



2022

**TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL DISCLOSURES  
REPORT**

M.P. Evans is a responsible producer of sustainable Indonesian palm oil, striving for excellence in all the Group's operations, with a focus on continuing growth and offering an increasing yield.

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## FOUR THEMATIC AREAS



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# INTRODUCTION

At M.P. Evans, as a Group committed to responsible agricultural practices, we recognise the significance of climate change. The science is clear that, over many generations, human activities have been the main cause of climate change. The subsequent increase in greenhouse gases, particularly carbon dioxide and methane, has resulted in increased average temperatures around the world. As a producer of certified sustainable palm oil, we support the Paris Agreement made at the UN Climate Change Conference in 2015 to substantially reduce global greenhouse gas emissions and to limit global temperature increases in this century to well below 2 degrees Celsius, whilst pursuing efforts to limit the increase even further to 1.5 degrees. Both the UK and Indonesia are signatories to the Paris Agreement.

The Group has, for many years, been focused on ensuring that it is an efficient, but sustainable, low-cost producer of palm oil. Nonetheless, up to now we have not specifically measured the 'carbon cost' associated with our production. Some of our sustainable practices have already helped to reduce this carbon cost, including only cultivating land suitable for agriculture and having a clear policy of no deforestation, moving towards milling almost all the Group's own crop in Group-owned efficient palm-oil mills, and generating green electricity in the Group's biogas facilities. However, producing palm oil, like other agricultural products, does come with a carbon cost, and the Group has both measured this cost and set clear targets for both reduction and working towards net zero.

This year, for the first time and on a voluntary basis, we are publishing this standalone report, showing the Group's progress in following the guidelines of the Taskforce on Climate-related Financial Disclosures ("TCFD"). With this report we strive to increase our transparency around both our impact on the environment resulting from our carbon emissions as well as give our investors guidance on the associated climate-related risks we are potentially exposed to as a Group. It covers the four key areas of governance, strategy, risk management and metrics and targets.

## 2022 PROGRESS

In this report, we provide information on some of the key areas of progress that the Group has focused on. These include having:

- Conducted climate-scenario analysis for the first time.
- Engaged with third-party consultants to calculate our scope 1, 2 and 3 emissions.
- Identified opportunities to reduce our emissions.
- Set net-zero targets for scope 1, 2 and 3.
- Set Forests, Land and Agriculture (FLAG) emissions target.



Worker housing at Bumi Mas

## ABOUT TCFD

Climate change refers to the long-term shift in weather patterns. This occurs naturally, but, due to human activities altering the composition of the atmosphere, climate change is occurring at a previously unseen and accelerated rate. It is important that organisations act to reduce their greenhouse gas ("GHG") emissions to prevent irreversible damage.

At M.P. Evans, we understand that climate change poses risks which could potentially affect the success of our business. By contrast, we acknowledge that, as indicated by the United Nations, we should also focus on seeking out the "abundance of opportunities" associated with climate change, which could benefit the Group's operations. TCFD is a framework that is used to assess and manage the risks and opportunities associated with climate change to a business's operations, financial planning and future strategy. At M.P. Evans, we follow this framework to help understand and analyse the impact that climate change may have on the Group's success.

The TCFD framework is divided into four sections, with 11 disclosure recommendations: Governance (page 5), which details how the Group manages and oversees climate change; Strategy (page 9), providing information on the Group's approach to monitoring climate change and our climate-scenario analysis; Risk management (page 17), detailing our step-by-step process from identifying to addressing climate-related risks; and

Metrics and targets (page 19), where the Group's full GHG emissions inventory can be found.

The TCFD framework groups the climate-related risks and opportunities into two primary categories: transition and physical risks. Transition risks are those that relate to mitigating the effects of climate change and decarbonisation. Physical risks are those associated with the physical impact of climate change. This year, we have worked closely with our third-party sustainability advisors to assess the Group's climate-related risks and opportunities, considering the impact of both transition and physical risks.



## ABOUT US

M.P. Evans is a producer of certified sustainable crude palm oil (“CPO”), with plantations in five Indonesian provinces. It has a total planted area under management of more than 56,000 hectares and operates six palm-oil mills. In 2022, the Group processed over 1.5 million tonnes of fresh fruit bunches (“ffb”) and produced 342,000 tonnes of CPO.

Palm oil is the world’s most widely produced vegetable oil. It is also very efficient in its use of land when compared to the world’s other major vegetable oils, producing many times more oil per hectare of land cultivated.

M.P. Evans is a responsible producer of sustainable Indonesian palm oil, striving for excellence in all its operations, with a focus on continuing growth and offering an increasing yield. Acting responsibly is at the heart of what we do and who we are. We are active members of the Roundtable on Sustainable Palm Oil (“RSPO”), we do not deforest, and we are good stewards of the land we cultivate. We provide housing along with medical, educational, religious and leisure facilities for our workers and their families.

Excellence comes from investing for the long term. Our investment is not only in plantation assets but also in our employees, supporting their diversity and inclusion, and in their training and development. In this way, we are consistently able to deliver both high yields and high oil-extraction rates from our estates and mills.

We seek to grow and develop the business. Growth continues to come from the increasing maturity of the Group’s young estates, from the ongoing focus on improving yields, and from the planned acquisition and sustainable development of new areas of land.

The Group’s investment strategy has already led to a significant improvement in shareholder returns. In line with its growth programme, the Group plans to deliver increasing returns to shareholders.

The Group has a long history in tropical agriculture and similar activities, and during 2023 is proud to be marking its 150-year history. Having previously had experience in tea, rubber and other crops, the Group set out a strategy over the last 20 years to focus exclusively on sustainable palm oil, and now has over 11,500 employees on its Indonesian estates.



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## CHAIRMAN’S STATEMENT

“In the year of our 150-year anniversary, the Group continues to go from strength to strength, and has an increasing hectarage producing more crop and more CPO in our mills. Acting responsibly is a core part of the Group’s strategy, and I am delighted that we are publishing our first detailed TCFD report in our anniversary year, further demonstrating our commitment in this area. We are focused on the long-term resilience of our operations, and decarbonisation is integral to our future plans. In this report, we set out a clear baseline, along with targets to make substantial reductions in the coming years.”

Peter Hadsley-Chaplin – Chairman



# 1 Governance

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Disclose the organisation's governance around climate-related risks and opportunities.



## OUR GOVERNANCE

In accordance with the TCFD guidelines, we have internal governance procedures for addressing climate-change risks and opportunities. Our disclosures in this report describe both the board's oversight of, and management's role in assessing and managing, those climate-related risks and opportunities.

The board continues to promote the success of the Group, considering the interests of all its stakeholders, and focuses on acting responsibly when considering the Group's strategic priorities. Climate-change evaluation has been integrated into existing sustainability governance, which has been developing alongside our sustainability strategy.

The board proactively takes into consideration stakeholder feedback in the development of its sustainability strategy, including the Group's response to climate change. Through previous stakeholder engagement, we identified six material topics which helped us to define strategic focus areas. Those topics are GHG emissions, forest protection, traceability, water, fair labour and communities.

The board has overall responsibility for monitoring climate-related risks and opportunities. We understand that climate change may present challenges which could impact our ability to deliver the Group's strategy, and climate-related risks and opportunities are considered during strategic decision-making by the board where appropriate.

To support them in fulfilling their responsibilities, a training session was held for the board at the start of 2023, facilitated by the Group's third-party sustainability advisors, providing them with an update on climate change and how both governments and individual organisations are setting net-zero emissions targets. This session also included a facilitated discussion around how to account for the Group's GHG emissions, or 'carbon balance sheet'.

Management are taking active steps to share the knowledge obtained from such sessions with employees, to ensure that they understand climate-change and the steps that the Group is taking to reduce its impact on the environment. The board believes sharing this knowledge is crucial to effect change, and further decarbonise the Group's operations.

A key part of board training during the year, and which is ongoing, has been on environmental, social and governance ("ESG") matters, both in understanding the requirements of the emerging regulatory and disclosure environment, and in evaluating the associated risks to the Group of climate change. Because the Group is committed to acting responsibly, we have engaged third-party sustainability advisors to assist us with collating and evaluating the data needed to fulfil our disclosure obligations and support good decision-making across the Group.

As part of its governance development, the board has reviewed the need for a separate committee focused specifically on ESG matters. However, given the significance of ESG and climate-change risks to the Group's operations, these matters continue to be discussed and monitored by the whole board. The management of climate risks and opportunities takes place throughout the business. The board has delegated executive responsibility for the Group's climate action to the chief executive. In his role, the chief executive takes the lead in setting policy on sustainability and managing the Group's climate-risk register. The Group has a dedicated sustainability department, which, along with the dedicated head of risk management, supports the chief executive in identifying, assessing and addressing climate risks and opportunities impacting Group operations.

During the current financial year, the Group set a range of sustainability targets, including a net-zero target (see page 21 for more information). Since this is our first, voluntary, TCFD disclosure, the Group is committed to making further progress to assess and mitigate the risks of climate change annually. Board meetings will involve a review of this progress.



## BOARD-LEVEL OVERSIGHT

Table 1: the Group's board of directors

Peter Hadsley-Chaplin Executive chairman	Appointed a director in 1989 and chairman in 2010. Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC. Former chairman of The Association of the International Rubber Trade. Prior to joining the Group in 1988, he was a commodity broker with C Czarnikow Limited.
Matthew Coulson Chief executive	Appointed chief executive in 2022. From 2017, he was the finance director. Joined the Group as chief financial officer in 2016, with previous experience as an audit director of Deloitte LLP, including work on companies in the agricultural sector and in the technical policy team.
Luke Shaw Chief financial officer	Appointed to the board in 2023. Joined the Group in 2022 as chief financial officer. Previous experience of working with a wide range of companies including international groups and AIM-listed businesses, including as CFO at Servomex, a division of Spectris plc.
K Chandra Sekaran Non-executive director	Appointed a director in 2021. Held the position of PT Evans Indonesia's president director from 2008 to 2023. Began working in Indonesia in 1995, with experience in Sumatra and Kalimantan, where he was chief operating officer for Sinarmas Plantations. Began career with Harrisons and Crosfield (later known as Golden Hope Plantations and today part of the Sime Darby Group). Has a profound understanding of the Indonesian plantation industry and the social issues related to it.
Bruce Tozer Independent non-executive director	Appointed a director and member of the audit and remuneration committees in 2016, and chairman of those committees since 2022. Has held senior roles at JP Morgan, Rabobank International, and Credit Agricole. Non-executive director of the Real Wild Estates Limited, and Canadian-listed Base Carbon Corp. He consults in environmental markets, commodities, agribusiness investment and ESG. Advisory roles include lead adviser on carbon at Singapore-regulated Abaxx Exchange.
Michael Sherwin Independent non-executive director	Appointed a director and member of the audit and remuneration committees in July 2022. He has over 40 years of experience in finance and leadership roles, having originally trained and qualified as a chartered accountant with Price Waterhouse. Was CFO of Games Workshop plc for ten years, followed by nine years as CFO at Vertu Motors plc. Has also worked as a non-executive director at both Plusnet plc and at Sumo Group plc, where he chaired their audit committees.
Tanya Ashton Independent non-executive director	Joined the board on 1 August 2022. Member of the audit and remuneration committees. Has over 18 years of experience working in ESG roles and provides subject matter expert input to the board. Currently head of sustainability at Walgreens Boots Alliance, Global Sourcing, Europe and a board member of global not-for profit organisation The Sustainability Consortium. Previously held senior positions at Silver Spoon British Sugar plc, part of Associated British Foods. Recognised for her commitment to increasing sustainability in consumer products.
Lee Yuan Zhang Non-executive director	Joined the board on 1 February 2023. Regional Director (Plantations) of Kuala Lumpur Kepong Berhad (KLK), Malaysia. Former President Director of PT KLK AgriServindo, Indonesia, responsible for the management of 140,000 hectares of oil-palm plantations across five Indonesian provinces. Has held several senior head office roles, including senior marketing and sales roles, within the KLK Group.

### AUDIT COMMITTEE

The Group has a formally constituted audit committee with written terms of reference. The committee is chaired by Bruce Tozer, and its other members are Michael Sherwin and Tanya Ashton. The Group's principal risks are reviewed and assessed at least annually. During 2022, an updated and refreshed approach to the identification and management of risks was introduced. A new 'head of risk management' was appointed, based in the Group's Jakarta office, responsible for maintaining the Group risk register and for working closely with operational management across Indonesia and the UK head office team. The committee considers the Group's principal risks, including climate change, and a summary is presented to the board for discussion and approval. The review process involves monitoring business risks associated with climate change. Climate-related risks under review include those associated with flooding, adverse weather and pests and diseases.

# MANAGEMENT-LEVEL OVERSIGHT

## MANAGING CLIMATE CHANGE

Climate-change evaluation has been integrated into existing sustainability governance, which has been developed alongside our sustainability strategy. As of December 2022, climate change is a standalone principal risk for consideration. We understand that climate change may present challenges that could impact the success of the business. Therefore, climate-related risks and opportunities are considered during strategic decision-making by the board, where appropriate. These risks have been scored as either low, medium or high, according to the deemed likelihood of the risks occurring and potential impact on the business. Climate change is deemed to have a high impact on the business and a medium likelihood of occurrence specifically in relation to current Group operations (see annual report 2022 p.30). There has been no evidence of significant changes to weather patterns on the Group's estates to date. However, the Group is not complacent and continues to monitor the situation. As a result, the chief executive and members of the sustainability team in Indonesia began working closely with our third-party sustainability advisors during the financial year, to assess fully the potential risks and opportunities of climate change on the business.

Table 2: The executive responsibility of M.P. Evans regarding climate change

Role	Climate-related responsibility
Chief executive	In his role, the CEO takes the lead in setting policy on sustainability and managing the Group's climate-risk register.
Sustainability department	Supporting the CEO in identifying, assessing and addressing climate risks and opportunities impacting our operations.
Head of risk management	Responsible for maintaining the Group risk register and for working closely with operational management across Indonesia as well as with the UK head office team.

The management of climate risks and opportunities is held at various levels throughout the business. The board has delegated executive responsibility for the Group's climate action to the chief executive. In his role, the CEO takes the lead in setting policy on sustainability, managing the Group's climate-risk register and overseeing the Group's progress. The Group has a dedicated sustainability department, based primarily in Jakarta. In conjunction with the dedicated head of risk management, they support the chief executive in identifying, assessing and addressing climate risks and opportunities impacting Group operations. Frequent updates are held between the UK and Jakarta teams, with regular updates provided to the board over the course of the last year.



Kota Bangun clubhouse

## 2 Strategy

Disclose the material, actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.



*The Bangka mill with biogas plant and composting facility, and worker housing*

## CLIMATE-RESILIENT BUSINESS STRATEGY

The TCFD framework advises that businesses disclose information regarding their significant climate-related risks and opportunities, their business strategy and their capacity against different climate scenarios.

To conform to these guidelines, businesses must:

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
- Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

### OUR APPROACH

Our strategy is to maintain expansion of palm-oil production, and hectareage, in a sustainable and cost-effective manner. Whilst this is our first TCFD report, we have, for many years, published a wide range of information, in our annual report, standalone reporting and on our website, showing how we approach sustainability in practice. M.P. Evans has utilised the recommendations of TCFD as a tool to strengthen our developing sustainability programme and ensure awareness of how climate change may influence strategic and financial decisions made by the board. By identifying and assessing the climate-related risks which may impact our business directly over time, we can actively work to mitigate any potential impact. This also enables us to identify and capitalise on climate-related opportunities which may support the Group when delivering on its business strategy.

In accordance with guidance from the TCFD, we conducted climate-scenario analysis across our operations, to support our assessment of our climate-related risks and opportunities. Climate scenarios are future projections of climate, under differing warming pathways.

To create our climate scenarios, we used several climate models and internationally established frameworks. These included the International Energy Agency's World Energy Models ("WEM"), the Shared Socioeconomic Pathways ("SSPs"): Climate Natural Catastrophe Damage Model, Coordinated Regional Climate Downscaling Experiment ("CORDEX") forecasts, and Integrated Assessment Models ("IAM"). The climate-scenario analysis was conducted in December 2022.

Vegetable garden at Pangkatan estate



# CLIMATE-RESILIENT BUSINESS STRATEGY

## CLIMATE-SCENARIO ANALYSIS

Climate change is a global issue, which is predicted to have potentially significant implications for business operations. Businesses are encouraged to start acting now, to reduce their direct environmental impact and that of their supply chain. M.P. Evans has set a target to reduce industrial scope 1, 2 and 3 emissions by 90% by 2050 from a 2021 base year. This is in line with reaching net zero, as defined by the TCFD framework. The Group has, for a long time, been committed to responsible development and operation. Over the coming years, the Group will prioritise carbon efficient activities, including the development of its efficient palm-oil mills with integrated biogas facilities, working to increase carbon sequestration in planted and conservation areas, and working with customers and suppliers to reduce indirect carbon costs.

In performing the Group's climate-scenario analysis, the Group has considered the following additional factors, again in line with TCFD guidance:

- Physical and transition risks of climate change. Transition risks include those relating to policy and legal, technology, market and reputational matters. Physical risks analyse the impact of flooding, temperature rises, and water stress.
- Different time horizons to consider whether risks are likely to occur in the short term (up to 2025), medium term (2025-2035) or long term (2035-2050).
- Different warming pathways, dependent on differing global responses to the global warming threat, as described in the following table.

Table 3. Three warming pathways

Scenario warming pathway	
<b>&lt;2°C by 2100:</b> Governments implement initiatives and businesses work to reduce emissions, to meet the target of net zero by 2050.	In this scenario, business and governments would start to implement initiatives, to reduce the impact of climate change. This scenario is the most optimistic and desired outcome. It would require collaboration from individuals and organisations. Also, it would require organisations to begin to align strongly with the Paris Agreement and set their own net-zero targets. Transition risks would be high in this scenario. However, it would reduce the severity of the impact on organisations and individuals in the future.
<b>2-3°C by 2100:</b> Climate action is not taken immediately, resulting in an unstructured response by Governments.	The commitments made at COP26 will likely result in this scenario. In this scenario, governments take action to put the relevant legislation in place. However, they are poorly structured and implemented. As a result, this pathway has the highest transition risks, resulting in more severe physical impacts as specific tipping points are reached.
<b>&gt;3°C by 2100:</b> Governments and businesses take little / no action to reduce their environmental impact, resulting in an increased rate of climate change.	In this scenario, there is a lack of interest from organisations and governments, which means we continue with a 'business-as-usual' attitude. Therefore, emissions continue to rise until 2040. Decarbonisation does not occur in any of the sectors, with limited pressure being put on generating renewable energy, with fossil fuels being predominately used. The transition risks for businesses are limited. However, the physical risks are most severe under this scenario, with multiple tipping points being passed.

## ANALYSIS OUTCOME

Through our climate-scenario analysis, we identified 12 climate-related risks and one opportunity that may potentially affect M.P. Evans' business in the future. Physical risks were analysed by location, with all sites being chosen for analysis. Further information on the Group's risks and opportunities can be found on pages 13 - 16 of this report.



Primary school at Kota Bangun

## OUR RISKS

### TRANSITION RISKS

Transition risks pose a potential threat to the Group, which are likely to increase as climate change continues. We acknowledge that the severity of risk varies with each of the three scenario-warming pathways. Transition risks are the highest in the below 2°C scenario, due to the increase in climate-related policies, legislation and recommendations. At M.P. Evans, we are committed to decarbonising our operations. Therefore, we will continue to align to these emerging requirements.

Changes in policies can lead to sudden changes in markets; for example, energy prices. New climate conscious markets could present M.P. Evans with strategic and financial opportunities. Therefore, we must be able to adapt to sudden market trends, to increase the resilience of our business.

As the world transitions to a decarbonised economy, our stakeholders are likely to have increased interest and concern for our sustainability credentials. Stakeholders want us to take proactive climate action, presenting a reputational issue. The board proactively takes into consideration stakeholder feedback in the development of our sustainable strategy, including the Group's climate response. By communicating our progress against these topics, through our annual report and standalone TCFD report, we believe we can minimise the impact of this risk (table 4).

### PHYSICAL RISKS

From our climate analysis, several physical risks were identified as posing a potential threat to the success of our business. In Indonesia, there is likely to be a significant focus on adaptation efforts to combat changing climates, such as extreme heat, flooding, and wildfires (table 5).

The Group's plantations have previously been attacked by pests or infected by disease. Whilst a remarkably hardy plant, the oil palm can still be subject to attack, reducing yield from affected areas. The Group employs experienced agronomic managers on all estates and takes advice from external consultants, when appropriate. Effective management is designed to identify issues when they occur, to ensure that they do not become widespread. Senior staff remain up to date in the latest agronomic practices.

One or more of the Group's operational locations can suffer from adverse weather conditions, such as flooding. Yields may be lower than anticipated if weather conditions are too wet or too dry, causing lower crops or difficulties in harvesting.

The Group accepts that weather patterns can vary over the short term, but its experience of developing and managing oil-palm estates in Indonesia over several decades shows that any crop deficits have tended to recover over the longer term. In addition, the Group benefits from the geographical diversity of its operations within Indonesia.

Depending on the severity, flooded areas may become difficult or impossible to harvest, reducing yields in the affected areas, and employees and family members living on Group estates may suffer significant disruption. Some of the Group's estates are more prone to flood risk, due to their location and topographical conditions. The Group has invested in water-management systems, including bunding and drainage systems, as well as water pumps, which are used to evacuate excess water from plantations.



Owl-nesting box at Kota Bangun

## TRANSITION RISKS

Table 4. Transition risks

TYPE	RISK	TIMELINE	PATHWAY	IMPACT	EXPLANATION AND MITIGATION
Transition	Policy and legal – enhanced emissions reporting and other reporting obligations	Short - medium term (2022-2035)	<2 °C 2-3 °C	Increase in costs needed to monitor and mitigate climate-change impact. Cost of third-party consultancy.	Indonesia aims to be net zero by 2060, whilst the UK aims to be net zero by 2050. Therefore, enhanced regulation may be introduced over time to encourage businesses, such as M.P. Evans, to reduce energy usage and emissions. We comply with the current legislation and will continue to review emerging regulations, to ensure we remain aligned, further monitor, and mitigate the impact of climate change. Changes to environmental regulation requirements will increase operating costs, for example, third-party consultancy fees and the need to extend staffing. Potential cost rises could also result from non-compliance or late case filing fees.
	Mandates on and regulation of existing products and services	Short - medium term (2022-2035)	<2 °C 2-3 °C	Operational costs to ensure compliance, for example, third-party consultants.	M.P. Evans complies with the current legislation. However, we are aware that as climate change progresses, we may be subjected to an increase in regulation over time. Under the sector guidance, there may be new policies and regulations, for example around land use and conservation requirements, which may constrain or preclude certain uses of land and water resources. Such policies may lead to significant asset impairment if existing agricultural lands cannot be used for cultivation. The Group will continue to monitor and review emerging legislation, ensuring compliance. As a palm-oil business, M.P. Evans complies with RSPO standards. These regulations are subject to periodic review, and we will continue to monitor our operations accordingly. Internal resources and engagement with third-party ESG consultants may be required to stay on top of changing regulation as we transition to a decarbonised economy.
	Increase in carbon/GHG pricing	Medium term (2025-2035)	2-3 °C	Direct cost to business through carbon tax.	The UK and Indonesia have agreed to a 68% and 32% reduction in emissions by 2030 respectively, relative to 1990 levels. If carbon emissions do not decrease at a satisfactory rate in line with carbon reduction targets in the UK and Indonesia, the implementation of a carbon tax may occur. The impact of this risk would be highest in the 2-3°C scenario in 2026. Indonesia's proposed carbon tax sits at \$2.1 per tCO <sub>2</sub> e. However we recognise this may increase over time and across the scenarios as climate change worsens. We would expect our total CO <sub>2</sub> emissions to reduce over time, as we embark on a journey to net zero.
	Changing customer behaviour	Medium term (2025-2035)	2-3 °C	Decreased revenue due to a reduced demand for products and services.	M.P. Evans may be at risk of loss of revenue, reduced profitability and reduced growth, if we are unable to keep pace with changing consumer preferences. Public scrutiny of the palm-oil industry may create more of a spotlight on Group operations. As sustainability increases in importance, our customers may look to their supply chain to support them in reducing their impact. Failing to communicate how M.P. Evans will reduce its environmental impact proactively could result in losing customers and impact our market position. However, due to the versatility of palm oil and with many industries dependent on the product, demand may be relatively less affected by this risk. We believe that by communicating our evolving sustainability programme and alignment with the RSPO, we can minimise this risk, as we are on a journey to reduce our carbon emissions.

## TRANSITION RISKS *continued*

Table 4. Transition risks continued

TYPE	RISK	TIMELINE	PATHWAY	IMPACT	EXPLANATION AND MITIGATION
Transition	Increased cost of energy and raw materials	Short - medium term (2022-2035)	2-3 °C	Increased operating costs.	An unpredictable climate could exacerbate the impact of existing supply-chain issues, with increased pressure on sourcing of raw materials, disruption to our energy and stock suppliers, increasing costs. As a CPO producer, sourcing of raw materials is less complex compared to other businesses. However, prices of fertiliser and other materials needed to grow oil palm may increase from inflation and supply-chain disruptions. M.P. Evans has already seen an increase in material costs, including fertiliser and pesticides. An unpredictable climate would exacerbate the impact of existing supply-chain issues, increasing pressure on the sourcing of raw materials. Energy costs may also increase energy demand grows or supplies may become constricted in a warming climate.
	Increased stakeholder concern	Short - medium term (2022-2035)	<2 °C 2-3 °C	Reduced access to capital.	The palm-oil industry already receives considerable attention regarding its environmental impact, particularly in relation to deforestation. The Group has a long-standing commitment to no deforestation. This interest and concern from the public and from stakeholders is likely to remain in the short to medium term. As the world transitions to a decarbonised economy, our stakeholders are likely to have increased interest and concern for our sustainability credentials. Stakeholders want to see us meeting zero-deforestation commitments and taking proactive climate action. Failure to meet their expectations could harm our reputation and reduce access to capital. Therefore, it is important that the palm oil that we produce is not linked to deforestation and that the Group strives to reduce emissions, with ambitious emission-reduction targets being set in 2023 (see page 21).
	Costs to transition to lower emissions technology	Short - medium term (2022-2035)	<2 °C 2-3 °C	Increased capital expenditures.	As we progress on a journey towards net zero, we may be required to invest in lower-emissions technology across our operations, as more innovative solutions come to market over time. Adopting or deploying new practices or processes that comply with sustainability standards will require increased capital investments. Upfront costs of investment in biogas plants at our sites to reduce our energy usage may be mitigated by the associated energy efficiency and increased revenue on the sale of surplus electricity. Investment in technology to reduce the impact on climate change is an area of continuing focus.

# PHYSICAL RISKS

Table 5. Physical risks

TYPE	RISK	TIMELINE	PATHWAY	IMPACT	EXPLANATION AND MITIGATION
Physical	Rising mean temperature	Medium - long term (2025- 2050)	Above 3°C	Damage to crops and potential harm to employee welfare.	<p>Extreme weather is likely to increase in intensity and frequency. Indonesia experienced an increase in temperature as a result of climate change and this is likely to continue.</p> <p>As climate change progresses, extreme weather is predicted to amplify and become increasingly frequent. Palm oil is a resilient crop. However, it has a maximum temperature threshold of 33-38°C. Combined with the anticipated increase in water stress, the need for irrigation may become more frequent in the long term, especially during the driest parts of the year. In addition, employee wellbeing may be impacted by increased temperatures, leading to a higher demand for cooling, increasing energy costs. Some M.P. Evans sites are predicted to be impacted by temperature changes in the longer term.</p>
	Flooding	Medium - long term (2025- 2050)	2-3°C, >3°C	Increased costs due to increased energy usage and flood defences.	<p>Some M.P. Evans sites are in potential high-risk flood zones, resulting in increased operating costs, with a risk of direct damage to buildings and increased demand for investment in flood defences. The Group has already experienced some flood issues, notably at its Simpang Kiri estate in Aceh province. The impact of flooding can be exacerbated by increased deforestation and clearing, including direct damage to plantations and capital items.</p> <p>Flooding also poses a risk to transport networks, resulting in increased costs, potential delivery delays and operations disruptions. Other flooding risks include damage / loss of palms, labour impacts, increased insurance costs, and increased capital expenditure.</p> <p>The Group's Kota Bangun estate is at risk of flooding as it sits close to the Mahakam river in East Kalimantan, with some of the planted hectareage in relatively low-lying areas, increasing flood risk in times of high rainfall. The Group has, for several years, invested in innovative water-management and water-defence projects, mitigating this risk. In 2022, a water-catchment area was constructed, with a capacity of 1 million cubic metres, which will enable estate management to moderate the flow of water through some of the affected areas. A further water-catchment area, with a 1.5 million cubic-metre capacity, is planned for construction in 2023.</p>
	Wildfire	Short - long term (2022-2050)	2-3°C >3°C	Potential indirect and direct costs.	<p>M.P. Evans sites are potentially at risk of wildfires, resulting in a risk to life, loss of planted hectareage and increased direct costs to the business.</p> <p>All Group estates have dedicated and trained fire marshals. High-risk areas are monitored, and fire-fighting equipment can be deployed quickly. The Group recognises the risk of fire on its oil-palm estates and surrounding areas and its environmental obligation to remain vigilant in monitoring that risk, both in its own estates and in those adjoining its areas of operation. Fire risk includes danger to life, environmental damage associated with uncontrolled release of stored GHG and loss of physical assets including planted areas. Fire watchtowers have been built on Group estates and patrols take place. The Group has a zero-tolerance approach to burning as a method for clearance and reports instances in surrounding areas. Where any instances of wildfire occur on Group land, they can be dealt with swiftly using fire-fighting equipment available to trained personnel on site. Team members are on high alert for wildfires during the dry season. Fire-fighting services are often limited, so landowners are primarily responsible for extinguishing any fires.</p>

## PHYSICAL RISKS *continued*

Table 5. Physical risks continued

TYPE	RISK	TIMELINE	PATHWAY	IMPACT	EXPLANATION AND MITIGATION
Physical	Sea level rise	Long term (2035-2050)	Above 3°C	Potential indirect and direct costs.	For M.P. Evans, the sites in UK and Indonesia are all relatively resilient to sea level rise. No company estates or sites are at risk of sea level rise with the exception of an office site in Jakarta.
	Water stress / changing precipitation patterns	Medium - Long Term (2025-2050)	2-3°C >3°C	Increase in operating costs, increased direct costs and reduce profitability.	<p>The Group's rented Indonesian head office in Jakarta is in an extremely high-water stress location resulting in increased operating costs and increased direct costs. Operational M.P. Evans sites could potentially be impacted by changing precipitations patterns.</p> <p>Increased water stress in a location could result in the lack of freshwater resources. Our P.T. Evans site is predicted to be in an area of extremely high-water stress by 2040. All other sites will see low or low-medium water stress by 2040.</p> <p>We recognise that water is an important resource throughout our operations and increased water stress would have a significant potential impact for M.P. Evans (for example, at our six Group-owned mills).</p> <p>Water usage restrictions may be implemented during dry seasons.</p> <p>Further investment in longer-term water storage maybe needed to collect excess water from wet seasons to supply water in the dry seasons.</p>

## CLIMATE OPPORTUNITIES

Table 6. Climate opportunities

CLIMATE OPPORTUNITY	TIMELINE	PATHWAY	IMPACT	IMPACT DESCRIPTION
Energy source	Medium-long term (2025-2050)	<2°C and 2-3°C	Use of lower-emission sources of energy	<p>Use of lower emission sources of energy including energy efficient technology and onsite energy generation will reduce energy usage and therefore energy costs over time.</p> <p>While this technology will have an associated upfront cost, we recognise the return associated with lower emissions alternative sources of energy is likely to be an opportunity for our business, decreasing operating costs, increase income, and enhancing stakeholder reputation.</p>

# 3 Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.



*Water management at Kota Bangun*

# CLIMATE-RISK MANAGEMENT

To ensure transparency, organisations are advised to disclose their procedures for recognising, evaluating, and addressing climate-related hazards and how these procedures are incorporated into their comprehensive risk-management strategy. The following are recommendations for disclosure:

- Describe the organisation's processes for identifying and assessing climate-related risks.
- Describe the organisation's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

## CLIMATE-RISK-MANAGEMENT PROCESS

The board acknowledges its responsibility for the Group's system of risk management. A review of the process of risk identification, evaluation and management is carried out regularly and presented to the board for discussion and approval. Management has worked to integrate an awareness of climate change into this existing process to form a climate-risk management framework, as detailed below.

### Step 1: Identification of risks

We launched a data collection process in 2022 to identify the climate-related risks which are applicable to the Group. Through this process we engaged with internal stakeholders to perform a review of current processes and operations. Education sessions on TCFD and climate change were facilitated by our specialist sustainability consultant and current guidance was considered throughout this process. We identified 12 risks and one opportunity, as shown in section 2.

### Step 2: Evaluation of risks

Using climate-scenario analysis, we assessed each risk, considering different timescales and global warming forecasts, leading to risk classifications of low, medium or high, for both likelihood and impact. The results of this analysis were presented at a climate-risk workshop, in December 2022, which was attended by representatives from operations, sustainability, risk management, finance and the board. Risks can also be categorised as transition or physical in nature. Physical risks arise from climate events, whilst transition risks from action taken to transition away from fossil-fuel reliance. The analysis identified the Group's most significant physical risk to be in relation to rising mean temperatures, and the most significant transition risk to be the costs associated with transitioning to lower emissions technologies.

### Step 3: Management of risks

After assessing each risk, potential management strategies have been discussed, with an objective to implement the most effective framework and actions for each relevant risk. Throughout the process we engaged with internal stakeholders across the business to identify information about existing mitigation processes. We applied a 'climate lens' where possible to existing mitigation strategies across all parts of the business. We will introduce new management processes where appropriate. We have developed a climate-risk register which will be maintained internally and reviewed at least annually.



Fire watch-tower

## 4 Metrics and targets

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Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.



*Terraced planting at Kota Bangun*

## METRICS AND TARGETS

The TCFD suggests that businesses should reveal the targets and metrics they employ, to observe and alleviate the influence of climate change. The disclosure guidelines include:

- Disclosing the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process.
- Disclosing scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (“GHG”) emissions and the related risks.
- Describing the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Group is committed to operating sustainably and protecting the environment. A range of metrics is used to measure our impact and we have established reduction targets to manage our climate-related risks and opportunities. We are working to minimise our GHG emissions and are diligent in ensuring the Group is not responsible for any deforestation. We will report on our environmental performance annually in the future.

In order to reduce our impact on the environment, we first must understand and measure it. Reducing our GHG emissions is a material topic for our stakeholders and therefore, in 2022, we initiated a robust data-collection process to calculate our full carbon footprint for the first time.

Additional environmental indicators are used to reflect our commitment to acting responsibly. We believe that producing palm oil does not have to come at the expense of tropical rainforests, reduced biodiversity or threatened endangered species. Adhering to RSPO standards means we assess the suitability of land for planting using the High Carbon Stock Approach (“HCSA”), have a policy of zero burning and a commitment not to develop high conservation value (“HCV”) land. We prevent any burning of land for subsequent cultivation, we seek to identify and conserve high-carbon-stock areas, and we promote biodiversity.

The Group also participates each year in the SPOTT assessment undertaken by the Zoological Society of London, which provides an indicator of the ESG disclosures provided by a sample of 100 palm-oil companies. In 2022, the Group increased its score by 3.9% to 80.2% and its ranking to 15th.

We have aligned with the Paris Agreement 1.5°C scenario (reactive), with our carbon-emission-reduction plan. We calculated our full scope 1, 2 and 3 emissions for our 2021 base year and for the most recent financial year (2022); our full carbon balance sheet is on page 22 of this report.

Since 2019, we have been monitoring the Group’s energy usage, and have subsequently calculated the emissions associated with this, in line with the UK government’s policy on Streamlined Energy and Carbon Reporting (“SECR”). For further details on the Group’s SECR report, and details of our associated emissions, please see our 2022 annual report. The calculation of these emissions will help to reduce the Group’s energy usage, where possible.



## REDUCING OUR GHG EMISSIONS

In 2022, the Group conducted a thorough data-collection process, working with its specialist sustainability consultants, to calculate its full carbon footprint comprising scope 1, 2 and 3 GHG emissions. In accordance with TCFD guidance, scope 1 relates to the Group's direct operations and scope 2 relates to emissions from electricity used to power those operations. Scope 3 emissions are indirect, occurring outside of the Group, for example in the products purchased for use by the Group, or in the onward processing of the Group's output. It is common for scope 3 to account for the significant majority of total emissions. Not all emissions are from CO<sub>2</sub>, for example some may arise from methane, but for simplicity all are converted to CO<sub>2</sub> equivalent amounts, and reported as tonnes of CO<sub>2</sub> equivalent, or 'tCO<sub>2</sub>e'. As this is a complex process, we used 2021 data to calculate a 'baseline' year. The creation of our carbon balance sheet allows us to understand the impact associated with our operations, both direct and indirect, while identifying opportunities for future reduction. The Group's total GHG emissions (scopes 1, 2 and 3) were 2.7 million tCO<sub>2</sub>e for 2021, with scopes 1 and 2 being 5% and scope 3 being 95% of the total.

The Group started to report scope 1 and 2 data for the UK business in 2019 for compliance with SECR requirements. We have widened our data collection, and now report on all Group operations. Emissions from scope 1 and 2 account for 5% of the Group total in 2021, and relate to energy consumption (electricity, gas and biomass) as well as transport fuels used in Group operations. The Group's scope 1 and 2

emissions for 2022, and total emissions for its baseline year in 2021 are as reported in table 7.

We have used 2021 as our baseline year for our emissions, as this is the first year that we have a full set of data available. The creation of our carbon balance sheet allows us to understand the impact associated with our operations and full value chain, while identifying hotspots for reduction moving forward. The Group's total GHG emissions (scopes 1, 2 and 3) were 2,392,527 tCO<sub>2</sub>e for 2022, where scope 1 and 2 account for 4.9% of the emissions, while the remaining 95.1% represents our scope 3 emissions (table 7). The Group's total emissions reduced by 12.0% between 2021 and 2022, driven by a decrease in the volume of the Group crop sent to external mills for processing. The Group's total scope 1 and 2 emissions reduced by 6.0% in 2022 and the Group is committed to making further reductions. The biogas facilities installed at our operating locations are already helping to make a positive difference. Further detailed SECR information will be included in the Group's separately published report on environmental, social and governance (ESG) matters.

To continue this progress, the Group has established near-term and net-zero targets.

Table 7. Emissions total for 2022 and 2021

Emissions scope	2022 / tCO <sub>2</sub> e	2021 / tCO <sub>2</sub> e
Scope 1	116,829	124,520
Scope 2 (location-based)	515	379
Scope 3	2,275,183	2,594,415
<b>Total emissions, all scopes</b>	<b>2,392,527</b>	<b>2,719,315</b>
Carbon removals	8,737	9,969
<b>Net emissions</b>	<b>2,383,790</b>	<b>2,709,346</b>

### EMISSION REDUCTION TARGETS

M.P. Evans has set the following targets:

- Reduce industrial scope 1, 2 and 3 emissions by 28% by 2030 from a 2021 base year.
- Reduce industrial scope 1, 2 and 3 emissions by 90% by 2050 from a 2021 base year, in line with reaching net zero.
- Reduce emissions from Forestry, Land-use and Agriculture (FLAG) by 53% per tonne of CPO by 2030 from a 2021 base year (see table 8 on page 23).
- Reduce FLAG emissions by 72% by 2050 from a 2021 base year, in line with net zero for the agriculture sector (see FLAG emissions page 22).



## GHG EMISSIONS

### SCOPE 1 AND 2

Our operational emissions (scopes 1 and 2), represent 4.9% of our 2022 emissions and result from energy consumption (transport fuels, gas and electricity) in our controlled assets. Additionally, direct emissions from the application of empty fruit bunches, palm-oil mill effluent ("POME") and fertiliser to our land have been included in our scope 1 emissions. Our scope 1 and 2 emissions encompass both our UK and Indonesian operations. Where possible, we have used country-specific emission factors for these calculations. Where not available, UK Government published emission factors were used.

The Group has set a near-term target to reduce these industrial scopes 1 and 2 emissions by 28% by 2030 from a 2021 base year. We have also set a net-zero target to reduce our emissions by 90% by 2050 from a 2021 base year, in line with limiting warming to 1.5 °C. This requires an annual reduction of 3.1%, while a 4.5% reduction was achieved between 2021 and 2022. Going forward, a mix of energy efficiency measures, on-site generation and fertiliser application optimisation will enable a further reduction in these emissions.

Whilst the Group's scope 1 emissions from gaseous and other fuels increased by 23% due to a 50% increase in the volume of biogas produced, emissions associated with transportation decreased due to efforts to use less diesel and use petrol as an alternative. Our other direct scope 1 emissions decreased due to a 30% reduction in the volume of POME

applied to land through the opening of a new biogas capture facility. If POME is applied directly to the land, large volumes of methane (CH<sub>4</sub>) are emitted, which has a global warming potential twenty-five times higher than CO<sub>2</sub>. When this CH<sub>4</sub> is captured in the biogas facility and combusted to produce electricity, CO<sub>2</sub> is produced. Therefore, a reduction in CH<sub>4</sub> emissions will offset the increase in CO<sub>2</sub> emissions and lead to a large reduction in the tCO<sub>2</sub>e released.

The UK total emissions were significantly smaller due to most of our operations occurring in Indonesia. The 2022 UK scope 1 and 2 emissions were 11.38 tCO<sub>2</sub>e.

### SCOPE 3

Calculating the Group's indirect scope 3 emissions enables it to identify the main sources of GHG outside its own operations. This process also provides a baseline for making decisions about net zero. Twelve of the fifteen GHG Protocol scope 3 categories are applicable to the business and have been calculated for 2021 and 2022. Within scope 3, the largest component comes from the further processing of the products that the Group sells, (Category 10 in the carbon balance sheet), accounting for 84% of the Group total in 2022. The emissions from third-party processing decreased by 14.7% between 2021 and 2022, driven by a 39% decrease in the tonnes of FFB sent to external mills through the opening of a new mill in 2022. We expect these emissions to decrease further with the opening of a new mill in 2023.

The Group has set a near-term industrial scope 3 target of a 28% reduction by 2030 from a 2021 base year and a net-zero target of a 90% reduction by 2050. This requires an annual reduction of 3.1%, while between 2021 and 2022, a 13.7% reduction was achieved. Going forward, we will engage with our supply chain to collect more accurate supplier-specific emissions data and to encourage them to set their own ambitious emission-reduction targets. In the near term, we will focus in particular on refiners as the largest contributors to the total, to help reduce our scope 3 emissions. In 2050, we will offset the remaining 10% of emissions using high-quality carbon offsets, in line with the SBTi best practice for achieving net-zero.

While most of our scope 3 emissions are outside of our direct control, the Group acknowledges that we have direct control over business travel and influence on employee commuting emissions. Therefore, we will identify opportunities and prioritise implementation to reduce these emissions.

### FLAG EMISSIONS

In 2022, the Science-based Targets Institute (SBTi) developed its Forestry, Land Use and Agriculture (FLAG) target guidance. While the Group has not formally committed to set Science-based Targets, we have set science-aligned FLAG targets, following the guidance from the SBTi and the GHG Protocol.

Our science-aligned near-term target is to reduce our FLAG emissions by 53% per tonne of CPO intensity basis by 2030, from a 2021 base year. Between 2021 and 2022, our FLAG emissions (excluding land-use change) intensity decreased by 13.4%, through the introduction of an extra biogas capture facility. We aim to continue to make rapid progress against this target.

Our science-aligned net-zero target is to reduce the Group's FLAG emissions by 72% by 2050 from a 2021 base year. This lower net-zero target from the SBTi, in comparison to the usual 90% emission reduction, reflects the unavoidable emissions in the agricultural sector and acknowledges that it may be impossible to reduce these emissions to zero.

# CARBON BALANCE SHEET

This carbon balance sheet contains the Group's full GHG emissions inventory for 2022. Emissions are reported on a consolidated, operational control approach, as defined by the GHG Protocol. All emissions have been calculated following the GHG Protocol's Corporate Accounting and Reporting Standard and the guidelines of ISO 14064-1. In some instances, it has been necessary to utilise estimates in preparing the Group's carbon balance sheet, particularly in relation to scope 3 (indirect) emissions that are outside the Group's control. In all cases, the Group has used the best data available to it.

Our 2022 carbon balance sheet details our scope 1, 2 and 3 emissions. This enables us to understand where our higher emitting areas are and where we need to focus most of our efforts on reducing these emissions. All applicable scope 3 categories have been quantified. The Group's scope 1 and 2 emissions account for 4.9% of the Group's total, with scope 3 accounting for the remaining 95.1% of the emissions.

Three scope 3 categories were not applicable to the Group's emissions calculations. These were category 8: upstream transport and distribution, category 13: downstream leased assets and category 14: franchises. Categories 8 and 13 were excluded as the Group does not have any leased assets that were not already included in scope 1 and 2. Category 14 was excluded, as the Group does not have any franchises. The data for our scope 1, 2 and 3 emissions was provided to our sustainability advisor for calculation, but no formal assurance has been provided.

Table 8. The Group's carbon balance sheet

Emissions scope	Greenhouse gas emissions inventory			
	tCO <sub>2</sub> e (location-based)	%	FLAG Emissions tCO <sub>2</sub> e	Industrial Emissions tCO <sub>2</sub> e
<b>Scope 1</b>				
Gas, biogas & biomass	12,338	0.5	12,329	9
Transport (petrol and diesel)	16,873	0.7	4,935	11,937
Other fuels (F-gases and propane)	555	0.0	-	555
Land use	87,063	3.6	87,063	-
<b>Scope 1 total</b>	<b>116,829</b>	<b>4.9</b>	<b>104,328</b>	<b>12,501</b>
<b>Scope 2 total</b>	<b>515</b>	<b>0.02</b>	<b>-</b>	<b>515</b>
<b>Scope 3</b>				
1. Purchased goods and services	173,596	7.3	173,117	479
2. Capital goods	4,088	0.2	-	4,088
3. Fuel-related emissions	4,081	0.2	-	4,081
4. Upstream transportation and distribution	15,787	0.7	-	15,787
5. Waste generated in operations	1,955	0.1	-	1,955
6. Business travel	783	0.0	-	783
7. Employee commuting	4,947	0.2	-	4,947
8. Upstream leased assets	-	-	-	-
9. Downstream transportation and distribution	13,246	0.6	-	13,246
10. Processing of sold products	1,980,520	82.8	-	1,980,520
11. Use of sold products	32,868	1.4	-	32,868
12. End-of-life treatment of sold products	39,536	1.7	-	39,536
13. Downstream leased assets	-	-	-	-
14. Franchises	-	-	-	-
15. Investments	3,775	0.2	-	3,775
<b>Scope 3 total</b>	<b>2,275,183</b>	<b>95.1</b>	<b>173,117</b>	<b>2,102,066</b>
<b>Total all scopes</b>	<b>2,392,527</b>	<b>100</b>	<b>277,445</b>	<b>2,114,567</b>
<b>All scopes tCO<sub>2</sub>e per tonne of CPO</b>	<b>6.93</b>	<b>-</b>	<b>0.80</b>	<b>6.12</b>
<b>All scopes tCO<sub>2</sub>e per tonne of palm product</b>	<b>5.76</b>		<b>0.67</b>	<b>5.09</b>

# ENVIRONMENTAL INITIATIVES

## WASTE REDUCTION

M.P. Evans promotes a philosophy of zero waste. The Group turns its empty bunches into compost and generates electricity from methane collected from mill effluent. It establishes and maintains conservation areas and strictly adheres to Group environmental policies.

Palm-oil production is also associated with the creation of GHG in the form of methane and carbon dioxide. With modern sustainable certified mills and zero-waste policies, the amount of GHG released into the atmosphere can be significantly reduced and gases can be converted into biogas. Our zero-waste production process means that we make efficient use of all our resources. We produce compost from empty bunches, a waste product in our mills. Using compost reduces the need for inorganic fertilisers and helps us to minimise the use of organic and inorganic chemicals. We do not use any chemicals listed under the Rotterdam or Stockholm Conventions on any of our estates.

## WATER

We manage the water level in our estates carefully. Where there are slopes, contour terraces are dug to conserve water and prevent erosion. In any areas with old plantings in peat soils, water levels are kept high. To manage water effectively, we have a continuing programme on our estates to establish drainage ditches, where these are needed. Where necessary, we establish a system of earthworks and tide gates to enable us to manage the water level, to protect the palms from either flooding or incursion of sea water.

Alternatively, they are used to create outlets, to allow water to flow naturally into rivers or the sea.

Water transport is used, to reduce road construction, and when we do need to build roads, we use local materials, if possible. In addition, effluent is never discharged into rivers or water courses and any water discharged by the Group is below the statutory threshold for biological oxygen demand and chemical oxygen demand.

## FOREST PROTECTION

Our policy is to ensure that any new development, including development for scheme smallholders, only takes place in heavily degraded areas, which are neither forested nor suitable habitats for endangered species. We assess any area we propose to plant using the high carbon stock ("HCS") approach.

The Group's adherence to the RSPO's standards and procedures ensures that we do not contribute to any deforestation and do not endanger any species of conservation concern, notably those on the International Union of the Conservation of Nature Red List. Importantly, we apply the same standards to areas that are planted on behalf of associated scheme smallholders, as we apply to our own areas.

## CARING FOR OUR PEATLANDS

In accordance with its RSPO commitments, the Group and its scheme smallholders do not plant on peat and, since November 2018, nor in HCS areas.

Where we have older plantings in peat made before joining the RSPO, we use best-management practices as advised by expert agronomists to maximise soil conservation. These include techniques for minimising erosion and maintaining water levels, to slow down the decomposition of organic matter. In addition, we recycle nutrients through composting.

## BIODIVERSITY

Adjacent to its planted areas, the Group has a significant hectareage with high biodiversity value, which is regularly monitored by sustainability teams resident on its estates. Prominent signboards are set out giving specific details of the high conservation values ("HCV") area and warning that unauthorised access is prohibited. Conservation areas are patrolled daily and we use camera traps to monitor wild animals and conduct biodiversity surveys. We also conduct training with our own workers and amongst local villages, to raise awareness of the importance of HCV areas to local communities. The Group already uses satellite imagery to monitor its HCV areas annually. Since 2019, we have used drones to help protect our conservation areas from encroachment. Hunting is banned on all our estates and conservation areas.

On new projects, well-marked conservation areas are set aside in areas designated as having HCV status. Ongoing programmes of planting tropical trees and other plants are undertaken. Areas alongside riverbanks are set aside as conservation areas, both to prevent leaching of fertilisers into water courses and to provide wildlife corridors.

New planting procedure documents are routinely lodged with the RSPO Secretariat in a timely manner and are available on the RSPO website. All new plantings conducted since the beginning of 2019 have been covered by independent HCV and HCS assessment.

## NEXT STEPS

The Group is committed to working on climate risk and carbon reduction. The Group has continued to invest in its own efficient milling capacity, and while this will increase scope 1 emissions, they will be more than offset by a fall in scope 3 emissions as the Group will not rely in the same way on outside mills. The Group is also working with its external consultants on land use analysis, including carbon sequestration, associated with the Group's planted hectareage and its conservation areas, as these are not included in the scope 1, 2 and 3 categories.



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