Halcyon Agri’s response to Greenpeace and Earthsight reports on our SUDCAM operations next to the Dja Faunal Reserve in Cameroon, West Africa

The natural rubber industry consists of three main components that, in sequence, form its value chain:

Upstream, the rubber tree (typically Hevea Brasiliensis) produces the original feedstock for the entire industry: field latex. A tropical medium-hardwood that originates in Brazil, the rubber tree produces field latex when deliberate incisions are made along the bark of the tree (“tapping”). Rubber or Concentrated Latex factories then process the field latex, thus transforming the agricultural produce into an industrial raw material. This is the midstream slice of the value chain. Finally, the product is packed, stored, and delivered to the consumers of natural rubber, who are rubber product manufacturers.

The applications for rubber cover the waterfront, the most notable however being the tire for all forms of vehicles and aircraft. It is not technically possible to make a pneumatic tire without the use of natural and synthetic rubber. Styrene Butadiene Rubber (“SBR” or “synthetic rubber”) is the other critical ingredient to a modern tire. Synthetic rubber is a by-product of refining crude oil.

Halcyon Agri Corporation (“HAC”) was founded in 2010 and has since become the world’s leading natural rubber franchise. Our success stems from the conviction that this critical material is vital to modern life, and that it must be produced responsibly and sustainably. Our journey began in the midstream arena, with two factories in Indonesia. We gave birth to the HEVEAPRO standard, which defines sustainable factory operating methodologies across four dimensions: industrial standards, environment health and safety (“EHS”), corporate social responsibility (“CSR”) and logistic and facility security (“C-TPAT”). All our 37 factories globally operate by this standard and are externally audited and monitored.

In recent times, various media reports by Earthsight, Mighty Earth and Greenpeace implicate Halcyon Agri in allegations of deforestation and the infringement of the rights of indigenous peoples in Cameroon, where HAC owns and operates two large rubber plantation companies: HEVECAM and SUDCAM.

It is not our intention to defend or opine; the sole objective of this publication is to state the facts, as we know them, and to invite organisations such as those that allege corporate misconduct into our company. We are looking for a substantive discussion on what we do, how we can improve, and indeed how we can ensure the long-term sustainability of this vital industry.
Natural Rubber is biologically well suited to be a model crop that provides economic returns while coexisting with indigenous biospheres and cultures; however, the outdated nature of the rubber industry’s price discovery model leads to volatile distortions of price and value which crowds-out investors and attracts speculators. This, in turn, pushes the burden of upstream investment onto smallholders in tropical frontier economies such as Indonesia, Thailand, Vietnam, Cambodia, Ivory Coast and Cameroon.

In considering our thoughts below, you are contributing to one of the most critical questions of our time. Thank you for participation, we hope to hear from you.

Basic Facts and Figures
Sud Cameroon Hevea S.A. (“SUDCAM”) is a plantation company incorporated in Yaoundé, Cameroon. It owns three concessions, which we have labelled the North, Central and South concessions respectively. In aggregate, SUDCAM has a total plantation area of just over 60,000 hectares. The North concession is fully developed and tapping of the first blocks of planted trees has just commenced. We are currently developing the central concession, which borders the Dja River on the east; the Dja Reserve commences on the other side of the river. The South concession remains undeveloped, and to date SUDCAM only has a provisional concession for this area of 13,000 hectares.

The government of Cameroon established the Dja Reserve Development Plan (“DRDP”) in 2004. The concept provides for the development of an agro-industrial zone to bring employment to the south-east of the country.

Two shareholders own SUDCAM: Cameroon Holdings Pte Ltd (“CH”), which Halcyon Agri Corporation (“HAC”) acquired in 2016, owns 80%. A Cameroonian investment firm owns the remaining 20%.

Prior to any development work, and in full compliance with the stipulations of the lease documents and the DRDP, CH conducted an Economic and Social Impact Assessment (“ESIA”) employing external consultants. This in-depth study defines the parameters for the development of the land. Amongst others, it prescribes the maximum permissible area for development, it identifies High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) areas that must remain undeveloped, and it mandates boundary buffer zones to the Dja River and to HCV and HCS locations.

SUDCAM is in full compliance with the framework established by the DRDP and the ESIA. Furthermore, SUDCAM operates within the law of the Republic of Cameroon and is not subject to any form of litigation or disputes.
Before we address the allegations point by point, we highlight our development process as follows:

All logging activities are conducted by entities unrelated to SUDCAM or HAC, and predate our involvement in any given area. Our development activities begin with clearing and felling of logged landscapes. We do not remove any biomass from the area. Our planting process commences with the stacking of the cleared material in rows, and then planting rubber trees in between these rows. We plant cover crops that protect the stacked biomass and allow its nutrients and minerals to return to the soil without releasing carbon.

**Alleged violations of community rights and Free Prior Informed Consent (“FPIC”) not obtained from indigenous communities**

We did not violate community land rights under Cameroonian law. In the legal procedure of land allocation for socio-economic purposes managed by the local government, the consultation of the local population including village chiefs is mandatory. The land acquisition process involves many steps including soil survey, seeking approval from the local communities, ESIA and fair compensation. Agricultural and other developments within the concessions are subject to financial evaluation by the relevant government authorities and compensation is calculated by a valuation scheme established by the government and paid directly to the beneficiaries, after governmental approval. Due process was followed, and no law was broken.

The reports claim that we did not make ‘collective social and economic service facilities’ available to the local communities. This statement is not true.

The neighbouring villages have public schools already in place. SUDCAM supports these neighboring schools in various ways. Examples are a financial contribution towards teachers’ salaries and didactic material, and facility maintenance support. We also provide medical support (in the SUDCAM hospital) to communities outside our concession, as well as ophthalmological care.

We organise bore wells to be set up in some villages (six to date), and the program continues to cover all neighbouring villages. We will continue to engage with the local communities as we do in our other plantations and factories with community activities and financial contribution.

**Alleged violation of local regulations, because much of the land was already awarded to logging firms**

SUDCAM has not violated local laws or regulations. Our concessions were legally obtained in compliance with the land acquisition process set up by the Cameroonian government. The Cameroonian government regulates
all economic processes including allocation of land for agricultural projects. It should be noted that logging rights are granted for a provisional period of three years and are subject to the validation of a management plan. Our understanding is that the concession was initially awarded to a logging company and was then expelled, as they did not present a management plan for these forest units as legally required. That is all we know.

Alleged clearing of land outside the concession boundaries
We do not engage in any activity outside of our concession. Our Centre concession is closer to the Dja Faunal Reserve than our North or South concession, so it may seem that we are encroaching into the reserve but we will like to reiterate that all of our activities are within our concession and that we maintain the agreed buffer zones without exception.

Alleged political affiliations with the government of Cameroon
We have no special ties to the government, we do not support a political party nor do we have any political aspirations. As a large employer in Cameroon, we maintain appropriate relationships with various ministries and government agencies.

The buffer zone between our central concession and the Dja Faunal Reserve
SUDCAM complies with the ESIA report approved by the government in 2011, which recommends that we keep 100 to 200 meters of buffer zone along the boundary to the Dja Reserve. SUDCAM’s employees are neither allowed to hunt in our concession nor are they permitted to cross the river and enter the Dja Reserve.

Clearing of forested areas, maintaining HCV areas and continuous environmental impact study
The SUDCAM concession does not include logging rights. In fact, our concession consists of logged territories, that have been degraded and are lying fallow. We do not clear primary forest, HCV or HCS areas. In the North concession, which has been fully developed, we have maintained an actual conservation rate of around 45 %, compared to the 20% as recommended in our 2015 Environmental and Social Impact Assessment (ESIA) report. We have started our 2018 Environmental and Social Audit (ESA) for the north and central concession, and we expect the report to be ready in the third quarter of 2018. We will then assess the situation to determine our management plan going forward.
**Our partnership with the Dja Faunal Reserve**

Since 2013, we have been in a partnership with the Dja Faunal Reserve for a five-year period (2013-2018) to work together to ensure the maintenance and the integrity of wildlife resources and their preferred habitats in and around the concession. This partnership has just been extended for another five years.

We consult regularly with the local communities, hold monthly meetings with the heads of villages, and host regular townhall meetings with the traditional chiefs. We continue to be a member of the interministerial committee in charge of safeguarding the reserve and meet up with the UNESCO and IUCN representatives every year to evaluate actions done for the preservation of the reserve.

In reviewing our past actions and our plans for the future, you are becoming a part of SUDCAM and of HAC. We are an inclusive organisation that strives to provide fair and equitable outcomes. That does not mean that we get it right all the time, off the bat. Rather, it means that we will onboard any qualified input and use it to advance our cause. The last eight years have seen Halcyon evolve from a start-up to a multinational corporate citizen. We have not forgotten our roots, and the passion of all of us at Halcyon remains alive and kicking: to reboot the natural rubber industry and give it a new lease of life. The world cannot do without it.

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**About Halcyon Agri**

Halcyon Agri (SGX: 5VJ) is a leading supply chain manager of natural rubber with a production capacity of 1.63 million metric tonnes per annum. The Group owns 37 processing factories in most major rubber producing origins and produces sustainable natural rubber under its proprietary HEVEAPRO brand. The Group leverages its extensive network of warehouses, terminals, laboratories and sales offices across the world to distribute a range of natural rubber grades, latex and specialised rubber for the tyre and non-tyre industries. The Group is headquartered in Singapore and has more than 15,000 employees located in over 50 locations. Halcyon Agri is listed on the Mainboard of the Singapore Exchange with a market capitalisation of more than US$700 million.

**Investor Relations**

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