

Company Background

Background: Palm Ventures produces and trades palm oil. Its main business activities comprise planting oil palm trees, harvesting and processing fresh fruit bunches, as well as producing palm kernel, palm kernel shells, crude palm oil, and crude palm kernel oil.

Overview: Revenue: US\$200 Billion; Employees: 140,000; Hectares: 30,000 ha; Refineries: 21; Mills: 18; Plantations:8; Smallholders:33,000

Key Areas of ESG Focus: (1) Human Rights (2) Product Quality (3) Safety

Material Issues Considered		Potential KPIs
Palm Ventures Material Issues, as extracted from sustainability report:		
Priority material issues	1. Sustainable supply chain	<ul style="list-style-type: none">YoY% increase in suppliers receiving human rights awareness trainingYoY% increase in suppliers committing to NDPE PoliciesYoY% increase in traceability to plantation/mill level
	2. Human rights	<ul style="list-style-type: none">Percentage of employees paid above legal minimum wages of respective regions (%)Percentage of direct suppliers that have human rights commitments in their NDPE policy (%)Percentage of suppliers receiving human awareness training (%)
	3. Environmental Footprint	<ul style="list-style-type: none">YoY reduction in scope 1 & 2 GHG emissions intensity (MT CO2e/revenue)Number of mills with methane capture facilities (#)
	4. Supply chain transparency and sustainability	<ul style="list-style-type: none">Reduction in water use intensity (gal/ft²/yr)Reduction in waste intensity (kg/m²)Recycled/diverted waste as a percentage of total waste (%)
Important material issues	5. Training, Development & Safety	<ul style="list-style-type: none">Percentage of employees employed in training schemes (%)Percentage of employees covered with health insurance (%)
	6. Community Contribution	<ul style="list-style-type: none">Number of smallholders supported (#)Number of substantiated complaints from NGOs (#)
	7. Energy Efficiency Management	<ul style="list-style-type: none">YoY% reduction in the amount of electricity used to power operation (kWh)YoY% increase in consumption of renewable energy (kWh)
Other material issues/categories considered based on industry benchmarking:		
	1. Global Sustainability Indices/Ratings/Certification	<ul style="list-style-type: none">Percentage of planted areas that are RSPO certified (%)Percentage of mills, plantations, and smallholders RSPO certified (%)Performance level on global sustainability indices/rating (e.g. SPOTT)
	2. Renewable Energy	<ul style="list-style-type: none">YoY% increase of renewable energy capacity (vs total energy used)
	3. Circular Economy	<ul style="list-style-type: none">Increase in recycling rates (%) or use of recycled materials/supplies (kg)

Selection Principles

The SPTs identified, as measured by predefined KPIs must be:

1. Materiality

Relevant, core and material to the client's overall businesses and stakeholders, as well as consistent with the overall sustainability strategy

2. Additionality

Enable the client to go the extra mile and achieve better sustainability performance

3. Data Availability & External Verification

Data is measurable or quantifiable on a consistent methodological basis

Selected KPIs for SLL

1. Supply Certification

- **YoY increase in plantations that are RSPO Certified (%)**
- RSPO certification is a globally accepted assurance that the standard of production of Palm Oil is sustainable. The benefits of RSPO-certified palm oil include reduced emission of GHG, better waste management, and reduction of workplace accidents, among others. RSPO-certified plantations must meet best practices in the industry by complying with stringent standards for sustainable palm oil production. Yearly changes in the percentage of RSPO-certified plantations would thus be a reliable marker of the extent to which Palm Ventures has succeeded in achieving its stated commitments to improve transparency, innovation, and health & safety in palm oil production.

2. Sustainable Supply Chain

- **YoY increase in traceability to plantation (%)**
- In Indonesia, smallholders produce about 40% of the total national palm oil supply and occupy nearly half of the country's palm oil cultivation areas (2021 smallholder production: 13.84MT of palm oil). Palm Ventures also supports a significant amount of smallholders i.e. 33,000, within its own supply chain. Thus, if not managed properly, there may be an oversight on the labour rights/environmental standards violation on these smallholder plantations.

3. Carbon Footprint

- **YoY reduction in scope 1&2 GHG emissions intensity (MT CO2e)**
- **Number of mills with methane capture facilities (#)**
- During the production of crude palm oil, methane, a greenhouse gas with 25 times higher greenhouse gas potential than carbon dioxide, is released directly into the atmosphere if the biogas collection is not controlled well. This KPI is material to Palm Ventures given that the palm oil industry is one of the largest contributors to global GHG emissions, as well as in the light of Palm Ventures' new carbon footprint management target aimed at reducing their scope 1 and 2 GHG emissions intensity by 10% by 2025 from its 2021 baseline.

Key Considerations

- Data reported on the company’s disclosures e.g. annual and sustainability reports, and the company’s website
- ESG ratings on company e.g. Sustainalytics
- Industry best practice and peer performance based on publicly available disclosure, industry best practice, and ESG ratings website

Based on the Selection Principles and Key Considerations outlined, for each KPIs, SPTs are calibrated to ensure:

- Consistency with borrower’s overall sustainability/ESG strategy;
- Represent a material improvement and is beyond the normal trajectory;
- Are compared to benchmark or an external reference;
- Is to be determined on a predefined timeline, set before or concurrently with the origination of the loan.

KPI		SPT			
		Baseline (2021)	2022	2023	2024
Sustainability Certification	YoY increase in plantations that are RSPO Certified (%)	63%	79%	91%	100%
Sustainable Supply Chain	YoY increase in traceability to plantation (%)	Baseline data not available in company’s disclosure**			
	Reduction in scope 1 & 2 GHG emissions intensity vs baseline (%)	2.02 MT COe2/USD 1 million	3%	6%	10%
GHG Emissions intensity	Number of Palm Ventures’ Mills with Methane Capture Facilities (out of 18 total)	3	5	8	10

** The company needs to work on this area in order to ensure that the targets selected are suitably robust, ambitious, and meaningful to the borrower’s business.