to do so in 1911 at a time when the rubber plantation was booming and seemed to be the obvious crop of choice.

Hallet’s pioneering spirit was envisioned in the group through his motto which we still hold by today:

“One can do nothing with nothing, but one can do plenty with little”.

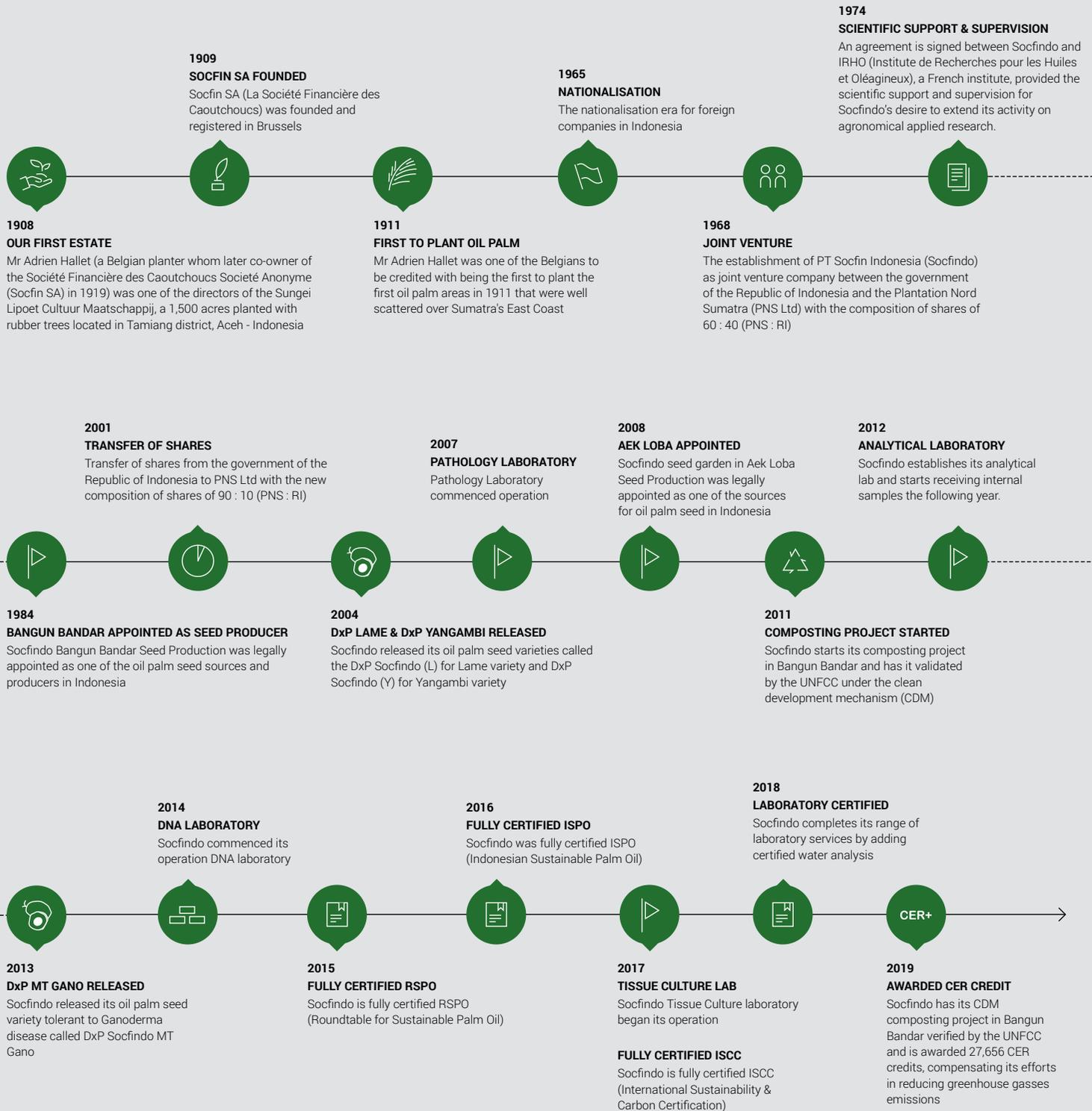


Image : Mata Pao Factory in 1926



Image : Group Manager Bungalow in Bangun Bandar

Socfindo Milestone Timeline



Socfindo Today

Socfindo today is one of the leading palm and rubber plantation companies in Indonesia. Based in North Sumatra, it is proud to be an involved and contributing member of the North Sumatra community. Socfindo has been at the forefront of palm agronomy research and practices, delivering high yields and productive gains on the same soils for over 100 years.

Being first and foremost a Plantation Company, Socfindo makes the agronomic decisions and investments to allow the plantation to thrive focusing on long term productive gains. A disciplined approach which focuses on continuous productivity of land and reducing waste is at the heart of Socfindo's success. These two core aspects of sustainability have been ingrained practices in Socfindo since its foundation, long before the concepts of sustainability had been formally conceptualised.

Socfindo's vision is to remain the most efficient, world class oil palm and rubber Plantation Company in the industry.

Socfindo achieves this vision by having an ingrained culture of continuous improvement, consistently delivering:

- A high quality product
- Optimum productive yield
- Best long term agronomical practices
- Industry leading palm seeds, palm agronomy, research and development
- Most efficient use of financial and natural resources
- Maximum value for shareholders and benefit to all its stakeholders

Socfindo has been able to achieve and deliver on its vision through its **core values**:

- **The best long term agronomical practices always**
- **Constant, disciplined approach focusing on:**
 - Improving agronomic practices and optimising yield.
 - Remaining lean and efficient, eliminating waste and making wise use of financial and natural resources.
- **Mindful Management and consideration for others, building long term relationships based on trust, mutual respect and accountability**
- **Investing in its people, their families and communities, creating a decent, healthy, vibrant and harmonious workplace for workers that rewards hard work and performance**
- **Being a responsible, positive and involved member of the North Sumatra and Aceh communities and contributing to the long term sustainable development of the community of North Sumatra, Aceh and Indonesia**

Socfindo implements these values and vision throughout its organisation by having clear reporting structures, policies, guidelines and standard operating procedures and these being consistently implemented throughout the company through a combination of formal and informal processes and training. In addition, Socfindo has and always has had a culture of discipline, responsibility and accountability, which is at the core of Socfindo's longevity and continued success.

Sustainability Governance

Decision Making Within Socfindo

The Board of Commissioners is the highest decision making authority in Socfindo accountable to its shareholders. The Board of Commissioners delegates decision making authority to the Board of Directors who are ultimately responsible for approving economic, environmental and social strategy and decision making within the company reporting to the Board of Commissioners.

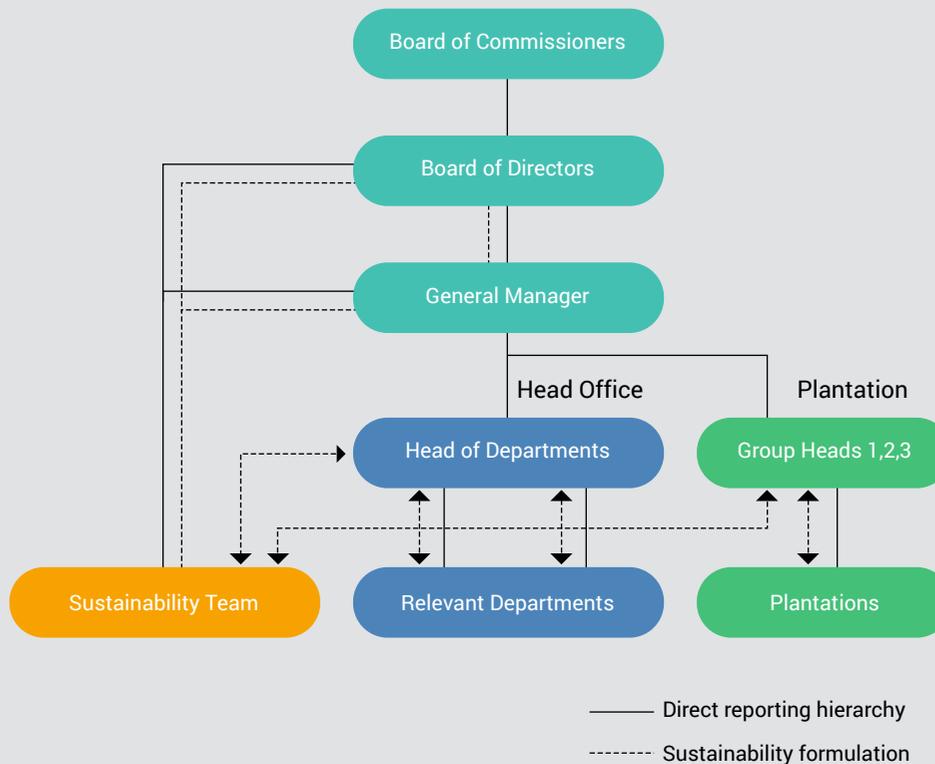
Socfin Group Responsible Management Policy

Socfindo is part of the Socfin Group and as such its Sustainability strategy, policy and decision making adheres to the Group's Responsible Management Policy of 28 March 2017. A copy of this policy is available here: www.socfin.com/sites/default/files/2018-11/2017_03_22_Politique_gestion_responsable.pdf

Risk Management and the Precautionary Principle

Socfindo adopts the precautionary principle as a general risk management principle, for both significant environmental and social risks. This means in the face of material adverse consequences, lack of conclusive evidence or certainty is not a reason for inaction or for taking reasonable measures to avoid such potential consequences when there is a reasonable alternative path forward which can avoid such negative outcomes. Proactively managing risk is an important part of Socfindo's business.

Organisational Diagram Showing Sustainability Decision Making within Socfindo



Sustainability Decision Making and Implementation within Socfindo

Socfindo as a Plantation Company maintains close connection and communication between its Head Office in Medan and the Plantations in North Sumatra and Aceh. The Head Office understands that they exist to ensure the success of those in the field. Senior Management, including the Principal Director and General Manager have hands on plantation experience and background and many head office staff positions are filled from able people in Plantations which is the preference within Socfindo where possible.

The enabling and support function of Head Office is key to Socfindo's continued success and this close connection is also crucial in implementing sustainability within Socfindo. Due to the close relationship and connectivity between Head Office and the Plantation within Socfindo, Sustainability strategy, policy and planning can be initiated either from top down or from bottom up initiatives in Socfindo depending on the issue and where it arises.

Formally, initiation of Sustainability Strategy, Policy and Planning formulation is tasked with the Sustainability Team guided by Senior Management. The initial impetus may come down from a directive from the General Manager and Principal Director or it may come from a Plantation Head responding to an issue in the field or from within the Sustainability Team itself.

The Sustainability team is able to interact directly with the relevant people in the Plantation and Head Office departments in order to obtain input and feedback. The scale, nature and formality of the feedback process will vary depending on the issue and who is affected, and as required can involve consulting relevant stakeholders which would be done through the Plantations.

Once the required input and feedback has been obtained, the relevant strategy, policy or plan is then drafted by the sustainability team and validated and authorised by the General Manager and Board of Directors.



Image : Sustainability Implementation in Bangun Bandar

Once approved and formalised it will be the Sustainability team's responsibility for implementation, socialisation, monitoring and review coordinating directly with the Plantations and relevant departments with support from the Group Plantation Heads, Department Heads and Senior Management.

Sustainability cannot be successfully implemented unless there is understanding and a realistic assessment of the real issues and challenges in the field, provision of the necessary support to the plantations in implementation and a raising of awareness throughout the organisation of the importance of sustainability issues and their impact on the business and on its continued success. All this needs to be done whilst ensuring it does not impact productivity and yield, without which Socfindo as an organism would cease to exist and the livelihood for thousands of employees and their families would disappear. Implementing sustainability is an incremental process and requires close communication and mutual respect between those externally facing in the Head Office and those on the ground dealing with the realities of the Plantation.

Stakeholder Engagement

Socfindo's Approach to Stakeholder Engagement

Socfindo's Stakeholders are defined as those groups which are important to its operations, have a material influence or impact over its business, or alternatively are materially impacted either directly or indirectly by its business activities. These include employees, their families and local communities, shareholders, customers, suppliers and financiers, various levels of Government, local and international NGOs, industry and certification bodies as well as trade unions and other organisations which represent workers. These groups will evolve over time along with the nature of Socfindo's business activities and the surrounding environment, market and political conditions.

Ongoing Stakeholder Engagement is thus an integral part of Socfindo's business. As a long standing member of the communities in which it operates, Socfindo works hard to maintain regular informal direct contact through its plantation management with its key external stakeholders such as the local community, Government and local NGOs to ensure there is an open channel for two way communication to facilitate mutual understanding and awareness of the company's activities, and for early identification of any issues or areas of concern or areas where assistance may be required. Socfindo also enjoys a close relationship with its main customers and suppliers and a key component to the success of these relationships is to have an open dialogue where it is possible to discuss issues which may arise, gain feedback openly and honestly and to seek ways in which to constantly improve.

In addition to these informal engagement channels, Socfindo also has in place formal channels for contacting the Company or submitting a complaint or Grievance, the details of which are set out in the Grievance chapter of this Report. See [Page 53](#) for more details.

Stakeholder Engagement Study

Socfindo felt it was important to understand its Key Stakeholders concerns better across a wide variety of sustainability issues. For this reason, Socfindo engaged a local University: *Universitas Sumatera Utara* (USU) to undertake a comprehensive stakeholder engagement study of its core Stakeholders. The goal of the study was to undertake an assessment to identify the material matters of concern or interest for Stakeholders in relation to sustainability from their perspective (assessing a broad base of Social, Environmental and Economic matters). It also looked to identify trends between stakeholder groups and identify those matters which ranked of high concern or interest across Stakeholder groups.

In carrying out its assessment, USU visited 4 different Socfindo plantations, representing both North Sumatra and Aceh, as well as Socfindo's Head Office in Medan. USU conducted over 40 face to face interviews with external stakeholders as well as 140 face to face interviews with internal stakeholders. The results of this assessment follow on the next page.



Image : Stakeholder Engagement

Table of Material Matters for Specific Stakeholder Groups

Material Matters			
Internal Stakeholders	Material Matters	External Stakeholders	Material Matters
Head Office Staff	<ul style="list-style-type: none"> • Wages, benefits and facilities for employees • Training and Human Resources • Land expansion • Reducing Environmental Impact • Certification • R&D – increasing yield, resisting Ganoderma • CPO prices • Increasing Productivity & Yield 	Government	<ul style="list-style-type: none"> • Economic Development • Wages and Benefits for Employees • Training • Water • Human Rights Protection • Community Development
		Local Community	<ul style="list-style-type: none"> • Economic Opportunities • Employee Benefits • Community Development • Water • Small Holder Opportunities • Solid Waste • Training
Plantation Staff	<ul style="list-style-type: none"> • Training • Wages, benefits and facilities for employees • Water Pollution • Waste (Solid and Liquid) • Reducing Environmental Impact • Riparian Management • CPO Price • Theft • R&D improving Planting Material, resisting Ganoderma • Increasing Productivity & Yield 	Local NGOs	<ul style="list-style-type: none"> • Water • Remuneration and Benefits for Employees • OSH • Community Development
		Customers & Shareholders	<ul style="list-style-type: none"> • Deforestation • Peatland Development • Greenhouse Gas Emissions • R&D • Increased productivity • CPO prices • Certifications • Land expansion • Raising yield for small holders • Workers' Rights • Economic Development / livelihood for those impacted by conversion of forest into plantation
Plantation Workers	<ul style="list-style-type: none"> • Training and Human Resources • Wages, benefits and facilities for employees • Health • Workers Collective Organisations • Water Pollution • Reducing Environmental Impact • Theft • CPO Price • Increasing Productivity & Yield 		

Material Matters for Sustainability as Identified by Stakeholders

As a result of the Stakeholder Engagement study, the following 20 Material Matters were identified as being of particular concern or interest to Socfindo's Stakeholders.

Table Listing Top 20 Material Matters in relation to Sustainability Identified by Stakeholders*

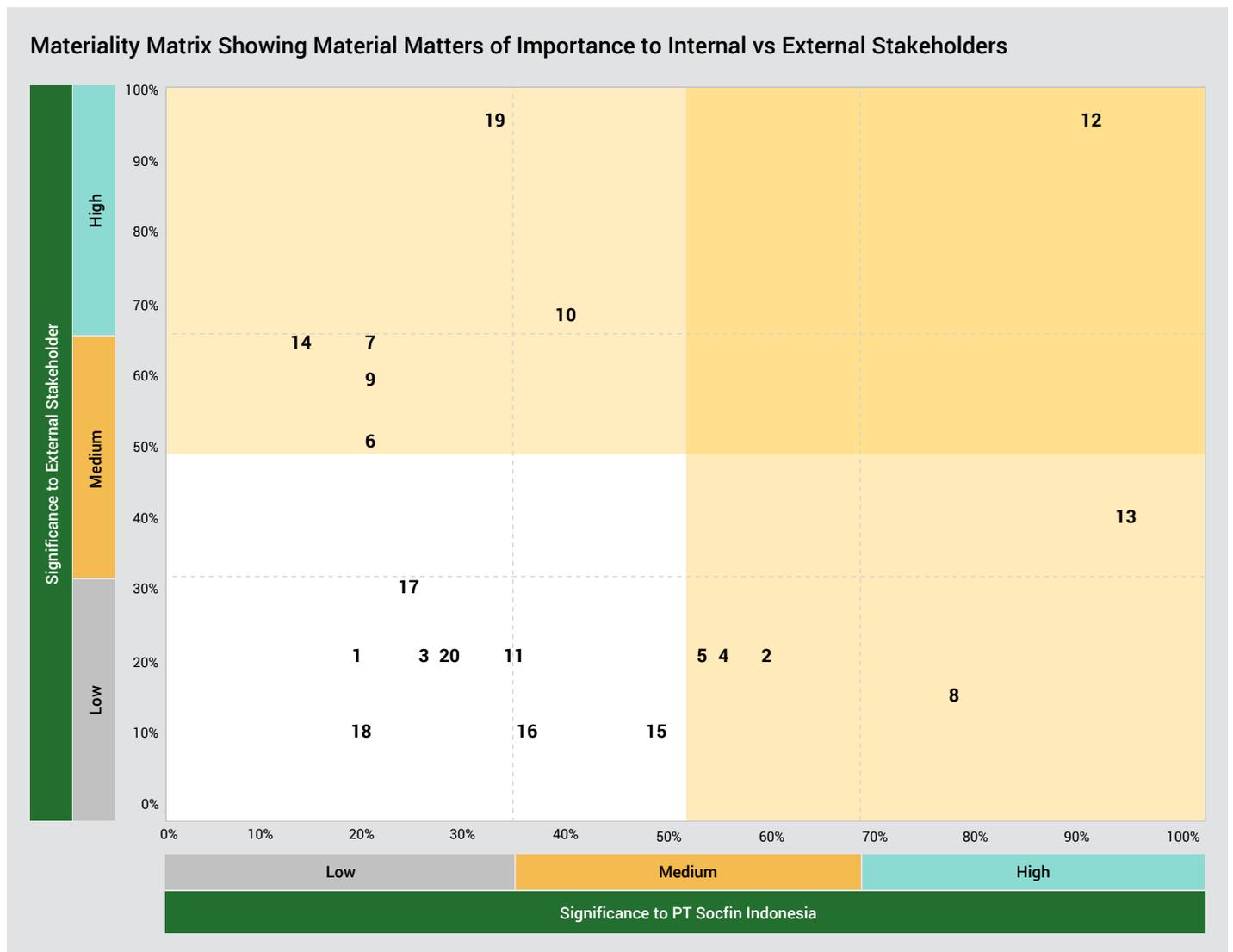
	Number	Material Matters		Number	Material Matters
Economic	1	Certification	Social	12	Wages, benefits and facilities for employees
	2	CPO Price		13	Training & Human Resources
	3	Land expansion		14	Workers' Rights
	4	Productivity & Yield		15	Health
	5	R&D – increasing yield, resisting Ganoderma		16	Workers Collective Organisations
Environment	6	Deforestation		17	OSH
	7	Peat		Community	18
	8	Reducing Environmental Impact	19		Smallholders and community development
	9	Greenhouse Gas Emissions	20		Theft
	10	Water issues			
	11	Waste - Solid & Liquid			

* Please note Material Matters are not ranked in this table. For an analysis of relative importance between external and internal stakeholders please see the Material Matrix diagram on [Page 13](#).

Relative Importance of Identified Material Matters Between Stakeholder Groups

Socfindo further analysed the results of the study to compare the relative importance of the material matters identified across stakeholder groups. The materiality matrix below is a summary of the results of this analysis. It ranks the 20 identified material matters listed in the table above from high to low importance based on the weight afforded from each stakeholder group.

This matrix can identify those matters which are ranked as high importance to both internal and external stakeholders. Whilst all of these matters are important, matters which were ranked highly important by both external and internal stakeholders are of particular priority to Socfindo in setting its sustainability strategy.



Material Matters for this Report

Socfindo determines the material aspects for its business based on in-depth and ongoing discussions with a wide range of stakeholders together with review of relevant published literature. This is an ongoing and constantly evolving process, and as such can be expected to evolve and change in the future as our shared understanding of sustainability evolves, technology improves, as does our ability to improve and measure our performance.

The current priorities for sustainability for Socfindo together with the material issues reported on in this GRI report have been decided based on a combination of the Stakeholder Engagement results together with the sustainability priorities

expressed by the current key sustainability certification bodies the Round Table of Sustainable Palm Oil (RSPO), the Indonesian Sustainable Palm Oil (ISPO), those of the Indonesian Government as well as from industry groups and peers. For this GRI report, these parameters have been divided into 5 major sections (Our Approach to Sustainability; Market; Environment; Employment & Community) and the specific parameter topics as set out in our table of contents, which is consistent with how Socfindo organises its internal approach to sustainability. A full list of the materiality matters reported on in this GRI Report is set out in the GRI Content Index [Page 62](#).

Report Scope and Content

Reporting Boundaries

This Report covers PT Socfin Indonesia (Socfindo) which is part of the Socfin Group and has its headquarters in Medan, North Sumatra. It is a subsidiary of the Socfin Group in partnership with the Government of Indonesia who are a minority shareholder. Socfindo is a Palm and Rubber Plantation Company based in Indonesia, and this report specifically focuses and covers the Palm Oil Business of Socfindo. The Activities related to the Rubber business are not covered in this first GRI report.

As this is Socfindo's first GRI report, Socfindo has chosen at this stage to report only on its Palm Oil operations, however, its rubber operations conform to the same high standards and are equally managed in a professional way. As such, we are carefully following the development of the Global Platform for Sustainable Natural Rubber (GPSNR) and will be ready to embrace this future certification in due course. The effort involved to undertake this initial GRI Reporting has been significant, thus from a practical perspective it was not considered feasible at this stage to comprehensively and accurately report on both the Palm Oil and Rubber businesses. Socfindo will look at extending its Reporting to include its Rubber Activities once feasible.

Report Scope and Content

This report has been prepared in accordance with the GRI Standards: Core option, covering the calendar year 2018. It is Socfindo's intention to continue Reporting on a Biannual Basis. As this is Socfindo's first GRI report, and thus first reporting period there is no previous report and therefore no changes to report.

Socfindo has not sought additional third-party assurance for the content of this report. Socfindo notes that multiple extensive independent third party audits of its operations are conducted every year across a broad range of sustainability concerns as part of its ongoing compliance for RSPO and ISPO certification – and that this process provides adequate assurance on its sustainability performance to its stakeholders at this stage. If you have any comments or questions regarding the contents of this report or on Socfindo's Sustainability please contact us on email to head_office@socfindo.co.id.

SECTION II

Market Place



Market Place : M1 Certification

While Socfindo has focused on responsible agricultural production on its own for generations, Socfindo recognises the importance of Certification and it is today a key component of Socfindo's business and sustainability strategy. Certification of its Palm Oil as well as its processes and practices provide independent third party verification to buyers, end consumers and other interested third parties that Socfindo's palm oil and kernel have been produced in a manner that follow clear objective sustainability requirements as laid down by the relevant standard. Robust certification standards and ongoing verification under them are a key sustainability tool to provide assurance to buyers, consumers and the general public whether an organisation is really implementing, undertaking and meeting sustainable practices in the production of their products. Certification assists the buyer and market to distinguish between those that have taken on the additional burden and cost of implementing sustainable practices from those that have not. It is then up to the buyers and consumers to do their part for sustainability by rewarding this additional ongoing effort by creating the market demand for premium sustainably produced products.

For this reason, certification will continue to be a core pillar in Socfindo's sustainability strategy and it will continue to invest the necessary additional resources to ensure it obtains and maintains the most relevant and robust sustainability certifications for its plantations and palm products. Currently Socfindo considers the most relevant and comprehensive standard for palm products is the Round Table of Sustainable Palm Oil (**RSPO**) Certification standard. In addition, in relation to the specific Indonesian context, the Indonesian Sustainable Palm Oil Principles & Criteria (**ISPO**) is an equally important domestic mandatory certification scheme.



Roundtable of Sustainable Palm Oil (RSPO)

The RSPO is a not-for-profit organisation that unites stakeholders from the 7 sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil.

The RSPO has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). Currently the RSPO has more than 4,000 members worldwide, and certifies 13.61 million tons of sustainable palm oil which represents 19% of palm oil globally produced. For more details on the RSPO please visit: www.rspo.org/about.

Socfindo has been an RSPO member since 2004 and achieved full certification for all its mills and plantations in 2015. Currently Socfindo maintains RSPO certification for all its mills and plantations.

RSPO certification for each mill requires verification every year, which involves a mandatory in depth onsite audit against the full RSPO criteria, thus maintaining RSPO certification requires constant improvement in practices, vigilance and training of staff in the field. To achieve this, Socfindo has embedded the RSPO standard into the core of its strategy for producing sustainable oil palm. It is noted that the new RSPO Principles and Criteria 2018, effective as of November 2019 require another leap in an already stringent certification standard. Thus a core pillar in Socfindo's sustainability strategy is to proactively ensure it satisfies and covers all the requirements of the evolving RSPO standards.



Indonesian Sustainable Palm Oil (ISPO)

The Indonesian Government under the Ministry of Agriculture established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles & Criteria (ISPO) to ensure that all producers live up to specific environmental, economic and social standards when operating in Indonesia.

In addition to RSPO certification all Socfindo's mills and plantations have been fully ISPO certified since 2016. For more information on ISPO visit: www.ispo-org.or.id/index.php?lang=en



International Sustainability & Carbon Certification (ISCC)

ISCC is an international certification scheme to certify the sustainability of raw materials and products. It covers all biomass products and has a focus on sustainable biomass and bioenergy production aimed to demonstrate compliance with the legal sustainability requirements specified in the Renewable Energy Directive (RED) of the European Commission as well as the Fuel Quality Directive (FQD).

All Socfindo's mills and plantations are fully ISCC certified. For more information on ISCC visit: www.iscc-system.org/

Other Certifications

In addition to these comprehensive sustainability certifications, all Socfindo's operations are certified under SMK3 standard, which is a national health and safety management system.

In addition, its seed production unit has ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 certification and its laboratory was awarded the ISO 17025:2017 by the national accreditation committee "Komite Akreditasi Nasional" (KAN).

Market Place : M2 Supply Chain Traceability

Importance of Traceability

Customers and other interested third parties need assurance where products and raw materials originated from. A key tool for sustainability as well as product quality and safety is the ability for a product (and its component raw materials) to be traced back along the supply chain to their original point of origin. It is important for consumers and the public in general to make informed choices and to have assurance regarding product origins and practices. It is also important for responsible producers like Socfindo who through traceability certification can demonstrate to customers the point of origin and supply chain involved in each shipment of their products providing an extra level of trust and transparency in the goods they produce.

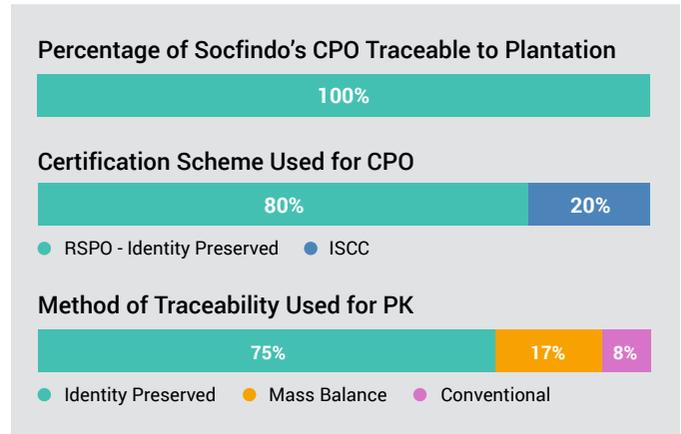
Traceability in Socfindo

Traceability is therefore critical for Socfindo to provide assurance and integrity in its products for customers and their ultimate downstream users. All of Socfindo's Crude Palm Oil (CPO) and Palm Kernel (PK) can be traced back to the plantation level.

Socfindo's preferred approach to managing traceability is through third party certification. Socfindo evaluates and selects specific third party certification schemes based on the robustness of the standard and the trust and integrity it has in the market place, specifically in the eyes of its key customers and their end consumers.

Traceability to mill and plantation

Traceability to mill refers to the traceability level of products processed by a refinery, right down to mill or Crude Palm Oil (CPO) /Palm Kernel (PK) level. Traceability to plantation refers to the traceability level of products right down to plantation where the specific palms which produced the fresh fruit bunches were grown. Socfindo's directly controlled supply chain as an upstream producer finishes at the CPO / PK level. All of Socfindo's CPO and PK can be traced back to the plantations and it is certified as such under the RSPO or ISCC Certification Schemes.



RSPO Supply Chain Certification

Under the RSPO supply chain certification, if it can be proven that a specific batch of crude palm oil (CPO) originated from a RSPO certified estate or mill, and is kept physically isolated from all other oil palm sources throughout the supply chain (including other segregated RSPO-CPO sources), it can be sold as 'Identity Preserved' (IP) certified sustainable CPO. If the certified product mixes downstream with non-certified products in the supply chain then it can be sold as certified sustainable CPO using a mass balance (MB) system. This requires records to be kept to demonstrate that the volume of CPO sold as sustainable palm oil does not exceed the amount produced by the upstream RSPO certified mills over a specified time period.

The system favoured by Socfindo and its stakeholders is the Identity Preserved (IP) supply chain model because it assures that the RSPO certified oil palm product delivered to the end user is uniquely identifiable to a single RSPO certified mill and its certified supply base.

When selling CPO or PK under the RSPO scheme, Socfindo uses the RSPO "PalmTrace" system whereby physical sales can be registered.

ISCC International Sustainability and Carbon Certification

In addition to the RSPO supply chain certification scheme, the ISCC also have its own supply chain certification for biomass and bioenergy and in particular, the Biofuel supply chain. As set out in the Certification section, Socfindo's mills and plantations have both ISCC and RSPO certification. This allows the Socfindo to sell its CPO and PK produced from its certified estates to buyers that look to purchase sustainable palm oil from any of these certification standards.

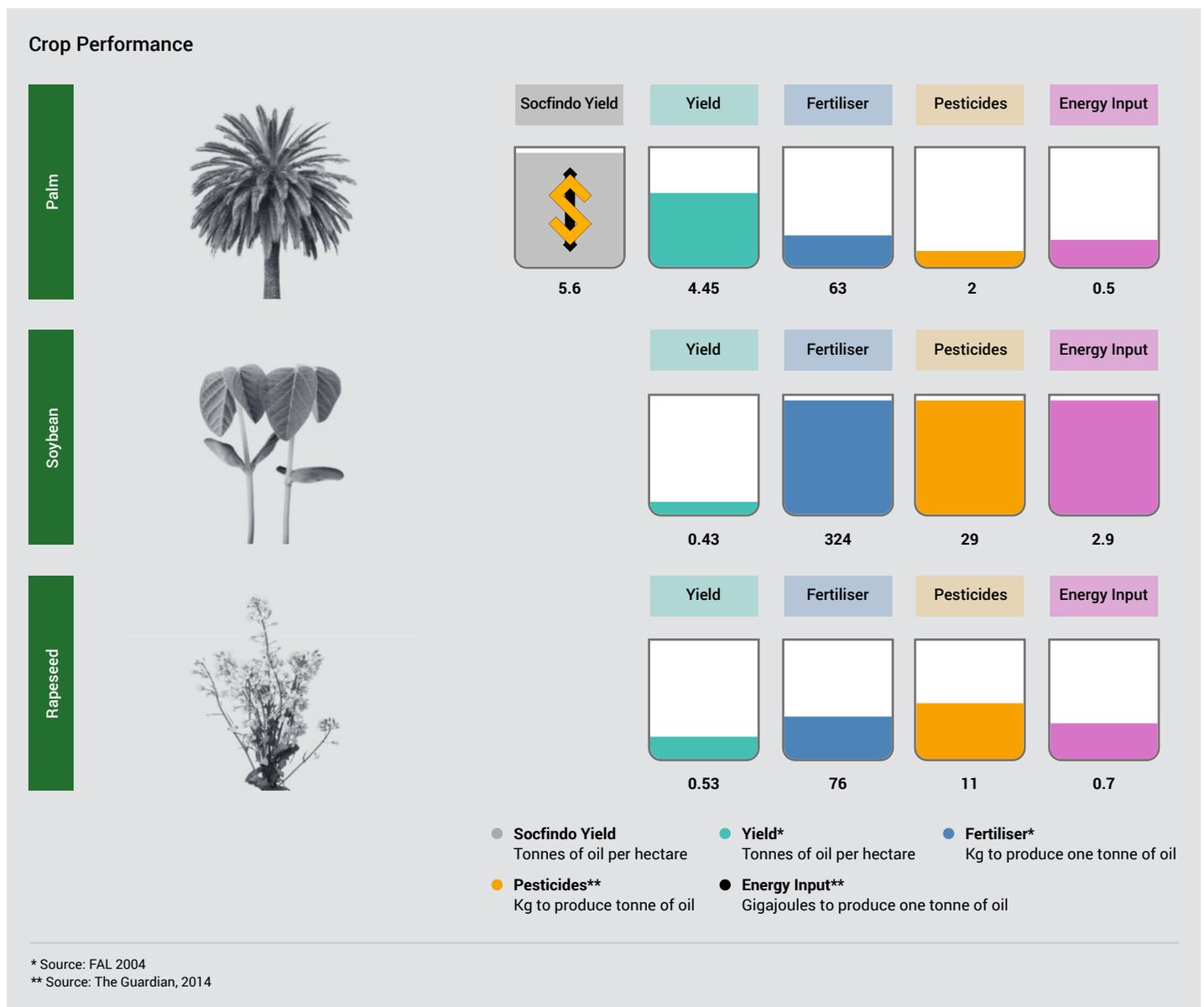
Market Place : M3 Productivity & Yield

The Importance of Raising Productivity and Yield

Oil palm is the highest yielding vegetable oil crop, significantly outperforming other vegetable oil crops on an oil per hectare yield basis. Therefore the key to solving the dilemma of how to feed the growing global demand for edible oils without a commensurate increase in planted areas is to increase the productivity and yield of existing planted palm oil worldwide. To achieve this requires improvement in two separate areas. Firstly, in extending access to and education in the current best existing agronomy practices and genetic stock to small holders who collectively manage approximately one-quarter of

Indonesia's palm oil plantations and whose yields on average lag far behind the industry average. The second is for industry leaders like Socfindo to continue to invest time and resources into improving productivity and yield beyond its current boundaries through continued innovation and performance.

Achieving these will significantly increase the amount of oil palm from the same land and resource base at the same time as creating more net revenue for small holding farmers, and for companies who in turn have more resources to invest into sustainability.



Increasing Productivity & Yield in Socfindo

Improving productivity and yield is a challenge Socfindo has always taken seriously and has been at the core of Socfindo's success. Socfindo's estates have been farmed in many cases for over 100 years on the same soil and only by implementing good agronomy and sustainable practices has Socfindo been able to consistently deliver comparatively high industry yields.

Currently, Socfindo has been focusing on the following in order to improve its productivity and yield:

1. Best Genetic Material:

Using Socfindo's best plant material that is tolerant to Ganoderma (MTG). Since 2014, we consistently replant with this specific material to guarantee palm oil sustainability in our estates where Ganoderma is a significant threat. At the same time the MTG seed stock is continually improved in our pathology laboratory.

2. Implement Best Management Practices including:

- a. Making terraces and planting cover crops before planting the main crops to prevent loss of top soil (soil conservation). Our obsession with land preparation has led to a shortened immature period ensuring that the first year of harvest can deliver 18-20 tons / ha.
- b. Chipping to destroy breeding sites for oryctes, both on replanting and mature planting (ex Ganoderma).
- c. Planting beneficial plants and introducing caterpillar pest predators.
- d. Maximising the application of organic fertiliser in the form of compost, empty bunches and solids consistently.
- e. Improving the efficiency of chemical fertilisers by adapting it to recent leaf and soil analysis. Applying the right dosage and type of fertiliser at the right time.
- f. Construct water bunds to limit the impact of hydric deficit which can occur in some extreme situations.
- g. Carrying out continuous supervision from the Head Office to maintain the standard of harvesting discipline (fruit quality and harvesting output).

Oil Palm Seed and Agronomy Consulting Services

In addition to these efforts to internally improve its own productivity and yield, Socfindo also offers its Oil Palm Seeds Sales and Palm Agronomy Consulting Services in order to assist third parties to maximise their potential yield off their land. For more details on this please see the Research and Development section set out below and visit:

www.socfindo.co.id/about_us



Image : Bangun Bandar Estate



Image : New Planting in Aceh



Image : First Harvesting on Young Palms

Market Place : M4 Research & Development

Socfindo – A Culture of Agronomical Research

Research and development is the fundamental source of innovation. Since its inception in the early 1900's Socfindo has invested significant resources into agronomic research and development with the R&D Division always playing a key role in maintaining and improving Socfindo's competitiveness in particular to product superiority and quality.

Socfindo's long history of applied agronomic research, development and innovation has created an internal culture of excellence around practical documented experimental research into agronomy. This together with an ability to continually implement companywide new and improved practices on the basis of these experiments is at the heart of Socfindo's continued long term success. Socfindo undertakes research both internally and also has a history of cooperating with renowned third party scientific researchers since its first formal agreement in 1974 with IRHO (Institute de Recherches pour les Huiles et Oleagineux), a French institute which provided scientific support and supervision for applied agronomical research. Today, Socfindo still collaborates with Cirad with whom it has an agreement to conduct field research.

Socfindo's R&D and Innovation Today

Today Socfindo Seed Production and Laboratories (SSPL) leads the company's Research and Development and is the driving force behind continuously delivering superior product and quality as well as increasing the sustainability of its oil palm plantation business.

SSPL's Research and Development Division focuses on 4 pillars, consisting of:

1. Research program in plant breeding and genetics;
2. Continued development of a world class supporting laboratory and analytical analysis to provide experimental testing and analysis;
3. Soil fertility maintenance (Agronomy); and
4. Crop pest & disease control measures.

Socfindo has a detailed program under each of these four pillars. For more details please visit: www.socfindo.co.id/services.

Special Focus on Socfindo's Seed Programme

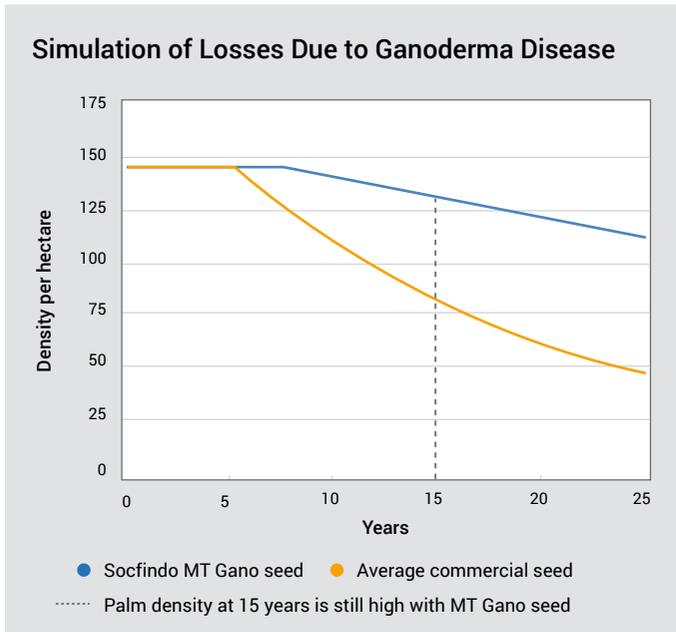
Ganoderma tolerant Seeds

One significant area of research Socfindo is leading the industry is in the fight against Ganoderma disease. Ganoderma disease is a lethal and endemic disease in Asia, Africa and South America, and can cause up to 80% mortality (palm death) in the plantation, with an even higher risk in successive replantings. Ganoderma disease represents a significant threat to oil palm, with certain areas of Indonesia and Malaysia particularly at risk.

Socfindo has led the industry in research to combat this significant threat. In 2000, in collaboration with CIRAD-CP, Socfindo initiated a specific long-term breeding program to control this disease. This research led to the development of plant material tolerant to Ganoderma called DxP MTG which was released in 2013. Socfindo was the first oil palm seed producer to develop and release a seed variety tolerant to Ganoderma disease.



Image : Pathology Laboratory in Tanah Gambus



By using Socfindo's Ganoderma tolerant material, the impact of Ganoderma on the productivity and yield of the plantation is significantly reduced. Socfindo currently leads the supply of Ganoderma tolerant seeds for the Indonesian oil palm industry supplying 70% of all seeds (7,000,000 annually) replanted.

Improvements in Genetic Material

In addition to Ganoderma tolerance Socfindo's genetic plant material has the following proven improved qualities

- **Slower Vertical Growth** (40-50 cm/year) than other seeds (which have 70-90 cm/year of vertical growth). Slower growth allows for a longer harvesting lifetime. Socfindo seeds have been verified for high-yielding output exceeding 25 years (compared to others that can only be harvested for 15 to 18 years). This means a single palm can productively yield for longer and pushes out the replanting window which is both a significant economic and sustainable benefit.
- **Climate Resilience** Seeds producing high bunch number with maximum yield per year more adapted to marginal areas and climate conditions, in particular water deficit. This is particularly important as the impact of climate change is felt and weather conditions become more and more irregular and unpredictable even in areas which have historically delivered consistent prime climatic conditions.

For more details on Socfindo's seed business, please visit: www.socfindo.co.id/products.

Socfindo's Analytic and Laboratory Services

Socfindo has its own analytical laboratory to support its internal Research and Development Program in oil palm it includes:

- Fertiliser Analysis and Recommendation
- Compost Analysis
- Soil Analysis
- Leaf Analysis
- Rachis Analysis
- Waste & Water Analysis

These analytical laboratory services provide the hard data which help Socfindo's agronomists decide efficient fertiliser applications. Our laboratory also now provides services to third parties such as companies, smallholders, researchers and students.

As a testimony to the accuracy of Socfindo's laboratory analyses, our analysis results consistently score very high results in the Wageningen Evaluating programs for Analytical Laboratories (WEPAL), a worldwide laboratory proficiency testing scheme, with an average score of acceptance of 100% for soil samples (International Soil-Analytical Exchange Program). Our laboratory also has ISO17025 certification, which is the main standard used by testing and calibration laboratories worldwide. For more details on our Laboratory and Analytical services please visit: www.socfindo.co.id/services.



SECTION III

Environment



Environment : E1 Conservation and Biodiversity

Significance of Deforestation, Conservation and Biodiversity

Deforestation, conservation and biodiversity are at the heart of environmental issues with respect to oil palm development and together with the protection of peatland, are probably the most significant issues surrounding palm oil today.

Other environmental issues such as fire, greenhouse gas emissions as well as soil erosion are often secondary effects stemming from deforestation, and a failure to conserve and protect key high conservation value and ecologically sensitive and important areas. For this reason, Conservation and Biodiversity are material sustainability issues for Socfindo.

Socfindo's Commitment to Conservation and No Deforestation

As part of its RSPO commitment, and consistent with the Socfin Group's Responsible Management Policy, Socfindo commits to:

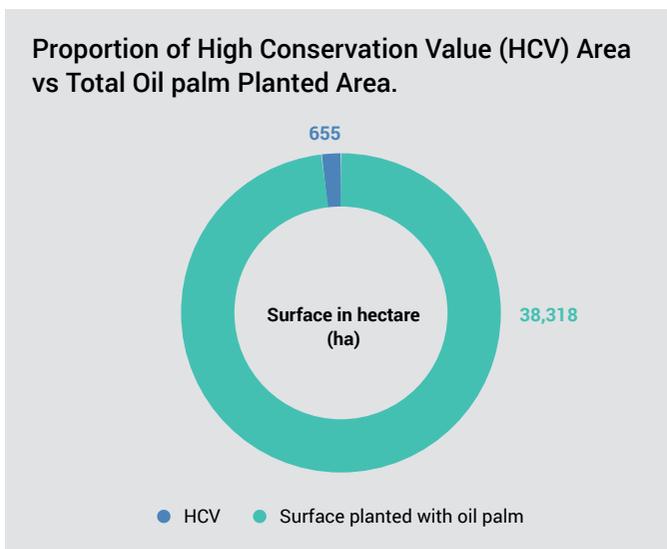
- **No deforestation of high conservation value (HCV) areas and high carbon stock (HCS) forests. This includes:**
 - No development on primary forest or areas identified as High Conservation Value (HCV).
 - No development of High Carbon Stock (HCS) forests as defined by the HCS Approach.
- **Any new land clearing or new planting (in existing plantations or new plantations) is preceded by an HCV-HCS assessment as required by the RSPO**
- **Existing HCV areas and HCS forest are identified, clearly delineated, actively protected and monitored. The presence of HCV areas in our operations is made known to neighboring communities. Social HCV areas remain accessible to communities**
- **No new development on peatland, regardless of depth**
- **Adherence to the Best Practices Guidelines laid down by the RSPO**

These are commitments that Socfindo takes seriously as it strives to be a responsible producer of sustainable palm oil.

Conservation and Biodiversity in Socfindo

In contrast to many plantation companies all Socfindo’s plantations are old established plantations, with the earliest current plantations developed in the 1920’s. Socfindo does not have any new “Greenfield” plantations, nor does it have a large land bank of unplanted forest. Socfindo’s “planting” activities are currently replanting of existing palm plantation or “brown field conversion” of another crop such as rubber. Further the majority of Socfindo’s operations are based proximate to more developed areas of North Sumatra or Aceh where they border

mostly other agricultural land and not significant conservation areas. For this reason, whilst Conservation and Biodiversity are material sustainability issues for Socfindo, Socfindo’s own direct impact from its operations on unconverted natural forest is not currently significant. For Socfindo, the next step in its conservation and biodiversity efforts will be to include aspects of potential enhancement and active monitoring to its current protection and maintenance of existing HCV areas.



Environment : E2 Peat

Peatland: A Globally Significant Environmental Resource

Tropical Peatlands are of global environmental significance being a globally important sink for carbon. Peat is one of nature's most effective ways of taking carbon out of the atmosphere and stocking it underground, making it crucial to the fight against climate change. On the other side, when drained for forestry or agriculture, they may dry out and spontaneously combust releasing 10 times more carbon than forest fires, in a process called peat oxidation. This phenomenon is even more significant when illegal fire is used to clear forested peatland, especially in Indonesia, home to over half the world's tropical peatland. Peatlands play important roles regionally and locally in the water cycle and in climate and landscape stabilisation.

Socfindo's Peatland Protection Commitment

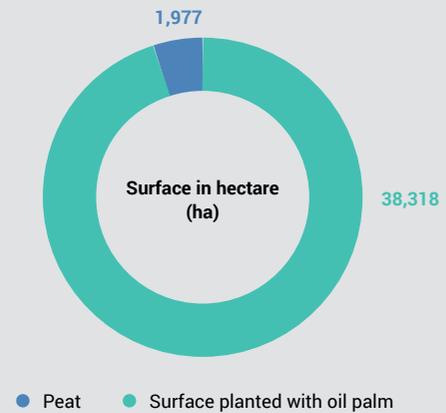
Socfindo recognises the global environmental importance of protecting and carefully managing peatland resources. As part of its RSPO commitment, and consistent with the Socfin Group's Responsible Management Policy, Socfindo commits to:

- **No new development on peat, regardless of depth**
- **For existing plantations on peat, they are to be managed to meet or exceed the RSPO "Best Management Practices for existing peat plantations"**

Socfindo's Peatland Resources

Unlike many plantations, Socfindo does not have significant areas of peatland. Approximately 5% of Socfindo's oil palm is planted on peatland (1,977 hectares of planted peatland, compared with 38,318 hectares of oil palm on other soils).

Proportion of Peat Area vs Total Oilpalm Planted Area.



Management of Peatland Resources

Socfindo is committed to careful ongoing management of the small amount of its plantations that do exist on peatland soil. Socfindo manages its approach to existing plantation on peatland soil by strict adherence to its Peat Protection Policy and the RSPO Best Management Practices for Existing Peat Plantations. These include having in place a Peatland Management Plan which covers water and ground cover management as well as ongoing monitoring of both peatland water levels and subsidence. Water levels are actively managed by maintaining it to an average of 50-70 cm from the surface in the drains thanks to water gates. The monitoring of water levels is done both inside the blocks with piezometers and on the periphery of the blocks in the drains.

Environment : E3 Integrated Pest Management & Pesticides

As a pillar of Agronomy, Integrated Pest Management (IPM) and pesticide use is a significant matter to Socfindo. Whilst IPM and Pesticides were not directly identified as a significant material matter by stakeholders, management of pests, diseases, weeds and invasive species through appropriate Integrated Pest Management techniques together with safe use and minimising of Pesticides are key criteria under the new RSPO Principles and Criteria 2018. In addition, effective IPM is one of the core pillars of sustainable agronomy practiced by Socfindo, and ensuring safe and judicious use of pesticides and where possible their minimisation is a key factor in ensuring the health and safety of employees which is always a core concern for Socfindo.

with Socfindo's Pesticide policy and the stringent guidelines under the new RSPO Principles and Criteria 2018.

Beneficial Plants and Breeding of Predator Insects in Socfindo

A key arm of defense in Socfindo's IPM plan is the use of "Beneficial" plants, which provide habitat for leaf eating insects predators and support the local ecology. In addition, the release of *Sicanus sp* as natural predators can be an efficient measure to fight pests that may cause damage to palm health and yield.

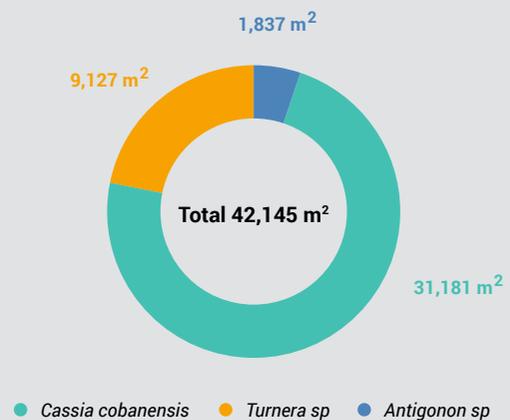
Socfindo's Commitments Relating to Pesticide Use

To ensure responsible, safe use and minimisation of Pesticides, Socfindo has implemented its Pesticide Policy which includes:

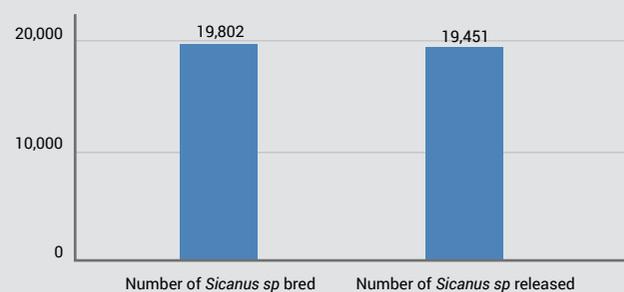
- **Development of an Integrated Pest Management (IPM) plan for all operations which is reviewed annually**
- **No Paraquat Use: The active ingredient Paraquat is being phased out of all our palm operations in 2019**
- **Pesticides in WHO classes 1A and 1B, and Stockholm or Rotterdam conventions are used only when no effective alternatives are available. Their use is authorised in writing by local senior management on a case by case basis, following a due diligence process**
- **Ensuring Workers' Safety: All workers, permanent or not, involved with pesticides are trained and equipped adequately and their health is monitored**

Socfindo manages IPM and pesticides in its plantations through strict adherence to these policies and procedures which are consistent with the RSPO management principles and protocols. This involves having a systematic Integrated Pest Management Plan, which is the first line of defense to effectively manage pests, diseases, weeds and invasive species. Only once these have been exhausted will pesticides be considered and their use will only be used in accordance

Beneficial Plants Planted in 2018 (m² planted)

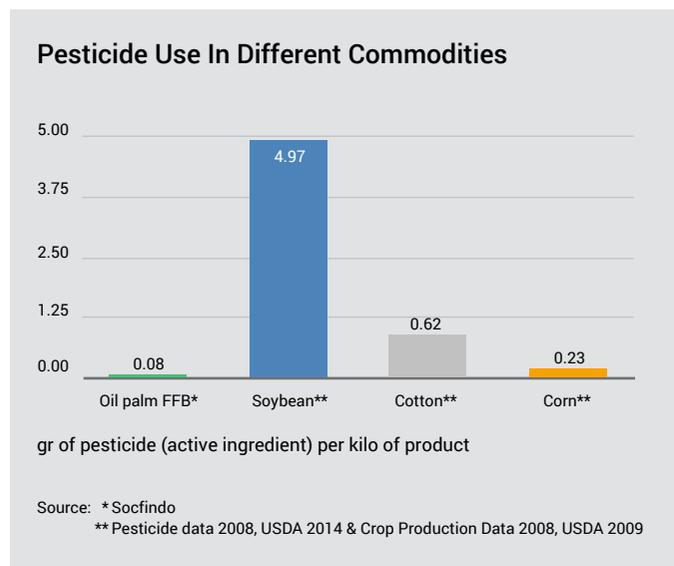


Breeding and Release of *Sicanus sp.* in 2018



Pesticide Use in Oil Palm Compared to Other Crops

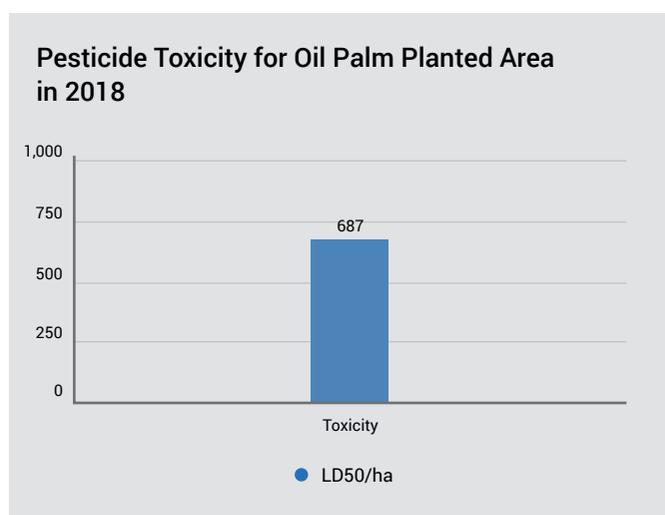
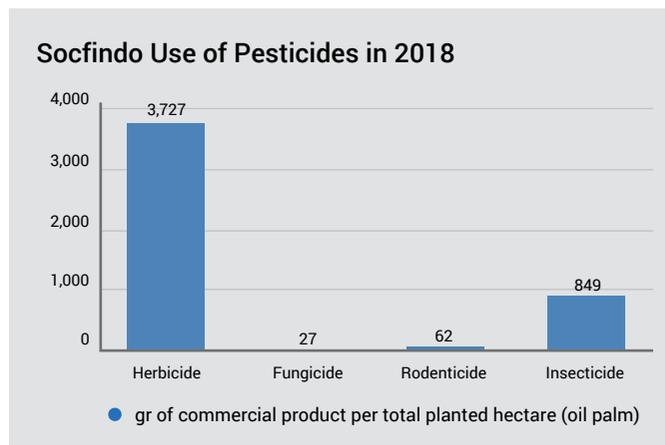
As the graph below demonstrates, palm oil as a crop uses far less pesticides than other major crops with soybean, cotton and corn all using an order of magnitude more pesticides than palm oil. This is significant as it shows clearly in relation to the use of IPM and pesticides use, oil palm is leading the way and a commensurate effort should be undertaken by other crop producers to reduce their pesticide use.



Pesticide Use in Socfindo

The graphs beside show Socfindo's pesticide use in 2018. Currently the only pesticides labeled as 1A by WHO used by Socfindo is Brodifacum, a rodenticide used when the rat infestation level can no longer be controlled by other standard IPM techniques.

Socfindo is currently looking at other alternatives which are neither in 1A nor 1B list, or are diluted by the phyto manufacturers to levels that make them fit into category 2 or 3, as per Indonesian regulation.



Environment : E4 Soil Health

Protecting Soil Health in Socfindo

Socfindo is first and foremost a Plantation company, and as such along with our people soil is our key asset. Socfindo has since its inception focused on long term soil health and soil fertility maintenance (agronomy) and it is one of Socfindo’s four pillars in its ongoing R&D program. Socfindo has developed a host of practices and procedures in place to ensure protection and enhancement of the soil in plantations which are continually being updated and improved. In this report we will focus on two of these:

- Recycling of Biomass; and
- Soil Protection and Preparation During Replanting

Recycling of Biomass

One of the key concerns for soils like those in Socfindo’s plantations which have been planted with crops for a long time is the gradual loss of organic carbon in the soil. Recycling of the field and mill biomass residues back to the soil will improve the soil’s characteristics by creating a closed resource loop and recycling organic carbon back into the soil which would otherwise be lost.



Image : Composting Activity in Bangun Bandar

In the field the fronds are disposed in a U shape around the circle, and slowly degrade, providing an ideal medium for root development. In the mill Socfindo recycles its Empty Fruit Bunch waste (EFB), by mulching and reapplying these to the plantations. In Bangun Bandar, Socfindo operates a long running UNFCCC certified co-composting project which creates organic compost from the mill EFB and the liquid palm oil mill effluent (POME) which is recycled back and applied in the field. For more details on this co-composting project please see the Carbon section of this Report on [Page 32](#).

These organic fertilisers effects are likely to have a lasting positive effect which will contribute positively in recovering the loss of fertility due to sometimes four generations of intensive culture of crops on the same soil. By understanding better the soil issues which are specific to the tropics and to our regional environment, we seek to recover the organic carbon that is needed for the soil to be able to function. In addition, organic fertilisers will likely have an effect on the soil exchange capacity and on the microbial activity, these two parameters being key to a healthy and productive soil.

Snapshot of Socfindo Biomass Recycling 2018

Biomass Type	% Recycled	Amount	Unit
EFB to Plantation	100	166,748	MT
Solids to Plantation	100	31,137	MT
Compost Produced and Recycled to the Plantation	100	11,845	MT
POME used in compost process (UNFCCC Registered Project)	N/A	14,619	m ³

Soil Protection and Preparation During Replanting

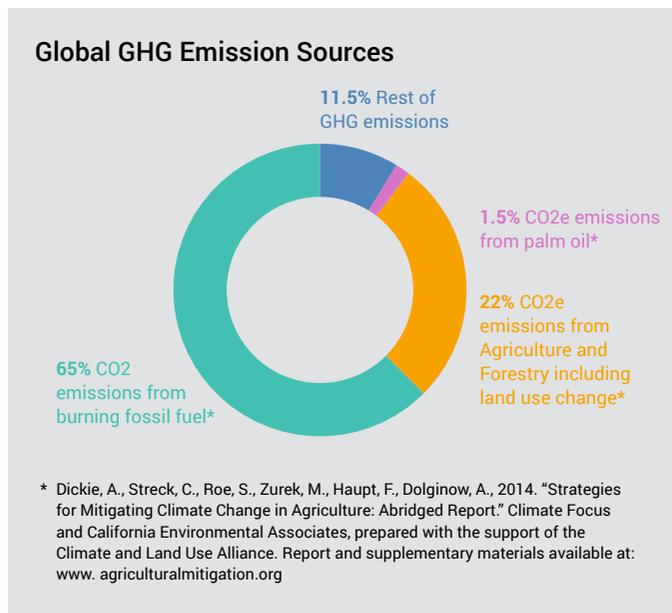
Palms require to be replanted in a cycle approximately every 20-25 years. During this replanting phase the old palms need to be removed, the ground prepared and the new palms replanted. Measures to maintain soil health and to protect the soil from erosion, compaction and run off are critical during this time. Along with adhering to the new RSPO planting procedures Socfindo has its own very strict and careful protocols to ensure the protection of its soils which include:

- **Soil Decompaction:** During the land preparation soils are decompacted by ripping and ploughed in order to ensure that our seedlings and cover crop find the best conditions to grow.
- **Cover Crops:** A lot of effort is given to the establishment of cover crop to ensure there is no exposed soil. Cover crop helps in covering the soil, limiting erosion and improving moisture retention. In addition, a well thought out good cover crop will prevent the rise of invasive weeds such as woody growth and grasses which in turn reduces the need for maintenance and chemical operations and further protects the soil.
- **Terracing:** In cases of specific steep terrain, contour terraces are built to prevent soil erosion and improve access for the workforce and evacuation of the production.

Environment : E5 Carbon

Significance of Palm Oil to Global Carbon Emissions

Carbon or Greenhouse gas emissions (GHGs) and their impact on the planet's climate is a global issue and its solution requires a concerted collective effort to minimise emissions. For its part, all palm oil activities worldwide (including the emissions associated with land change) account for 1.5% of annual global GHG emissions. This is compared to 22% for agriculture and forestry as a whole and 65% for the burning of fossil fuels, which still remains the largest driver of GHG emissions by far.



GHG Management

Socfindo as a plantation company relies heavily on stable weather patterns and adequate rainfall without which its productivity and even its existence are threatened. Carbon and other GHG emissions are a material matter, and minimising and reducing its carbon footprint wherever reasonably possible is a key part of Socfindo's sustainability program.

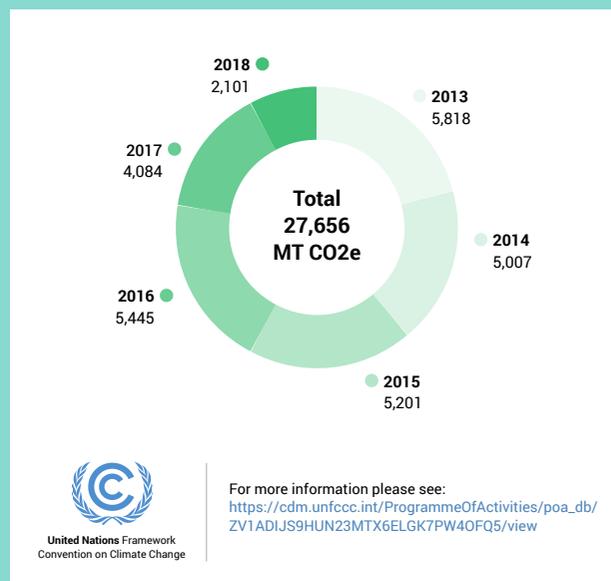
Socfindo's management approach for its carbon emissions is firstly through meeting its obligations under the RSPO. This requires annual reporting of its greenhouse gas emissions (sources and sinks) using the RSPO Palm GHG calculator (currently version 3).

Co-composting and Composting Program of Activities for Palm Oil Mills in Indonesia (6511)

Socfindo is an official UNFCCC Coordinating Entity, and since June 2012 has had a Clean Development Mechanism (CDM) Program of Activities (PoA) successfully registered under the UNFCCC which allows any co-composting project of palm oil waste (POME, EFB etc.) in Indonesia to be registered under it provided it meets the eligibility criteria set under the framework PoA.

Socfindo has also developed a state of the art Aerated Bunker Co-composting Facility at Bangun Bandar which has been registered under this PoA since 2013. This facility composts liquid POME and EFB, thus avoiding a significant amount of emissions that would have otherwise occurred from methane under the traditional ponding system. Currently this project has been successfully verified under the UNFCCC and has had 27,656 Certified Emission Reduction Units issued (CERs), representing an avoidance of 27,656 MT CO₂e of carbon. This was the first Co-composting PoA in Indonesia to successfully be issued CERs.

Verified Emissions Reductions from UNFCCC Composting Project Between 2013 and Mid 2018



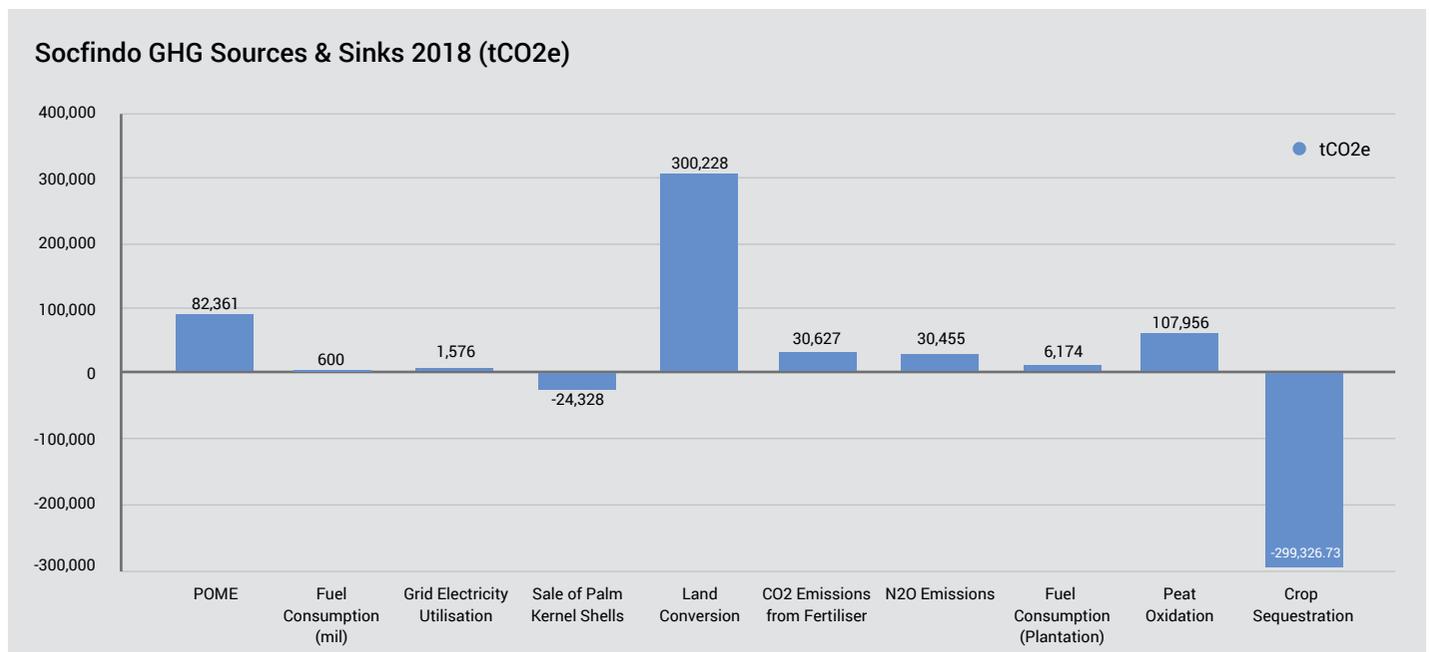
Snapshot of Socfindo GHG Emission 2018

Socfindo GHG Emissions 2018	
Emission	Amount
Per tonne of CPO (tCO2/tCPO)	1.21
Per tonne of FFB (tCO2/tFFB)	0.28



Image : Loading Compost for Field Fertiliser

Socfindo Sources & Sinks 2018



Looking at Socfindo's GHG emission profile, it can be seen that the largest source of GHG emissions come from replanting activities where Socfindo is currently rejuvenating its palm plantings at a rate of 3 to 4 percent a year and converting some of its old rubber estates to palm. For a short time the emissions associated with the loss of carbon stock in the old wood will outweigh the sequestration from the newly planted trees. However, the chippings will gradually release its organic matter in the soil, providing a source of nutrient, while over the lifetime of the palms the carbon sequestration will in fact be net positive as the newly planted palms absorb more carbon each year.

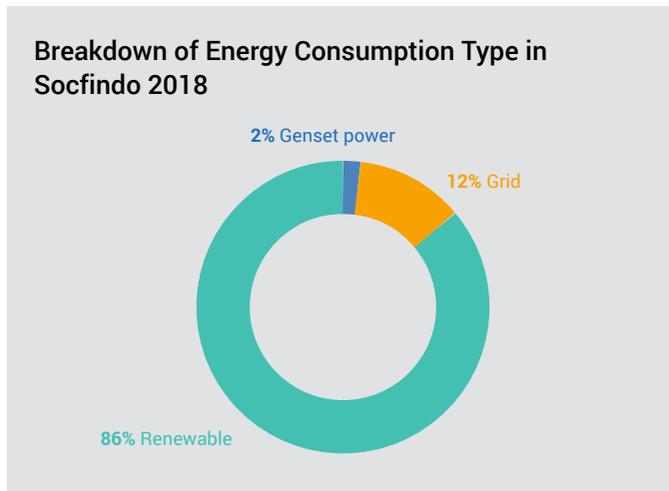
The other significant GHG emission sources are from peat oxidation associated from the small amount of peatland Socfindo has, which shows just how significant peat is as a source of GHG emissions. Finally, GHG emissions from liquid Palm Oil Mill Effluent (POME) from the mills are also significant.

Environment : E6 Energy

Energy use is closely linked to GHG emissions and one of the methods Socfindo uses to optimise its GHG emission profile is to reduce and minimise wherever possible its fossil fuel consumption and increase its use of renewable energy. As part of its RSPO commitments, Socfindo will manage its energy profile by putting in place a plan for improving energy efficiency of fossil fuel and optimising renewable energy which will be monitored and reported.

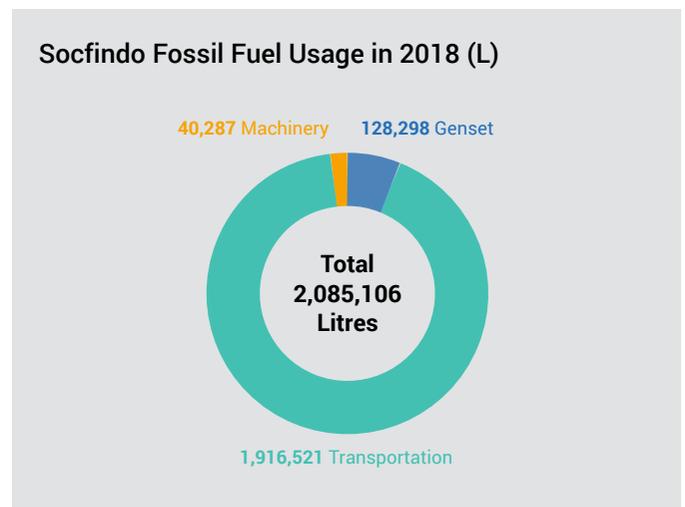
Breakdown of Energy Use in Socfindo

Socfindo generates a significant amount of its energy from renewable sources (86%), its mills equipped with biomass boilers which consume their own biomass waste as fuel (Fibre and Palm Kernel Shell). Socfindo's composting facility at Bangun Bandar also runs on the excess biomass power from the mill and wherever possible biomass energy is used to power associated facilities in the place of Grid energy and Diesel Gensets.



Total Fossil Fuel Consumption

Socfindo's source of fossil fuel consumption is from diesel fuel, which is used in the fleet of trucks and machines that are required to be used in the plantation as well as in gensets which are still required in the Mill for firing and back up purposes. Socfindo is continually seeking ways to minimise and reduce its diesel fuel consumption to reduce its greenhouse gas emissions and its per unit cost of production. An example of this is the fact that almost all nurseries are now operated with water pumps from the grid, rather than from traditional thermic motor pump.



Environment : E7 Water

Water : A Critical Resource

Water is a critical global issue and of prime importance to Socfindo where adequate water is crucial for yields and continued operation of the business. Changing weather patterns in recent years have resulted in seasons where rainfall has been less than adequate and this has severely impacted yields and financial performance in Socfindo and across the whole North Sumatra and Aceh regions. These unpredictable and unusual seasonal variations seem to be the new norm. Water conservation, efficient use of water and preserving the health and quality of water is therefore critical to Socfindo and also for the many other users of water who rely on water for their livelihood and require fresh drinking water. Reinforcing this view, water issues (water use, pollution and clean water supplies) were consistently ranked as material matters across both internal and external stakeholder groups.



Image : Water Gate as Water Management

Managing Water Resources

Given the importance of water and to manage this key resource in a proactive and holistic manner, Socfindo is in the process of putting together a comprehensive water management plan which will cover the following key areas:

- Water conservation and efficient use of water;
- Protecting water quality; and
- Access to clean water

Water Use in Socfindo

Set out below is a snapshot of water performance for Socfindo

Water Use in Socfindo in 2018	
Water use	Amount
Per tonne for FFB	0.97 m ³
Total Industrial water use	809,054 m ³

Environment : E8 Solid Waste

Management of Solid Waste in Socfindo

The production of solid waste and its responsible disposal is a rising issue, with its most visible aspect the issue of ocean plastic which is a major global issue affecting many nations including an island nation like Indonesia. Socfindo takes seriously its role as a responsible member of the community to ensure where possible it reduces, recycles and always legally and responsibly disposes of any solid waste it produces. To manage its waste in a more holistic manner, Socfindo is in the process of putting together a comprehensive waste management plan which will cover: reduction, recycling and disposal across its different classes of waste (i.e. organic, non-organic solid waste and hazardous waste).

No Disposal of Waste by Open Burning

In Indonesia open burning of solid waste is a common method of disposal, particularly in more rural areas where there is no municipal waste collection. This in turn is a significant source of local air pollution. Socfindo is working on this challenge first through its own strict policy of no disposal of solid waste by burning and second through development of a wider active socialisation program across Socfindo's employees, their families and the community in order to avoid burning of domestic waste in landfills as much as possible.



Image : Applying Empty Bunches

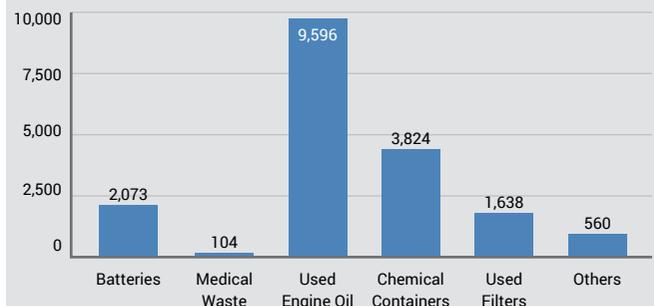
Organic Waste

As set out in Section E4 all solid organic biomass residues from the plantation and from the process of extracting Crude Palm Oil from FFB are recycled to the plantation (eg EFB) or used as biomass fuel to create energy in the mill (eg Kernel shell and fibre). Socfindo will continue its policy of recycling and utilising 100% of its solid organic biomass.

Hazardous Waste

Hazardous waste is separately disposed of from other non-organic solid waste and is carefully reused, recycled or disposed of according to law.

Socfindo Hazardous Waste Disposed by Licensed Third Party in 2018 (Kg)



Non Organic Solid Waste

All non-organic solid waste from Socfindo's operations are legally disposed of by landfilling but this waste is not currently weighed as this is not required for legal compliance purposes. Socfindo is investigating how it can better measure and track the quantity of non-organic solid waste produced.

Environment : E9 Fire

In 2014 and 2015, South East Asia experienced dramatic haze caused by widespread forest fires in Indonesia, which were exacerbated by the El Nino weather phenomenon.

The impacts can be both local and global. Locally, fires can cause health issues and even loss of life, while the effects on biodiversity can be significant. Globally, long term environmental effects, global warming and health risks are threats that will affect populations based on their locations, both near and far from the initial source of the haze.

Socfindo has long adopted a zero burning policy in developing new Plantation or replanting of aged Plantation. Socfindo relies on mechanical means to chip the old stands and the biomass is then left to decompose, providing nutrients to nurture the soil. Even though mechanical means of land clearing may be more expensive it is environmentally sustainable.

Although Socfindo maintains fire watch towers and teams of well-trained personnel across its plantations, it is very seldom that fire brigades are needed to be deployed to put out fire in the plantation. In that regard, Socfindo is fortunate to operate plantations that have been developed many generations ago, in locations that are by now, mostly developed and less at risk of being subject to forest or peat fires.

We still maintain ongoing education of local communities to ensure local people living in and around the plantations do not use fire for clearing or disposal activities.



Image : Fire Watch Tower in Aek Loba

Environment : E10 Material Pollutants

In addition to Greenhouse Gas emissions there are other emissions / pollutants which if not managed carefully can harm or cause disturbance to the local environment and communities. For example dust, noise, odour, particulate matter (PM) if not carefully and thoughtfully managed can impact local communities wellbeing and the local environment.

These in turn can become the source of social issues. Socfindo has always taken care to ensure compliance with the local environmental regulations and to reduce any adverse impact on the environment and local community. This approach is part of the basic foundation of being a responsible member of the community.

Snapshot of Socfindo Performance 2018				
Material Pollutants				
Parameter		Result	Compliance Standard	Unit
Boiler	Nitrogen Oxide (NOx)	209.4	800	mg/Nm ³
	Sulfur Dioxide	144.1	600	mg/Nm ³
	Particulate	93.1	300	mg/Nm ³
Genset	Nitrogen Oxide (NOx)	275.3	1,000	mg/Nm ³
	Particulate	94.9	150	mg/Nm ³
Outdoor	Dust (Total Suspended Particles)	103.1	230	µg/Nm ³
	NO2	65.8	150	µg/Nm ³
	Sulfur Dioxide	111.2	365	µg/Nm ³
	Noise	63.1	85	dB
Odour	Ammonia	0.1	2	ppm
	Hydrogen sulfide	0	0.2	ppm

SECTION IV

Employment

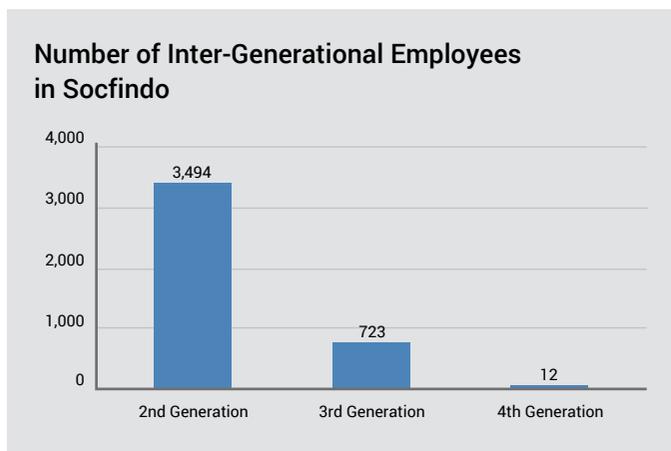


Employment : EM1 Socfindo Family

At the heart of Socfindo's long standing success are good people and their families, and without their continued dedication and support, Socfindo could not continue to exist. The most important foundation Socfindo is built on is its people and their families, the "Socfindo family". Looking after these employees, ensuring their hard work is rewarded and that Socfindo is a healthy, positive and engaging place to work is Socfindo's most important priority.

An Intergenerational Workplace

Socfindo prides itself on being a great place to work at, in taking care of its employees and in hiring people locally when possible for the long-term. An interesting phenomenon in Socfindo is the large amount of intergenerational employees, where family members belonging to an older generation also work or used to work at Socfindo. Socfindo has a staggering 3,494 employees or almost 35% of its workforce who are second generation employees (i.e. a family member from their parents generation worked at Socfindo), 723 employees who are third generation (i.e. a family member from their grandparent's generation worked at Socfindo) and 12 employees that are fourth generation employees (i.e. they had a family member from their great grandparent's generation working at Socfindo). This is something that Socfindo is incredibly proud of and it indicates that parents are considering Socfindo as being a decent place for their children to work in.



Making Socfindo a Decent Place to Work at

Socfindo has always worked hard to make itself a decent place to work at for employees and their families not just through its remuneration and benefits (which it also does) but also through the many additional actions that Socfindo does to enhance the "Socfindo Family". These programs and facilities are ever changing with people's needs but a snapshot of what is currently going on for employees and their families is set out below.

Health Awareness and Education Programs / Facilities

Every year, a team from human resources department, as well as the spouses of our senior managers, together with Socfindo's Doctor visit the plantations where they conduct awareness and socialisation programs in our villages and within the dispensaries. It is a unique opportunity to discuss specific issues, assess the wellbeing and spirit levels of our employees on plantations, while engaging with the families living on the sites.

Religious Celebrations

Every year Socfindo families gather from all estates for the religious celebrations of Maulid and Christmas. These events are the occasions of reflecting on the past year and looking forward to the new one while being thankful in a peaceful, inclusive and tightly knit community.

Recipe Book

Socfindo is very proud of the Socfindo Recipe Book that was compiled in 2018. It has been an opportunity for the spouses and families of staff to get together, share their favourite recipes and produce an assortment of recipes highlighting the diversity and creativity of the Socfindo families.



Image : Socfindo Family Recipes Book

Rumah Inspirasi “The Inspiration House”

In 2018 we started to rehabilitate a historical building in Bangun Bandar, which was named “the Inspiration House”. This acts as a multipurpose centre where the community can learn about different activities. It is a library and is also a sewing atelier, a cooking course place, a sporting facility and a fish production demonstration plot.

Small Businesses and Support of Entrepreneurs

Another example of the partnership that was initiated is the supply of work tools for Socfindo’s workers. The mechanism for supplying work tools is as follows: The Company provides raw material, supporting machines and design and the local entrepreneur creates the work tools as required and sells them back to the estate at a fixed price.



Image : The Cocoon House : A Pleasant Place to Gather



Image : Crafting Activity at the Cocoon House

Rumah Kepompong “The Cocoon House”

The “Cocoon House” is one of Socfindo Seed Production and Laboratories (SSPL) most recent community projects designed as being a place where children of both employees and non-employees around the Socfindo plantation can metamorphose. By using the analogy of a butterfly, it is hoped that it will nurture their creativity and enthusiasm just as butterflies do in their environment, being meaningful and agile. The various activities held in the cocoon house specifically for children include: reading sessions, art and drama courses, foreign language courses and computer courses.

The parents are also welcome at the cocoon house and while some activities are specifically targeting mothers such as sewing, craft or cooking learning skills, fathers can also learn fish farming and hydroponic cultivation skills.

These programs are additional to initiatives which are specifically for community development and for details on those, please see our community development section on [Page 58](#).



Image : Vegetable Gardening at the Cocoon House



Image : Sewing Activity at the Inspiration House

Employment : EM2 Equality

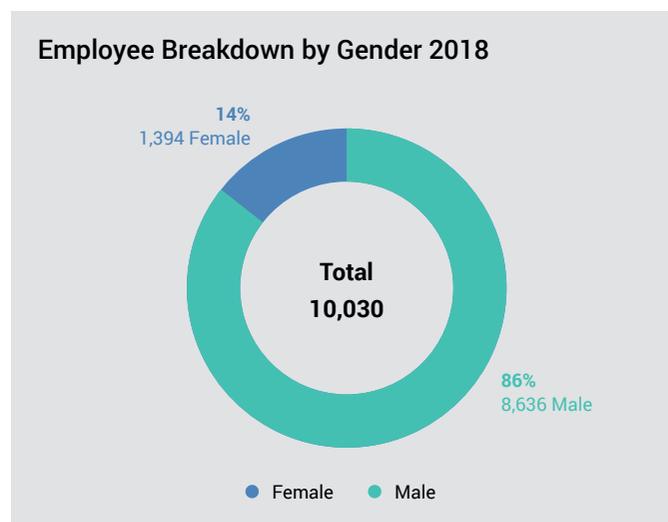
Ensuring a Decent Place to Work

Socfindo has worked hard to build a decent place to work that is safe and fair for all the members of the Socfindo family. Socfindo is committed to providing a workplace where every member feels safe, respected and valued, are treated equally and have an equal opportunity to advance and progress to reach their inherent potential regardless of their ethnicity, religion, gender, age, disability, marital status or sexual orientation.

Snapshot of Socfindo Workforce.

Below is a summary of our employees as of 2018 which includes a breakdown by gender, age and position.

Breakdown by Gender



Breakdown of Diversity in Governance Bodies and Rest of Organisation

Per Governance Bodies and Rest of Organisation	Gender Classification		Age Classification			Total
	Male	Female	18-29	30-50	>50	
Head of Departments and Groups	15	1	0	4	12	16
Rest of Organisation	8,621	1,393	1,246	7,685	1,083	10,014
Total	8,636	1,394	1,246	7,689	1,095	10,030

Breakdown of New Employee Hires and Employee Turnover

Per Employee Category	Gender Classification		Age Classification			Total
	Male	Female	18-29	30-50	>50	
Staff	180	7	8	121	58	187
New Staff in 2018	3	1	4	0	0	4
Percentage of New Staff	1.5	0.5	2	0	0	2
Staff that Left in 2018	13	0	2	5	6	13
Percentage of Staff that Left in 2018	7	0	1	3	3	7
Workers	8,456	1,387	1,239	7,567	1,037	9,843
New Workers	70	0	67	3		70
Percentage of New Workers	1	0	1	0	0	1
Workers that Left in 2018	377	45	18	98	306	422
Percentage of Workers that Left in 2018	4	0	0	1	3	4

Equal Opportunity

Socfindo has and will continue to recruit, employ and promote employees solely based on merit. Socfindo is committed to diversity which is formally expressed in its Anti-discrimination and Equal Opportunity Policy. Visit: www.socfindo.co.id/sustainability for more details. In addition within Socfindo the pay ratios for men and women are the same – there is no differentiation in remuneration based on gender.

Gender Committee

In order to further address the needs of its female employees, Socfindo has a Gender Committee which as one of its roles, is tasked with assessing the needs of its female employees. As an example of their role this year the Gender Committee will undertake a women needs analysis with a particular focus on the needs of new mothers. In addition to this important role, the Gender Committee also is involved in investigating, adjudicating and resolving any instances of harassment. For more details on this aspect please see the Prevention of Harassment and Violence Section on [Page 47](#).

Instances of Discrimination

There have been no incidents of discrimination and corrective actions taken for 2018.

Employment : EM3 Remuneration & Benefits

At the heart of creating a decent and fair place to work is ensuring employees are compensated fairly so that everyone wins as the company moves forward. A cornerstone of Socfindo’s long term success is to competitively reward hard work and performance so that it can retain the talent upon which the success of the organisation is built on. Below is a snapshot of the remuneration and benefits Socfindo provides its employees.

Remuneration

Socfindo does and always has paid a decent living wage either meeting or exceeding national wage standards. The right hand text box provides a comparison of Socfindo’s remuneration vs the national minimum.

Parental Leave 2018

Parental Leave	Total
Total number of employees entitled to parental leave	74
Total number of employees that took parental leave	74
Total number of employees that returned to work after parental leave	68
Total number of employees that returned to work after parental leave ended that were still employed 12 months later	68

Other Benefits for Socfindo Employees

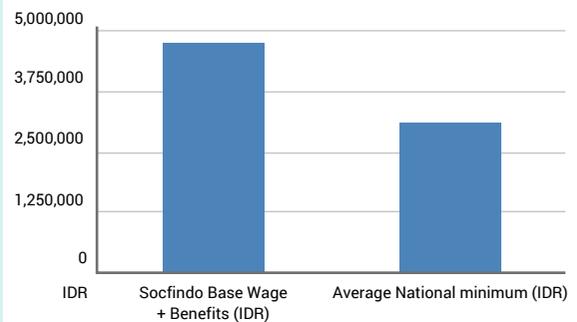
In addition to payments to every worker, Socfindo invests significant resources to enhance the well-being and welfare of its employees, their families and their communities. Some of these commitments are shown below:

- Education, welfare and scholarships
- School transport
- Additional medical related expenses
- Noncontributory and non-funded retirement plan
- External programs for our communities
- New infrastructure, roads, water supply and electricity
- Employee housing maintenance and refurbishment
- Infrastructure projects, buildings, community halls, places of worships

Socfindo Base Wage Plus Benefits vs National Minimum

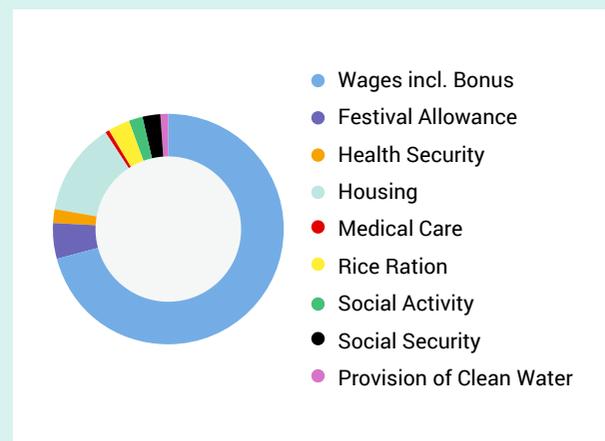
In addition to their base wage, every worker in Socfindo also receives a number of benefits. When we add the value of these benefits to the base wage and then compare these to the national minimum we see that Socfindo’s workers receive compensation far in excess of the national minimum.

Socfindo Base Wage 2018 + Benefits vs Average National Minimum



Breakdown of Wages and Benefits to Workers

The wages and benefits workers received are broken down below.



Employment : EM4 Training

Training and development of human resources were consistently highlighted as being of material importance to all our stakeholders. This demonstrates the willingness people have to better themselves and the recognition across Socfindo and the community as a whole that developing human potential will benefit all. Investing in training and personal development is a win win, for individuals, for Socfindo and the wider community as a whole.

Socfindo Training Program

Socfindo consistently invests into Training for its employees. Socfindo has in place a documented training program managed through its human resources department. Each department selects its training which is then assessed for its effectiveness. The program is reviewed each year to ensure training is kept relevant and meets the needs of employees and the organisation. The program is made up of both internally and externally run trainings.

Snapshot of Socfindo Training 2018

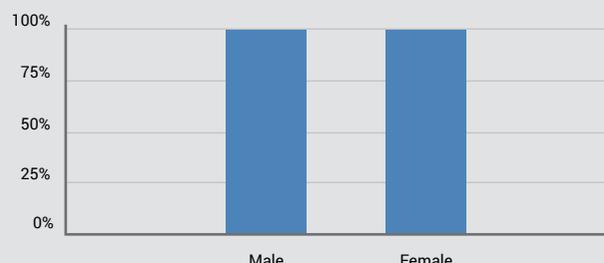
Training Hours

Training	Staff	Non Staff	Total
Average Number of Trainings Hours per Employee per Year in 2018	21.27	1.5	N/A
Number of Employees Who Received Training in 2018	148	1,785	1,933
Number of Training Hours Provided	3,978	14,442	18,420
Number of External Trainings Received	N/A	N/A	97

Performance Review

Socfindo is in the process of assessing how it will report workers performance reviews as these are not done as formally as it is for staff.

Percentage of Staff Performance Appraisal by Gender



Type and Scope of Programs Implemented

A wide range of training was organised in 2018. Below is a snapshot of some of the training that was performed:

- Finance, audit and admin: regular annual specific workshops
- Best management practices in agronomy: from SOPs reviews to chemical handling and disease workshops
- Research, laboratories and breeding: trainings included the use of new research equipment and techniques
- CSR and smallholders: we hold a number of seminars for small holders on oil palm and general plantation management
- Emergency and fire drills: annual training to maintain good standard of procedures and equipment checking
- Gender: Dissemination of information on gender issues
- Medical and health awareness
- Technical and technology processes
- Human resources: workshops on leadership and management
- IT: Workshops to keep up to date with latest technology
- OSH: from first aid training to road safety trainings
- Training on standards and certifications: ISO, ISPO, RSPO, etc.
- Water and environmental management: HCV management, etc.

Employment : EM5 Labour Rights

As an organisation that prides itself on being a decent place to work, Socfindo respects all workers' rights and strictly complies with all labour laws and national legal requirements in relation to the workplace.

Freedom of Association and Collective Bargaining

Socfindo is committed to allowing Freedom of Association and collective bargaining, and has a publicly available Freedom of Association Policy which has been socialised and made available to all employees within the organisation. In Socfindo workers are free to join unions or collective groups of their choice. All workers belong to a union or collective group, and collective agreements exist between workers and the company.

Number of Workers that Belong to a Union or a Collective Group

Labour Rights	Total Non-staff	%
Proportion of workers that are affiliated to a labour union	9,843	100%

No Forced Work

As part of its No Forced Work Policy, Socfindo has a strict policy of no forced work. This applies both within its own organisation and with its suppliers and contractors. In addition this policy guarantees employees rights to resign and prohibits penalties for the termination of employment and the withholding of wages.

No Involuntary Overtime

Socfindo strictly complies with all national regulations relating to the working of overtime and prohibits involuntary overtime. All overtime is voluntary at Socfindo, with all workers consenting in writing before working overtime.

Protecting Guest Workers

All workers in Socfindo are from Indonesia and are recruited in the provinces of North Sumatra or Aceh where Socfindo's operations exist. Socfindo therefore does not have "guest" workers from outside provinces or other countries and for this reason Socfindo does not retain identify documents of workers or of any employees. As part of its No Forced Work Policy, Socfindo strictly prohibits the retention of identity documents, payment of recruitment fees, contract substitution and debt bondage.

Employment : EM6 Prevention of Harassment & Violence

Socfindo will not tolerate harassment in any shape or form as expressed in Anti-discrimination and Equal Opportunity Policy. Visit: www.socfindo.co.id/sustainability for policy detail. This policy is publicly available and has been socialised and implemented throughout the entire Socfindo organisation.

Procedure for Reporting Harassment

To further protect all of its employees against harassment, Socfindo has implemented a specific grievance procedure where any employee may report an instance of harassment which includes sexual harassment, intimidation or violence of any kind. This procedure includes special measures to protect the confidentiality of the victim and a specific channel which involves both the Gender Committee and Senior Management in investigation, adjudication and resolution as required. See [Page 53](#) for more details.

Instances of Harassment

There have been no reported instances of harassment, intimidation or violence within Socfindo during the reporting period.



Image : Happy and Safe Socfindo Community.

Employment : EM7 Protection of Children

No Child Labour

To protect children, Socfindo does not employ nor allow any work to be undertaken by any individual under the age of 18. This strict No Child Labour Policy is enforced both internally and in all its contracts with suppliers.

Procedures to Verify Age Prior to Hiring

Socfindo employs careful procedures prior to hiring to verify the identity and age of an individual to ensure Socfindo does not employ minors under the age of 18. This includes confirmation of an individual with their original National Photo Identification Documents (Indonesian Personal Residency ID) as well as checking degrees, and family card. Copies of these documents are made and kept on the company's register file and records.

Day Care for Young Children

To ensure young children have a safe place to go to whilst their parents are working, Socfindo provides day care and kindergarten facilities for children of employees who are under school age.



Image : Children Playing at the Kindergarden

Employment : EM8 Occupational Safety & Health

Protecting the health and safety of its employees is Socfindo's top priority. Socfindo is committed to providing a safe and healthy workplace for all its employees and its occupational safety and health (OSH) at all times complies with all national laws and regulations as well as ILO guidelines.

Keeping a Safe Workplace

Socfindo ensures employee health and safety by careful management, strict and thorough safety processes and

protocols and continual training of workers to instil a safety culture, so habits like wearing the required protective equipment at all times and following standard safety regimens become second nature and are the status quo. This is a constant and ongoing process.

Annual medical checkup is provided to all employees on an annual basis.

OSH Plan

In order to achieve Socfindo's commitment to provide a safe and healthy workplace for all of its employees and decreasing work accident and illness, Socfindo initiated an occupational health and safety plan which follows Socfindo's normative management approach: Framework, Implementation and Review. The continuous improvement loop is insured by regular and systematic reviews of the plan.

System framework

Socfindo's occupation health and safety's framework is in compliance with the national regulation PP Number 50/2012.

Implementation

Awareness: Communication, Consultation and Participation

Internal communication conducted between levels of position and function is carried out in briefings, dissemination, meetings, letters, and memos. Meanwhile communication to external parties is carried out by socialisation, safety induction and contractual agreements. Consultation and participation process are carried out with workers and they are involved throughout the process of identifying hazards, assessing risks & establishing appropriate controls and accident investigations.

Hazard Identification, Risk Assessment, and Incident Investigation

Socfindo has conducted hazard identification and risk assessment for each routine and non-routine activity, for each work area, employee behaviour, work environment and infrastructure, tools and materials. The following step consists in providing safeguards and controls for each of the identified risks. Socfindo reviews the hazard identification if there are changes in these factors including if an accident occurs. This review is done at least once a year.

Incident investigation is carried out every time a work accident and emergency condition occurs. Investigation is coordinated by the safety officer by involving the parties involved in the incident. The results of this investigation are included back into hazard identification and control in order to prevent or minimise the risk of reoccurrence.

Safety Committee

Socfindo has a Health and Safety committee known in the national regulation as “Panitia Pembina Keselamatan dan Kesehatan Kerja or P2K3” in each estate. The safety committee helps management to identify safety issues and find solutions. The safety committee routinely conduct meetings to facilitate dialogue between management and workers about safety. The existence of a Safety Committee in Socfindo is legally stipulated by the Manpower Agency so that safety committees regularly submit their reports to the government agency.

Review & Audit

Socfindo has an annual audit program conducted by internal and external auditors. Audit programs are carried out as part of a process to maintain consistency in the system implementation. The results of the audit are shared with management to carry out projections and evaluations of Socfindo system’s sustainability.

Safe Pesticide Handling

Specific focus is given to the safe handling of chemicals and pesticides and as part of its Pesticide Policy, all workers, permanent or not involved with pesticides are trained and equipped adequately and their health is monitored. All workers who handle pesticides must first go through a strict and rigorous training in safe pesticide use and receive pesticide handling and use certification. Personal Protection Equipment must be used at all times and workers who work with pesticides receive regular free medical checkups to carefully monitor for unforeseen effects on their health. Finally, pregnant women and new mothers that are breastfeeding are not allowed to handle chemicals and will be reassigned to more suitable work for these periods. There have been no instances of accidents or illnesses due to the handling of chemicals and pesticides during the reporting period.

Occupational Health Services

Socfindo operates a clinic headed by a medical doctor. It serves as a health service center and has a license to conduct occupational analysis. In remote divisions on the plantations, our nurses can deliver basic health care, while in case of specific need Socfindo facilitates transport or evacuates to its central clinic or nearest hospital.

Work Related Injury

Table Showing Work Related Injury in Socfindo 2018

Details	Amount
Accident Frequency rate (Lost time accident) in 2018*	1.01
Accident Severity rate in 2018*	30.62
Rate of high consequence work related injury in 2018*	0

Work Related Ill Health in 2018	0
Work Related Ill Health Fatality in 2018	0

* Rate Based on 200,000 Hours Worked

Socfindo is pleased to report that in 2018 there were no fatalities occurring in its organisation as a result of work related injury. There was however still 79 recorded accidents in 2018 in our oil palm operations, which shows there is still important work to be done. The two main causes of accidents in our operations were traffic incidents and accidents where workers were struck by an object.

Work Related Ill Health

Socfindo is pleased to report that in 2018 there were no work related ill health cases or fatalities.

SECTION V

Community



Community : C1 Human Rights & Human Rights Defenders

As a responsible member of the community Socfindo is committed to respecting and upholding human rights in the communities in which it belongs and always strictly complies with recognised international human rights standards and all national regulations relating to human rights.

Socfindo Human Rights Policy

As a formal recognition of its commitment to Human Rights Socfindo has in place a documented Human Rights Defender Policy. This has also been extended to suppliers who are required to uphold these human rights as part of their contractual obligations. This policy commits Socfindo to upholding the fundamental internationally recognised human rights as set out in our Human Rights Defender Policy.

Socfindo manages Human Rights through compliance with all national laws and regulations, through its Human Rights Defender Policy and through meeting its obligations under the RSPO which also includes following the *RSPO Human Rights Working Group guidance* and *RSPO Policy on the Protection of Human Rights Defenders, Whistle blowers, Complainants and Community Spokespersons*.

Protection of Human Rights Defenders and Whistle Blowers

Socfindo will not tolerate any violence or intimidation of any kind against any individual including Human Rights Defenders and whistle blowers. Socfindo has put in place a formal Human Rights Defenders Policy which has also been implemented and communicated throughout the entire organisation as well as all key stakeholders including suppliers. This Policy includes a strict prohibition on any retaliation against Human Rights Defenders and whistle blowers.

In addition, Socfindo has in place special grievance procedures to protect Human Rights Defenders and whistle blowers in the situation where they have laid a complaint or grievance with the company. For more details, please see our Grievance section on [Page 53](#).

Human Rights Training

Socfindo is in the process of adapting its policies to keep up with new requirements and standards. As such, RSPO has highlighted the need for its members to specifically train and socialise its employees on these issues. We will therefore monitor the implementation and will track the successful conclusion of specific programs, not by hours, but by the completion and understanding of the workers themselves. Thus the metric we track is the specific training program, that it has been completed and understood and the % of employees that undertook the training. This is a more effective metric than simply the number of hours, which incentivises trainings which focus on duration and mass dissemination rather than targeted effective training.

Community : C2 Grievance

Socfindo has an established grievance policy and procedures to ensure that in the event there is an issue between parties, or a suspected noncompliance with established norms, these may be reported, investigated and resolved in a fair, transparent and

effective manner acceptable to all parties involved. All grievance procedures have been socialised to both internal and external stakeholders and are understood by all potentially affected parties.

Simplified Grievance Procedure Flow Chart for Harassment



Submitting a Grievance

The first step in the Grievance procedure pathway is submission of a grievance. In accordance with natural justice principles Socfindo requires a grievance to be submitted in writing, however there are multiple points where a grievance may be submitted, depending on the nature of the grievance, and the stakeholder concerned. Pathways allow for both online, or in person submissions to convenient well known pre-defined locations or persons. There is also assistance available for any stakeholder who may require support in filling out a written grievance. The Grievance form is standardised and thus the same regardless of the method and location of submission. Once the grievance form has been submitted the grievance automatically enters Socfindo's grievance procedure system.

Grievance Classification - Special Protection Categories

Once a grievance has been submitted, the next step in Socfindo's grievance procedure pathway is to undertake an initial assessment and to classify the nature of the grievance. This is a crucial step as there are certain kinds of grievance which require special protection for the complainants. The process here will identify specifically whether the grievance falls into one of the following special protection categories:

- Human Rights Defenders and / or Whistle Blowers.
- Sexual harassment, harassment of any kind, or violence or intimidation.

In the case that a grievance is classified in one of the above categories, in addition to having their own special grievance procedure pathway, automatic protections for the complainant will be included such as:

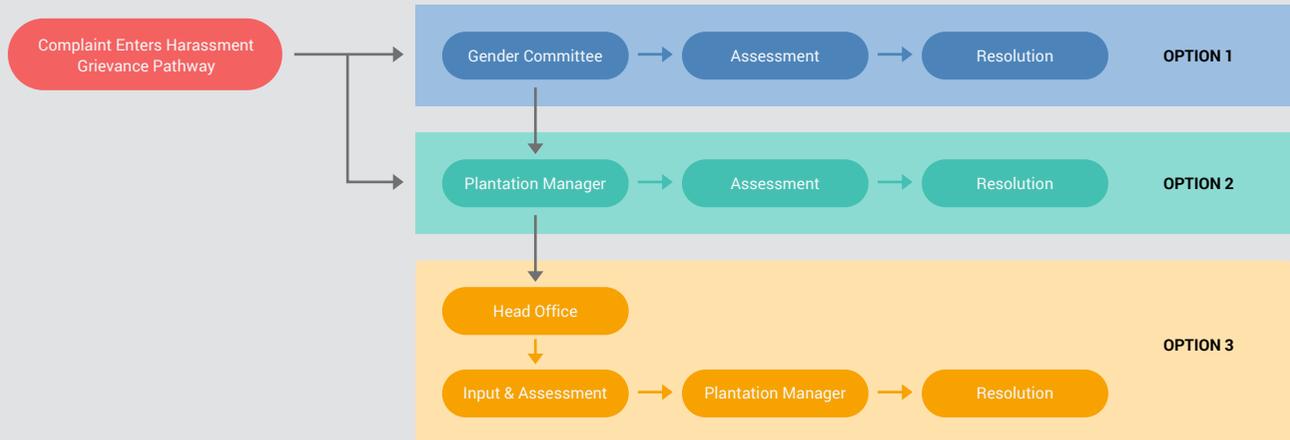
- Measures to protect and ensure the confidentiality of the complainant; and
- In the case of any potential violence and or retaliation, protection for the complainant and all measures possible taken to reduce tensions and to ensure safe nonviolent resolution.

In addition, in the event that any complaint could potentially rise to a violation of any National laws or regulations Socfindo shall contact the relevant authorities as per its legal obligations.

Grievance Procedure Pathways

Sexual Harassment, Intimidation and Violence Simplified Flowchart

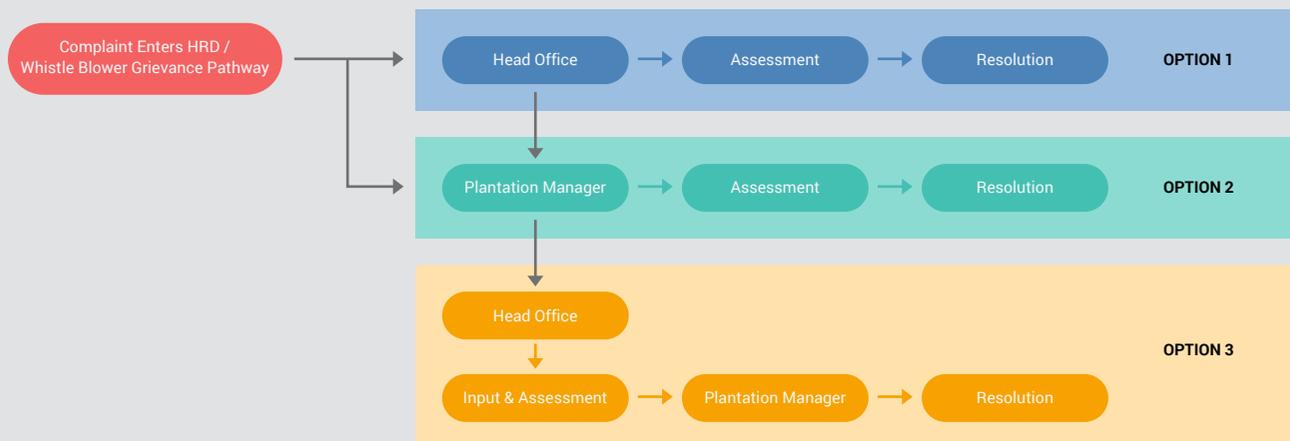
Option 1 is favoured when possible, allowing for an efficient resolution. However the system also allows for an escalation of process (in case the issue cannot be solved locally by the Gender Committee (see second and third option).



Confidentiality protection applies in all cases involving sexual harassment, intimidation and violence, triggered during assessment phase.

Human Right Defenders and Whistle Blowers Simplified Flowchart

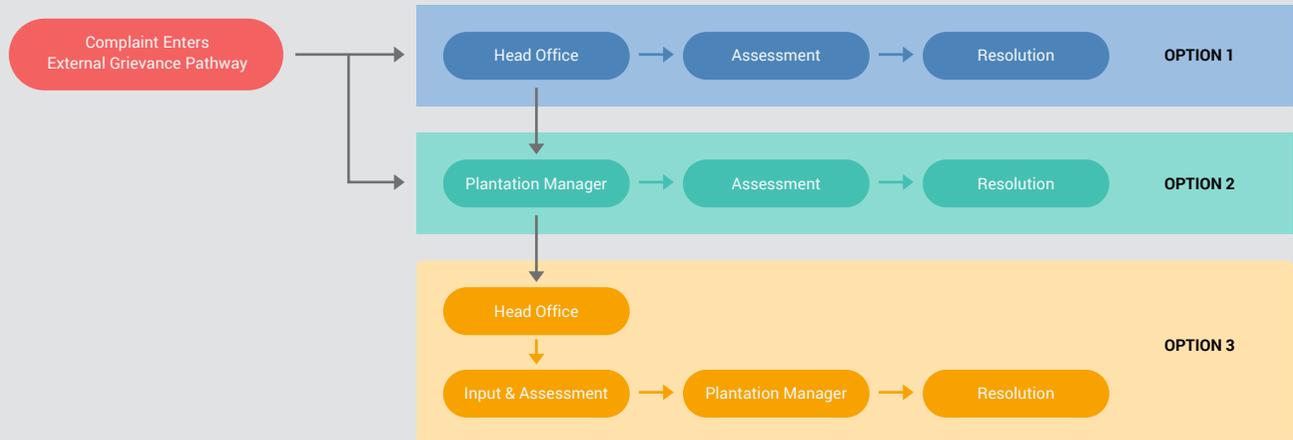
The system allows for an escalation or transfer of process (in case the issue cannot be solved locally or in the case of conflict of interest, and/or for protection of confidentiality.)



Protection measures are taken in case of potential violence threat or harm, triggered in the assessment phase. Confidentiality protection applies in all cases involving human rights defender or whistle blowers, triggered during assessment phase.

Community and Other Third Party Stakeholders Simplified Flowchart

The system allows for an escalation or transfer of process (in case the issue cannot be solved locally or in the case of conflict of interest).



Tracking Grievance

All complaints upon being received are entered into Socfindo's system and tracked at all stages until effective resolution. Historical records of grievances are stored.

Grievance Reporting

During the reporting period, 6 grievances were received by Socfindo. These were addressed and closed within the reporting period.

Community : C3 Smallholders

Increasing Smallholder yields is one of the keys to producing more palm oil without an expanding land base. Approximately one quarter of Indonesia's palm oil plantations are managed by smallholders whose yields lag well below the industry average due to lack of resources and knowledge. Socfindo is working hard to share its expertise and resources and is very active in a number of initiatives during which it engages with smallholders that operate around its concessions.

Socfindo believes that its experience can be valuable to smallholders and we therefore organise seminars and field sessions during which we invite smallholders from local districts to visit our plantations to get a better understanding of good agricultural practices, sustainability initiatives and environmental protection. The smallholders are given training sessions in safe handling of pesticides with appropriate Personal Protective Equipment (PPE). We also maintain nurseries with specific advanced material selling three months seedling specifically aiming for the smallholder market. In this way Socfindo is helping to close the resources and knowledge gap and empowering smallholders to increase their land's productivity and yield which is a win for everyone.

Most of the smallholders in the area where Socfindo operate sell their fruits to independent mills, which have sprouted in North Sumatra, to a point where there is now an abundance of mills with a processing capacity that is yet to be filled. Socfindo mills on the other hand being small in capacity per industry standard, were designed long ago based on the initial land base, and are therefore operating at full capacity.

media perkebunan PT SOCFIN INDONESIA (SOCFINDO)

PT Socfindo telah beroperasi lebih dari 100 tahun & saat ini sudah memasuki generasi ke-4. Produktivitas kebun Socfindo yang Tinggi, menjadi benchmark bagi perusahaan perkebunan kelapa sawit yang lain.

Seminar Teknis & Pameran Program Peremajaan Sawit Rakyat (PSR) dan Prinsip Ketenagakerjaan di Perkebunan Kelapa Sawit

Sharing Socfindo's Experience on Oil Palm Productivity (SSEOPP)

Rabu-Kamis **13-14 February** Hotel Aryaduta, Palembang Square Sumatera Selatan
15 FEB ▶ Field Trip Ke Kebun

Speaker:

Andri Suwignyo
General Manager PT SOCFINDO

Edison Sihombing
Kebun Rintis Sumatera PT SOCFINDO

Indra Syahputra
Head of Socfindo Seeds Production and Laboratories (DPL) PT SOCFINDO

Materi Utama

- Pengalaman Pengelolaan Perkebunan Kelapa Sawit Dengan Produktivitas Tinggi
- Pengalaman Pengelolaan Lahan Marginal untuk Perkebunan Kelapa Sawit dengan Produktivitas Tinggi walaupun sudah Generasi ke-4
- Benih Unggul Kelapa Sawit Toleran Ganoderma, Solusi Kesenambungan Produktivitas Tinggi pada Masa Peremajaan dan Generasi Seterusnya
- Peran Penting SDM dalam Meningkatkan Produktivitas Kelapa Sawit
- Teknologi Mekanisasi di Perkebunan Kelapa Sawit

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Image : Sharing Socfindo's Experience on Oil Palm Productivity

Community : C4 Free, Prior & Informed Consent

Free Prior and Informed Consent (FPIC) is an important process in a multicultural land like Indonesia where there may often be competing land titles and overlapping customary rights over land from different indigenous communities and local communities.

Socfindo always respects the rights of indigenous populations and local communities' free, prior and informed consent (FPIC). This recognises indigenous peoples' inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent.

Socfindo's concessions most often have preceded the development of the communities around them, making them an integral part of their environment. We are therefore fortunate to not have any land or customary rights issues on the land. Any future expansion of plantations by Socfindo shall follow a comprehensive FPIC process, as per our RSPO commitment, which ensures full respect for all local communities and indigenous peoples' legal and customary rights to their territories and lands in accordance with best practice RSPO FPIC practices.

Community : C5 Community Development

Socfindo has always invested into and supported the sustainable development of its communities.

Community Support Programme

Socfindo has a long standing and well established process whereby each year individuals in the community and their representatives can submit proposals for community development and initiatives for the benefit of the community and or its individuals. Socfindo has a specific budget for these projects each year and together with the community will select the projects which will deliver the most benefits.

Through its plantation management Socfindo has an ongoing informal dialogue with community representatives and leaders. As an important part of their role, Plantation managers are in regular contact with community representatives and leaders and are regarded as important leaders in the communities themselves, often joining local celebrations, events and assisting to resolve disputes in the community. Through this informal channel and its more formal community consultations, Socfindo is able to tailor its community development program to meet the actual needs of the local communities it is a part of. It is important to note that each plantation's program may be different depending on the needs of the community.

Community Impacts

As a long established operator, in many cases, Socfindo's operation's pre date the development which now surrounds its plantations and milling operations. Communities that have settled proximate to Socfindo's operations have done so because of the infrastructure, services and opportunities which Socfindo and other long standing plantation companies have directly or indirectly provided. Such benefits include direct employment, other economic opportunities providing secondary and support services and goods, and increased access to education, medical, utilities and services.

The next is a snapshot of some of the community development initiatives that have taken place during the reporting period.

Scholarship

The Philippe Fabri Scholarship award scheme was established in 2004 by Hubert Fabri with the aim of awarding students of Socfindo non staff personnel who achieve good academic performance. In 2018, 63 students (Senior High School and University) benefitted from the scheme for a total amount of IDR 378.419.000

Infrastructure, Religion and Sport

Socfindo operates an annual program of investment in its villages and communities infrastructure. This has become a successful collaboration between Socfindo and its stakeholders whereby they understand and know the process of communication between them and the company.



Image : Infrastructure Work Done in the Communities Around Our Plantations.

Community : C5 Community Development



Image : Bridge Built by Socfindo in Lae Butar Estate.

Socfindo has provided means to maintain and enhance the religious buildings and infrastructure.



Image : Maintaining Infrastructure in Local Communities

Health Awareness and Illness Prevention

Socfindo regularly operates wellness programs that are conducted within the dispensaries. The members of our community such as school students are invited and participate in these awareness sessions, where they receive basic health information.



Image : Socfindo's Doctor Michael Tamalate Conducting a Health Awareness Session.

Childcare and School

Socfindo invests in pre-school and kindergarten facilities which are available to both our employees and local communities. This provides a safe location in proximity to their local community.



Image : The Kindergarten Facility at Bangun Bandar Estate

Empowerment, Capacity Building and Economic Development

Several activities are focused on capacity building for both our employees and stakeholders. We are looking at educating our stakeholders on life skills that would enable them to develop competence in crafts, cooking and different activities.



Image : Sewing Workshop at the "Inspiration House" in Bangun Bandar.

Providing Technical Assistance

As part of our commitment to ensuring responsible supply of products to our customers, we encourage smaller producers to use best agricultural practices. We understand the challenges this brings them, especially with regards to improving their agricultural practices and safeguarding themselves and their land from misuse of agrochemicals such as herbicides and fertilisers. Technical Assistance is provided by our team of expert agronomists and includes training and dedicated workshops.



Image : Nursery Training for Smallholder's Communities.



Image : Local Agronomy Students doing an Internship at Sungei Liput Estate.

GRI Content Index



GRI Content Index

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Glossary



Glossary

Bio Diversity

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

Biological Oxygen Demand (BOD)

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

Certified Emission Reductions (CERs)

A unit issued for GHG emission reductions from CDM project activities or PoAs (non-A/R) in accordance with the CDM rules and requirements, which is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5 of the Kyoto Protocol.

Clean Development Mechanism (CDM)

A mechanism under the Kyoto Protocol, the purpose of which, in accordance with Article 12 of the Kyoto Protocol, is to assist non Annex I Parties in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Annex I Parties in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol.

Crude Palm Oil (CPO)

Oil produced from oil palm fruits in milling process.

Coordinating Entity

An entity authorised by all participating host country DNAs involved in a particular Programme of Activities and nominated in the Modalities of Communication statement as the entity that communicates with the Board and the secretariat, including on matters relating to the distribution of CERs, tCERs or ICERs, as applicable.

Certified Sustainable Palm Oil (CSPO)

The term is commonly associated with palm oil that has been certified by the Roundtable on Sustainable Palm Oil (RSPO).

Co-composting

In the context of this report Co-composting refers to environmentally sound aerobic co-composting of a portion or all of a Palm Oils Mill's solid biomass waste, in particular empty fruit branches (EFB) together with the liquid Palm Oil Mill Effluent (POME) to produce organic compost which can be recycled and reapplied to the plantation.

Empty Fruit Bunches (EFB)

The bunch that has been emptied of its fruits, a by-product of the milling process.

Fresh Fruit Bunches (FFB)

Bunch harvested from the oil palm tree. The weight of the fruit bunch in Socfindo varieties usually ranges between 4kg to 20kg depending on the age.

Free Prior and Informed Consent (FPIC)

FPIC is the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.

High Carbon Stock (HCS)

The HCS approach is a methodology to avoid deforestation in land development. The approach stratifies the vegetation into different classes using analyses of satellite images and field plot measurements. Each vegetation class is validated through calibrating it with carbon stock estimates in the above-ground tree biomass. The methodology distinguishes HCS forest areas for protection from degraded lands with low carbon and biodiversity values that may be considered for development.

High Conservation Value (HCV)

The HCV concept was originally developed by the Forest Stewardship Council (FSC) with the aim to standardise the definitions and evaluation approaches for natural forest that should be set aside for conservation.

Ganoderma Disease

Ganoderma boninense is a fungus responsible for basal stem rot, which is the most worrying disease in the oil palm plantations of Southeast Asia, where it can cause over 80% mortality.

Greenhouse Gas (GHGs)

A greenhouse gas listed in Annex A to the Kyoto Protocol

Indonesian Sustainable Palm Oil Organisation (ISPO)

The Indonesian Government under the Ministry of Agriculture established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles & Criteria (ISPO) to ensure that all producers live up to specific environmental, economic and social standards when operating in Indonesia. For more information on ISPO visit: www.ispo-org.or.id/index.php?lang=en

Integrated Pest Management (IPM)

A pest management system that in context of the associated environment and the population dynamics of the pest species utilises all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage and loss.

International Labour Organisation (ILO)

Is a tripartite world body representative of labour, management and government, and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.

International Sustainability & Carbon Certification (ISCC)

ISCC is an international certification scheme to certify the sustainability of raw materials and products. It covers all biomass products and has a focus on sustainable biomass and bioenergy production aimed to demonstrate compliance with the legal sustainability requirements specified in the Renewable Energy Directive (RED) of the European Commission as well as the Fuel Quality Directive (FQD). For more information on ISCC visit: www.iscc-system.org/

Palm Kernel (PK)

Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-product.

Palm Oil Mill Effluent (POME)

A by-product of processed fresh fruit bunch (FFB).

CDM Programme of Activities (PoA)

A voluntary coordinated action by a private or public entity which coordinates and implements any policy/measure or stated goal (i.e. incentive schemes and voluntary programs) that leads to GHG emission reductions or net anthropogenic GHG removals by sinks that are additional to any that would occur in the absence of the PoA, via an unlimited number of CPAs.

Round Table for Sustainable Palm Oil (RSPO)

The RSPO is a not-for-profit that unites stakeholders from the 7 sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/ investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil. For more details on the RSPO please visit: www.rspo.org/about.

Smallholder

Smallholders are "farmers growing oil palm, sometimes along with subsistence production of other crops, where the family provides the majority of labour. The farm provides the principal source of income, and where the planted area of oil palm is below 50 hectares in size."

United National Framework Convention on Climate Change (UNFCCC)

The United Nations Framework Convention on Climate Change (UNFCCC) is an international environmental treaty adopted on 9 May 1992 and opened for signature at the Earth Summit in Rio de Janeiro from 3 to 14 June 1992. It then entered into force on 21 March 1994, after a sufficient number of countries had ratified it. It develops a global response to stabilising greenhouse gas concentrations in the atmosphere.

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