

FOR IMMEDIATE RELEASE

Halcyon Agri announces Sustainable Natural Rubber Supply Chain Policy and launches Sustainability Commission for Cameroon

- Issues comprehensive policy to develop and implement sustainable use of natural rubber
- Releases World Wildlife Fund (WWF) trip report and recommendations for Sudcam
- Sets up Sustainability Commission to monitor implementation of the policy focusing on the Corrie MacColl plantation business in Cameroon

Singapore, 19 November 2018 - Halcyon Agri Corporation Limited (“Halcyon” and collectively with its subsidiaries, the “Group”) today launched its Sustainable Natural Rubber Supply Chain Policy (“SNRSCP”) which applies to the Group and other stakeholders with whom Halcyon trades.

Halcyon’s subsidiary, Corrie MacColl, will set up a Sustainability Commission whose main responsibility is to monitor the implementation of the SNRSCP within Corrie MacColl and ensure WWF’s recommendations for Sudcam are effectively developed and implemented.

Sustainable Natural Rubber Supply Chain Policy

As the world’s largest supplier of natural rubber and the owner of large plantation concessions, Halcyon understands its role and obligation to minimise impact on the environment while continuing to meet the growing demand for a raw material vital to modern life.

The policy addresses seven areas:

1. Working conditions and living environment – to protect the rights of all supply chain stakeholders and create a positive work environment
2. Responsible land acquisition and use – to promote a socially and environmentally responsible value chain and improve the livelihoods and economic viability of local communities, ensuring FPIC methodology and guidelines are applied
3. Ecosystem protection – to achieve zero-net deforestation and ensure responsible cultivation, harvesting and processing of natural rubber across the value chain
4. Ethics and transparency – to prevent corruption across the value chain, practice free and fair competition and develop a transparent grievance mechanism process for all stakeholders
5. Good agricultural practices and yield improvement – to promote effective and safe methods to maximise yields, including providing training, encouraging natural fertilisers and improving environmental conservation practices
6. Traceability – to actively facilitate the development of traceability across the supply chain
7. Policy implementation and compliance – to ensure corruption-free and transparent implementation and reporting of this policy across the value chain

Press Release

World Wildlife Fund's visit to Sudcam plantation and its report

The World Wildlife Fund ("WWF"), at the invitation of Halcyon, visited the Sudcam plantation in Cameroon in August 2018 and prepared a report, which is attached. Halcyon acknowledges there are legacy issues prior to our acquisition of Sudcam, particularly regarding access to land, limited space for local farming activities and a concrete environmental management plan. Halcyon is working on next steps based on the recommendations of WWF and will share updates when ready.

Sustainability Commission

The Sustainability Commission serves to bring together multi-stakeholder groups throughout the entire value chain of natural rubber and will be empowered and have explicit authority to investigate any matter within its terms of reference. Invitation letters have been sent to the following stakeholder groups:

- Non-government organisations with natural rubber industry knowledge
- Civic society groups with expertise in environmental and social governance
- Relevant local government ministry representative
- Local community representatives
- Customers of the Group
- Senior Managers of the Group

The commission will be chaired by a stakeholder that is not an employee of the Group. Halcyon will provide updates on the Sustainability Commission in Q1 2019.

Halcyon Agri's commitment and pledge

Halcyon is committed to achieving zero-net deforestation in all its plantations and will implement an integrated landscape management approach in consultation with key environmental and social civil society organisations.

Attachments:

- Sustainable Natural Rubber Supply Chain Policy
- Summary report of WWF visit to Sudcam Aug 27-30, 2018

About Halcyon Agri

Halcyon Agri (SGX: 5VJ) is a leading supply chain franchise of natural rubber with a production capacity of 1.63 million metric tonnes per annum. The Group owns 38 processing factories in most major rubber producing origins and produces sustainable natural rubber under its proprietary HEVEA^{PRO} 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 about 15,000 employees located in over 50 locations.

Please visit us at www.halcyonagri.com and follow us [@HalcyonAgri](https://twitter.com/HalcyonAgri)

Investor Relations Contact:

Rachel Thong

Tel: +65 6460 0858

Mobile: +65 8342 9341

Email: rachelthong@halcyonagri.com

Summary Report On

WWF Visit to SUDCAM's Rubber Production Operations in Cameroon August 27 – 30, 2018

WWF Team Members

Jean BAKOUMA (WWF FR), Amy SMITH (WWF US), and Norbert SONNE (WWF CM)

1. Background

The social and environmental impacts of the rubber producer/processor SUDCAM has been the subject of civil society interest and concern in recent years. In 2015, the Center for International Forestry Research (CIFOR) published the working paper “Socioecological responsibility and Chinese overseas investments: The case of rubber plantation expansion in Cameroon.”¹ The paper examined the impact of large-scale land concessions on forest cover and biodiversity, and on land claims and governance. Specifically, the paper looked at the potential impacts of Sud-Cameroun Hevea SA, which was previously owned by a subsidiary of Sinochem and is now owned by the Halcyon Agri Group (HA). In July 2018, Greenpeace followed up with the report “Halcyon Agri’s Ruinous Rubber”² regarding the environmental and social impacts of SUDCAM’s operations in Cameroon, as a subsidiary of HA, the world’s largest rubber processor and major supplier to the world’s largest tire manufacturers (Michelin, Goodyear, Bridgestone etc.).

In July 2018, Corrie MacColl, the HA subsidiary responsible for marketing, requested a meeting with WWF France to discuss Greenpeace’s allegations. At that meeting, Corrie MacColl invited WWF to join a field visit to SUDCAM’s operations in Cameroon so WWF could gain an understanding of the situation on the ground and provide some guidance to SUDCAM on how the company could address environmental and social issues and move towards sustainable natural rubber production.

Norbert Sonne from WWF Cameroon, Jean Bakouma from WWF France and Amy Smith from WWF US participated in a short field visit to SUDCAM’s operations from August 27-30, 2018. The trip was not designed as nor claims to be in any way an audit of HA operations. The simple purpose of the visit was to gather background information from documentation and discussions with SUDCAM, Corrie MacColl, and Halcyon Agri staff and some local communities, and provide some initial recommendations to the company on potential next steps to move towards zero deforestation rubber. WWF recommended that CIFOR and Greenpeace representatives also join the trip, but that did not materialize.

¹ <https://www.cifor.org/library/5474/socioecological-responsibility-and-chinese-overseas-investments-the-case-of-rubber-plantation-expansion-in-cameroon/>

² <https://www.greenpeace.org/africa/Global/africa/Forests/Publications/Greenpeace%20Africa-Sudcam-Report-2018.pdf>

2. Itinerary and activities

The following meetings and site visits were conducted:

Date	Location	Meetings / Activities
08/27/2018	Yaounde	Meeting with WWF Cameroon Country Director, Travel to concession
08/27/2018	Meyomessala	Introductory meeting with SUDCAM (attendance list attached)
08/28/2018	Ekok	Meeting with village chief
08/28/2018	Ndibissong	Meeting with village chief and local population
08/28/2018	Nlobessee	Meeting with village chief and local population
08/28/2018	Nkae	Meeting with village chief and local population
08/28/2018	Djikom	Meeting with village chief and local population
08/29/2018	Bitye	Meeting with village chief and local population
08/29/2018	Concession	Visit of rubber processing unit site
08/29/2018	Concession	Visit of HCV area in the south concession
08/29/2018	Meyomessala	Closing meeting with SUDCAM
08/30/2018	Yaounde	Return to Yaounde

3. Observations

General nature of relationships between local communities and SUDCAM

Each of the six villages visited reported to have improved relations with SUDCAM since HA assumed ownership. However, initially, when SUDCAM began operating the concession (2011-2016), relations were very tense. The primary reasons mentioned by local communities were: lack of communication from the company, refusal to consider local villages' claims, and failure to involve villagers in the delineation of the concession. Since new management took over last year there is open dialogue and the company is more willing to contribute to local development. For example, the company has implemented drinking water improvements, rubber training centers, construction of primary schools and a well-resourced hospital.

The local communities visited by WWF expressed appreciation for the presence of SUDCAM as it is providing an opportunity for local development. Nevertheless, all communities also expressed dissatisfaction with certain aspects of SUDCAM's engagement, such as villagers having limited access to employment with SUDCAM.

Social investment

Through discussions with SUDCAM and direct observation, it is evident that for the last 2 years, SUDCAM has taken actions to contribute to local development. They include:

- Providing some jobs to riverine communities. Currently, 178 out of the 841 workers of SUDCAM are from neighboring villages. In addition, subcontractors employ more than 1,000 workers, of which the majority is from the area;
- Constructing drinking water facilities;
- Providing funding to villagers for access to medical services;

- Supporting villagers in the establishment of small-scale rubber plantations. Though, this is not structured yet in an organized strategy.

However, local communities as well as SUDCAM confirmed these investments are not enough and the two parties should continue collaborating to increase social investments.

In addition, social investments appear not to be guided by a detailed strategy/action plan that is based on a mutual long-term vision.

Land rights

Local communities expressed deep concern about the fact that they have very limited space left for their farming activities and the collection of forest products. SUDCAM is aware of the situation and expressed willingness to engage in dialogue to find a solution.

Local communities said that SUDCAM is not directly responsible for restricting their access to land. Rather, the Government of Cameroon determined the area to be conceded to SUDCAM as a concession without following its own procedures regarding land allocation. The process instituted by the Government in this case is not aligned with Free Prior and Informed Consent (FPIC) as defined by the UN-REDD Programme. Even though the Government was responsible for allocation of the concession, the villages insist SUDCAM should find a solution to this land access issue given that the company is the entity now developing the area.

SUDCAM manages 3 concessions: north (8,200 ha), center (36,998 ha) and south (13,620 ha). The north and south concession were granted by Presidential decree in 2013 following a provisional decree signed in 2008. The south concession was granted in 2015 under provisional decree. All three concessions are in former logging concessions. Before any planting or rubber, according to government regulations, a logging company appointed by government removes from the area all economically valuable timber. The remaining trees are cleared by SUDCAM's operations in preparation for planting rubber.

Food security

SUDCAM anticipates employing approximately 10,000 workers. With their families, this means SUDCAM must have housing and food for 40,00-50,000 people. The company is aware that food security for this many people is a major challenge.

Environmental management

Cameroonian consulting firm "Enviro Consulting" conducted SUDCAM's environmental impact assessment in 2011 for the north and center concessions and is currently revising it. SUDCAM selected Enviro Consulting from a list of assessors endorsed by Government. Two main HCV areas were identified: one in the center concession (about 2,000 ha) and one overlapping the center and south concessions (about 8,000 ha). SUDCAM does not currently have a High Carbon Stock (HCS) assessment for its concessions.

About 45% of the "developed area", riparian areas, wetlands, or slopes, are not planted with rubber. According to SUDCAM, these areas are not planted for environmental considerations. However, the

reason may also be that these areas are not economically viable. It appears from the maps of the north and center concessions that SUDCAM shared with WWF, that “plantable areas” were only mapped after development operations had taken place, rather than based on careful advance evaluation

WWF did not see or review SUDCAM’s Environmental and Social Impact Assessment (ESIA) and High Conservation Value (HCV) assessment.

SUDCAM is considering returning the 13,000 ha south concession to the Government as only 3,000 ha of the concession is economically viable for rubber production. Also, most of the concession was classified as HCV because of its function as an elephant corridor.

Additional information:

- SUDCAM is a member of the Inter-ministerial Committee for the protection of Dja Biosphere Reserve (2015).
- SUDCAM has had an MoU to provide logistical support with the Dja Biosphere Reserve Conservation Service since 2013, following a recommendation from UNESCO).

Conclusions / Recommendations

WWF appreciates the transparency and openness of the SUDCAM/Corrie MacColl team during the field visit and the willingness to explore ways to improve the company’s environmental and social performance. The field visit provided a good opportunity for WWF to get a preliminary understanding of the situation on the ground and provide some initial recommendations. For a better understanding of the concession, it would be helpful if SUDCAM could share the following documents with WWF:

- Establishment conventions;
- Land leases and concession awards;
- MOUs (cahier des charges);
- Minutes of consultation meetings;
- Certificate of environmental conformity;
- Decrees and ordinances granting the company the land it occupies;
- SUDCAM’s Environmental and Social Impact Assessment;
- Social and Environmental Impact Assessment for SUDCAM’s factory;
- SUDCAM’s HCV assessment; and
- Reports of consultation meetings as part of the environmental impact assessment processes.

Based on the field visit, WWF’s recommendations are:

- Maintain a robust database with environmental and social information.
- Make key documents easily accessible to the public. For example, the Environmental and Social Impact Assessment could be posted on SUDCAM’s website.
- Have an independent expert review the existing Environmental and Social Impact and HCV assessments. WWF could recommend HCV/HCS accredited experts.
- Have HCS assessed. WWF could recommend HCV/HCS accredited experts. Both an HCV review and an HCS assessment could be combined.
- Conduct a gap analysis after review of Environmental and Social Impact and HCV/HCS assessments and develop a strategy/management plan to address the gaps.

- Establish a complaints mechanism for local villages and civil society in general to communicate grievances and resolve grievances in a timely manner.
- Prepare a smallholder lands development plan as part of the ESIA to understand and mitigate the environmental and social impacts of smallholder development.
- Develop a food security strategy to ensure the well-being of workers and their families and reduce the incentives for wildlife poaching. WWF's concern is that without adequate food, workers and their families could resort to hunting bushmeat in the neighboring Dja Reserve.
- Plan plantation development at the scale of the whole concession rather than block by block as environmental impacts are best understood and mitigated at a large scale.
- Consider leaving areas undeveloped that are adequate to serve as biological corridors (connectivity of the unplanted areas is critical for biodiversity and provision of ecosystem services).
- Explore the possibility of turning the south concession into a conservation concession given that it is an important area for wildlife and to avoid the likelihood that the Government would hand the concession over to another company, placing this area at risk. Integrate local villages in the approach as much as possible.
- Seek open dialogue with CIFOR and Greenpeace to address CIFOR's and Greenpeace's concerns and identify next steps. This would be best managed by an experienced facilitator.
- Put in place a strategy/action plan for social investments for local communities.

WWF would be happy to discuss these recommendations in more detail with SUDCAM/Corrie MacColl.



HALCYON AGRI CORPORATION LIMITED

(the “Company”)

(Company Registration No. 200504595D)

(Incorporated in the Republic of Singapore)

SUSTAINABLE NATURAL RUBBER SUPPLY CHAIN POLICY (“SNRSCP”)

1. INTRODUCTION

Halcyon Agri Corporation Limited (“HAC”) is committed to promoting, developing and implementing the sustainable and responsible use of natural rubber throughout its supply chain.

Sustainable governance of the natural rubber supply chain is essential to preserve biodiversity and to ensure local communities experience continued economic development and livelihood sustenance.

The natural rubber supply chain includes industrial plantations, smallholder farmers, dealers, processing plants, manufacturers and distributors. HAC strives to be a global steward to work together with all stakeholders within our supply chain and the industrial sector to advance natural rubber sustainability.

This Policy applies to HAC and all its subsidiaries, including factories and plantations that HAC owns, manages, or invests in and all third party natural rubber agents from whom HAC deals with.

2. OBJECTIVES OF THIS POLICY

- 2.1 Support and protect the rights of workers, land owners, indigenous people and local communities;
- 2.2 Promote responsible acquisition and management of land for growing natural rubber;
- 2.3 Develop and drive practices for traceability of natural rubber across the supply chain;
- 2.4 Develop and implement best environmental standards in cultivation, harvesting and processing of natural rubber;
- 2.5 Support the livelihoods of smallholder farmers and advocate principles of equity by engaging rights-holders throughout the supply chain; and
- 2.6 Actively engage with our supply chain to communicate and ensure compliance with this Policy.

3. WORKING CONDITIONS & LIVING ENVIRONMENT

Working with its supply chain, HAC strives to protect the rights of all its supply chain stakeholders and create a positive work environment at every level by upholding the following principles:

- 3.1 Protect the health and safety of employees and their families by ensuring mobility and accessibility to quality healthcare facilities, providing education on best safe-work practices and raising awareness on health and safety risks.
- 3.2 Protect the health and safety of employees, visitors, contractors and suppliers by providing suitable personal protective equipment (PPE) and ensuring that work areas are satisfactorily safe.
- 3.3 Prohibit all forms of discrimination based on gender, marital status, sexual orientation, religion, political beliefs, union membership, ethnicity, nationality, age, social status, physical or mental disability.
- 3.4 Maintain adequate working conditions and provide employees with employment contracts, salaries at least equal to the country's minimum wage for an equivalent job, fair working hours, freedom to join or form trade unions and collective bargaining in accordance with applicable national and international laws (ILO Convention 110).
- 3.5 Actively engage in the economic and social development of local communities by creating direct or indirect job opportunities to increase their employability.
- 3.6 Prohibit any form of labour exploitation such as child or forced labour, or any forms of mental or physical coercion towards direct or indirect employees and contractors.
- 3.7 Maintain decent living conditions for employees living on-site by ensuring a minimum liveable surface area per worker, access to safe drinking water, sufficient food, electricity and sanitation facilities. (ILO convention 110).

4. RESPONSIBLE LAND ACQUISITION & USE

HAC will work with its supply chain and relevant stakeholders to promote a natural rubber supply chain that is socially and environmentally responsible and improves the livelihoods and economic viability of local communities by upholding the following principles:

- 4.1 Comply fully with all applicable local and national legislation for land use, respect and protect Customary Land Tenure Rights and prohibit any Land Grabbing approaches.
- 4.2 Implement specific mechanisms to facilitate resolution of land disputes.
- 4.3 Act responsibly without compromising local food supplies and grant fair compensation to local communities for land conservation measures or commercial land use.
- 4.4 Apply Free, Prior and Informed Consent (FPIC) methodology and guidelines developed by the United Nations Programme on Reducing Emissions from Deforestation and

Forest Degradation (UN-REDD) for land acquired and/or transformed for industrial plantation use.

5. ECOSYSTEM PROTECTION

HAC is committed to, and expects its Suppliers who cultivate, harvest or process natural rubber for HAC's use, to be socially responsible and environmentally friendly by upholding the following principles:

- 5.1 Develop and implement proper land use plans to prevent overexploitation of natural resources using an integrated landscape management approach.
- 5.2 Commit to achieving zero net deforestation and ensure that land is appropriate for industrial natural rubber planting by determining where natural ecosystems should be protected by utilising the High Conservation Value (HCV), High Carbon Stock (HCS), or other equivalent land assessment and management toolkits.
- 5.3 Prohibit any form of rubber production on known peat land and the use of fire in the preparation of new planting areas, re-planting areas or any other developments.
- 5.4 Respect community rights on use of water resources and mitigate any adverse effect on surface or ground water sources during natural rubber cultivation, harvesting and processing in accordance to national legislation and environmental best practices.
- 5.5 Impose strict standards regarding the use, safe handling, storage and disposal of all chemicals and their by-products.
- 5.6 Take appropriate measures, where necessary, to reduce odour produced from rubber milling.
- 5.7 Implement and maintain systems for the collection, segregation, recycling and disposal of waste or by-products generated by farming, industrial operations or by employees and their families.
- 5.8 Undertake reasonable efforts to maximize water recycling in production processes, optimize energy usage where possible and practicable and to minimize scrap rubber.

6. ETHICS & TRANSPARENCY

HAC takes a strong stance against corruption and requires all stakeholders to uphold the following principles:

- 6.1 Prohibit corruption in any guise or form and adopt a zero-tolerance approach on corruption across the value chain.
- 6.2 Develop and adopt the use of transparent grievance mechanism processes for local communities, employees and all stakeholders.
- 6.3 Practice free and fair competition, in compliance with local antitrust and competition laws.

7. GOOD AGRICULTURAL PRACTICES & YIELD IMPROVEMENT

HAC encourages suppliers to undertake every reasonable effort to ensure maximum yield is obtained from existing planted and replanted natural rubber trees by upholding the following principles:

- 7.1 Provide practical training sessions and dissemination of information on rubber cultivation and agricultural standards to groups of growers, cooperatives, smallholders and suppliers.
- 7.2 Minimise the use of chemical inputs and promote the use of natural fertilizers, biological pest and disease control methods for all new planting and replanting efforts in industrial plantations.
- 7.3 Target smallholder projects that aim to improve yields, livelihoods and environmental conservation practices.

8. TRACEABILITY

HAC will support the development of methods to trace natural rubber across the supply chain and will:

- 8.1 Engage in and support the development of tools and processes to trace natural rubber across the supply chain.
- 8.2 Work with suppliers and smallholder farms to map supply chain and, where possible and practical, develop environmental and social risk maps.
- 8.3 Work towards full disclosure of the source provenance of natural rubber from Industrial Plantations.
- 8.4 Ensure traders provide source provenance information back to natural rubber processor level.

9. POLICY IMPLEMENTATION & COMPLIANCE

HAC is committed to the corruption-free and transparent implementation of this Policy and its principles and expects all its suppliers to act likewise. HAC reserves the right to conduct audits on its suppliers as deemed appropriate and expects that:

- 9.1 Suppliers shall comply with this Policy and shall transmit it to the relevant members of their supply chain. HAC requires suppliers to monitor compliance by reasonable means.
- 9.2 Substantiated non-compliance and/or failure to close agreed identified gaps in compliance will result in suspension or termination of the business relationship.
- 9.3 Violations of this Policy may be confidentially and anonymously reported to HAC via the grievance mechanism published on its corporate website.
- 9.4 HAC, where possible and practical, will seek to be an active participant in appropriate processes and programs that deliver sustained economically viable social and environmental benefits to the natural rubber industry.

- 9.5 HAC will report on the progress of implementation of this Policy transparently in its annual sustainability report and periodically on HAC's website.
- 9.6 HAC commits to interacting with relevant local stakeholders to ensure an inclusive and participatory approach to monitoring and developing sustainable best practices.
- 9.7 HAC reserves the right to update, enhance or revamp this Policy at any given time, for any given reason or as deemed appropriate by future findings, interactions with stakeholders in the value chain and experiences gained through the implementation of this Policy.

GLOSSARY

Customary Land Tenure Rights: As defined by the Food & Agricultural Organisation (FAO), customary tenure is a set of rules and norms that govern community allocation, use, access, and transfer of land and other natural resources. The term “customary tenure” invokes the idea of “traditional” rights to land and other natural resources: “the tenure usually associated with indigenous communities and administered in accordance with their customs, as opposed to statutory tenure usually introduced during the colonial period”.

FPIC (UN-REDD): Guidelines by the UN-REDD for stakeholder engagement using the principle of “Free, prior and informed consent” (FPIC). The UN-REDD Programme is the United Nations collaborative initiative on Reducing Emissions from Deforestation and forest Degradation (REDD) in developing countries. ‘Free consent’ to mean consent that is free of any manipulation, interference, coercion or intimidation. ‘Prior consent’ to mean communicating information to the relevant stakeholders in good time and before any final decision is made. ‘Informed consent’ to mean involving relevant representative institutions, providing information that is comprehensible and accessible, such as assessments, action plans, project summaries, and any other relevant information.

HCV Approach: The High Conservation Value (HCV) approach is designed to maintain or enhance environmental and social values in production landscapes based on six values covering species diversity (HCV 1), landscape-level ecosystems (HCV 2), rare ecosystems/habitats (HCV 3), critical ecosystem services (HCV 4), community livelihood needs (HCV 5) and cultural values (HCV 6).

HCS Approach: The High Carbon Stock (HCS) approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.

ILO Convention 110: International Labour Organisation, 1958 (No.110): Convention Concerning Conditions of Employment of Plantation Workers.

Industrial Plantations: Natural rubber plantations with an area planted or replanted with more than 50 hectares of natural rubber.

Land Grabbing: Land grabbing is land acquisitions or concessions that are based on one or more of the following characteristics: (i) in violation of human rights, particularly the equal rights of women; (ii) not based on Free, Prior and Informed Consent (FPIC) of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation. This definition has been obtained from the International Land Coalition.

Smallholder: Small-sized, usually family run farm with a typical size of between one hectare to 10 hectares. Smallholders are characterized by using mainly family labour for production, and using the produce as a source of family income.

Suppliers: Entities or individuals that directly supply HAC or its subsidiaries with products or services related to natural rubber.