



**ENVIRONMENTAL SOCIAL AND  
GOVERNANCE REPORT**

**2020**



Provident Biofuels



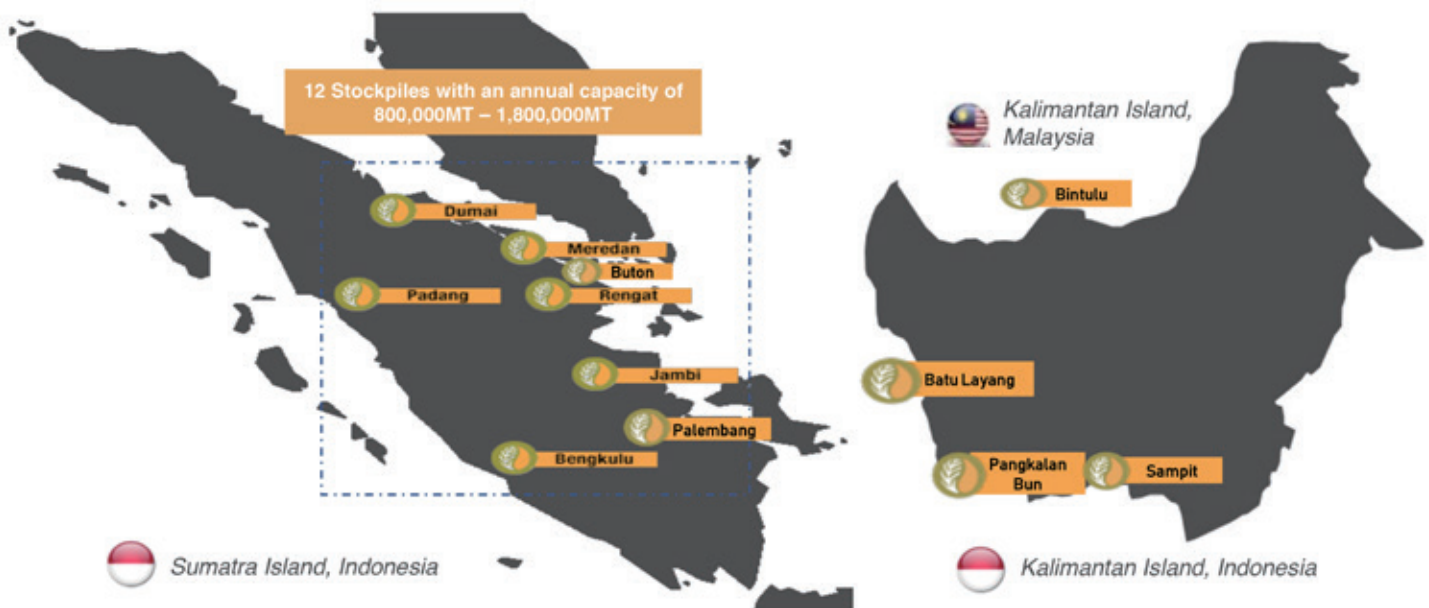


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## About the company



As a leading innovator in biomass resources, Provident Biofuels Pte Ltd ("Provident Biofuels" or the Company) is committed to harnessing the energy of Palm Kernel Shells ("PKS") to generate positive ecological and social outcomes. In recent years, governments, industry, and energy researchers have recognized PKS as a promising opportunity to transform an agricultural waste stream into an economically competitive and low-carbon replacement for fossil fuels in power generation facilities, thus, leading to a dramatic growth in demand for the underutilized biofuel.

Since 2011, we have been exporting PKS with spot and long-term supply agreements to clients across countries such as Singapore, Thailand, Taiwan, Japan, South Korea, Poland, and Italy. Provident Biofuels, through its partners and suppliers, has access to multiple PKS stockpiles in Indonesia and Malaysia, including stockpiles which are strategically positioned both on the East and West Coast of Sumatra in Indonesia. Provident Biofuels provides a steady, diversified and sustainable supply of PKS and remains committed to ensuring efficient shipments to our international clients.



## Corporate governance

Strong governance is the cornerstone that allows Provident Biofuels to harness our financial and human capital to contribute to the economy and society. Even though we are a private company, we have in place a sound corporate governance structure, headed by a qualified Board of Directors who oversee our rigorous internal controls and risk management. Our Board continues to work with our stakeholders to identify and mitigate key business risks as well as ensuring that senior executive remuneration arrangements support our strategic aims and objectives.

## Background

In 2019, Provident Biofuels was granted a Sustainability-Linked Facility ("SLF") from United Overseas Bank ("UOB"). This was a significant milestone in Provident's journey of sustainability and a recognition of Provident's strong governance. Our sustainability performance will be rated in an annual audit conducted by an independent reputable provider of Environmental, Social and Governance ("ESG") assessments – Vigeo-Eiris. The reviews of our business practices and policies will validate our claims and highlight areas of improvements. Being rated by Vigeo-Eiris enables us to benchmark our practices against global ESG standards and provide assurance to all stakeholders of our commitment to sustainability.

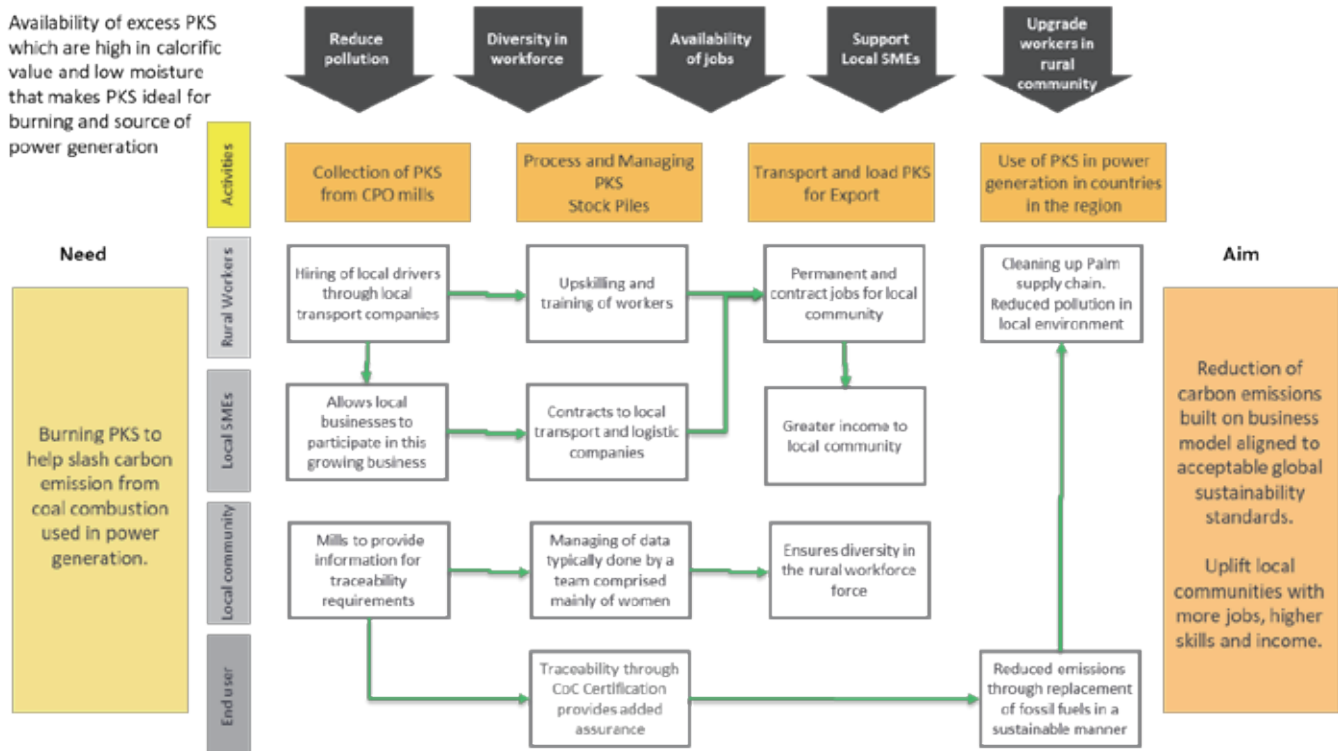
## About this report

As part of Provident's sustainability journey of sustainability, we are pleased to share with you our first Sustainability Report. To produce this report, we have used various international standards as technical guidance. Most importantly, we have adopted the United Nation Sustainable Development Goals (thereinafter "UNSDGs") as it is one of most widely accepted frameworks to effectively measure the environmental, social and governance impacts and benefits derived from the activities of companies.



## Our reporting parameters

### Enabling Change – the Case for Palm Kernel Shells (PKS)



Provident Biofuel has always been committed to fulfilling our corporate responsibility. Over the years, we have reviewed our operations and business processes to introduce initiatives to reduce carbon emissions, embrace diversity, offer job opportunities and improve the skills and income of the workers in the local communities we operate in.

This report is geared towards sharing our sustainability framework with you, our valued stakeholders. You will notice that our Sustainability Report lays out our ways of working and how they relate to our Company's performance on an operational and business level. This report covers disclosure for Provident Biofuels and focuses on its PKS trading division.

We have also shared the implementation plans for our sustainability framework. For instance, we aim to lower Greenhouse Gas ("GHG") emissions by supplying renewable biofuel and obtaining global certification to ensure that provides assurances for the traceability and sustainability of our biomass business and operations.

## The contents of the Sustainability Report

The environmental and social performance that we are reporting on covers the period from 1st July 2019 to 30 June 2020. Our goal with this maiden report is to inform you of the Company's progress, development and improvements in relation to our sustainability journey. We would also like to bring your attention to our programmes which centre on human and environmental issues. More specifically, we continually try to combine sustainable governance, sustainable sourcing and environmental stewardship, while advancing our people and stakeholders for the development and maintenance of our 'Triple Bottom Line' of people, planet and profit.



# MESSAGE FROM **CHAIRMAN OF** **PROVIDENT BIOFUELS**

*Dear Stakeholders of Provident Biofuels,*

*We are proud to present the first Environmental, Social, Governance report of Provident Biofuels. Since our establishment in 2011, Provident Biofuels has grown to become a leading procurer and supplier of PKS. Our corporate philosophy of "Growing Responsibly" aims to make a positive impact on our local communities, preserve and protect the ecosystem we operate in while maintaining profitability for our business.*

*This year, we have continued down our pathway towards greater transparency to our stakeholders with our maiden report on our sustainability performance. Through our joint operations with our suppliers across Indonesia and Malaysia, the business helps to sustain approximately 8,000 jobs in the local communities and ensures that all direct and indirect employees are fairly compensated, above the minimum wages across the regions that the business operates in. During the Covid-19 pandemic, we partnered with our supplier PT Jatim ProPERTindo Jaya, and held a donation drive to provide food supplies to the local communities. We also set up education programmes to educate the local communities on the importance of taking their temperature and wearing masks to minimize the risks of infection.*

*In 2020, we have implemented a company-wide policy to ensure that our employees and stakeholders understand our corporate philosophy. This includes a chain of custody certification exercise in our supply chain that includes providing energy and carbon data (Green House Gas emissions calculations) for the sourcing and delivery of PKS.*

*We will continuously strengthen our strategy on responsible and sustainable sourcing and delivery of PKS as our core value. By 2021, we aim for our supply chain from Indonesia to have a chain of custody certification by international bodies such as Green Gold Label ("GGL") or the Roundtable on Sustainable Biomaterials ("RSB"). Both certifications are internationally recognized, peer-reviewed, global certification standards that provide assurances for the traceability and sustainability of biofuels productions and operations. In the future, we aim to work with all suppliers and help them to achieve both GGL and RSB Certifications.*

*Moving forward, Provident Biofuels will continue to take a proactive approach in ensuring sustainable growth, and generating social, environmental, economic return to all stakeholders in our business, environment, and society.*



**Douglas Tay**  
Chief Executive Officer  
Provident Biofuels Pte Ltd









## Our Approach to Sustainability


We have initiated the process by integrating UNSDGs considerations into our business activities. We have also strengthened our stakeholder engagement process by identifying and prioritizing material topics that impact our business significantly and are important to our stakeholders.


The UNSDGs for 2030 consists of 17 goals, which aim to address poverty, clean energy, economic growth, inequalities, responsible consumption and production, and climate change. Providence Biofuels is committed to 10 out of these 17 goals as they are directly related to the organization's activities.


In promoting sustainability, we also refer to the following international guidelines and principles.


 The labour standard of the International Labor Organization (ILO)

 The United Nations Universal Declaration of Human Rights

 United Nations Sustainable Development Goals (UNSDG)

 The principles of the UN Global Compact

 The SA8000® Standard of Social Accountability International (SAI)

 Employment act (Cap. 91), and

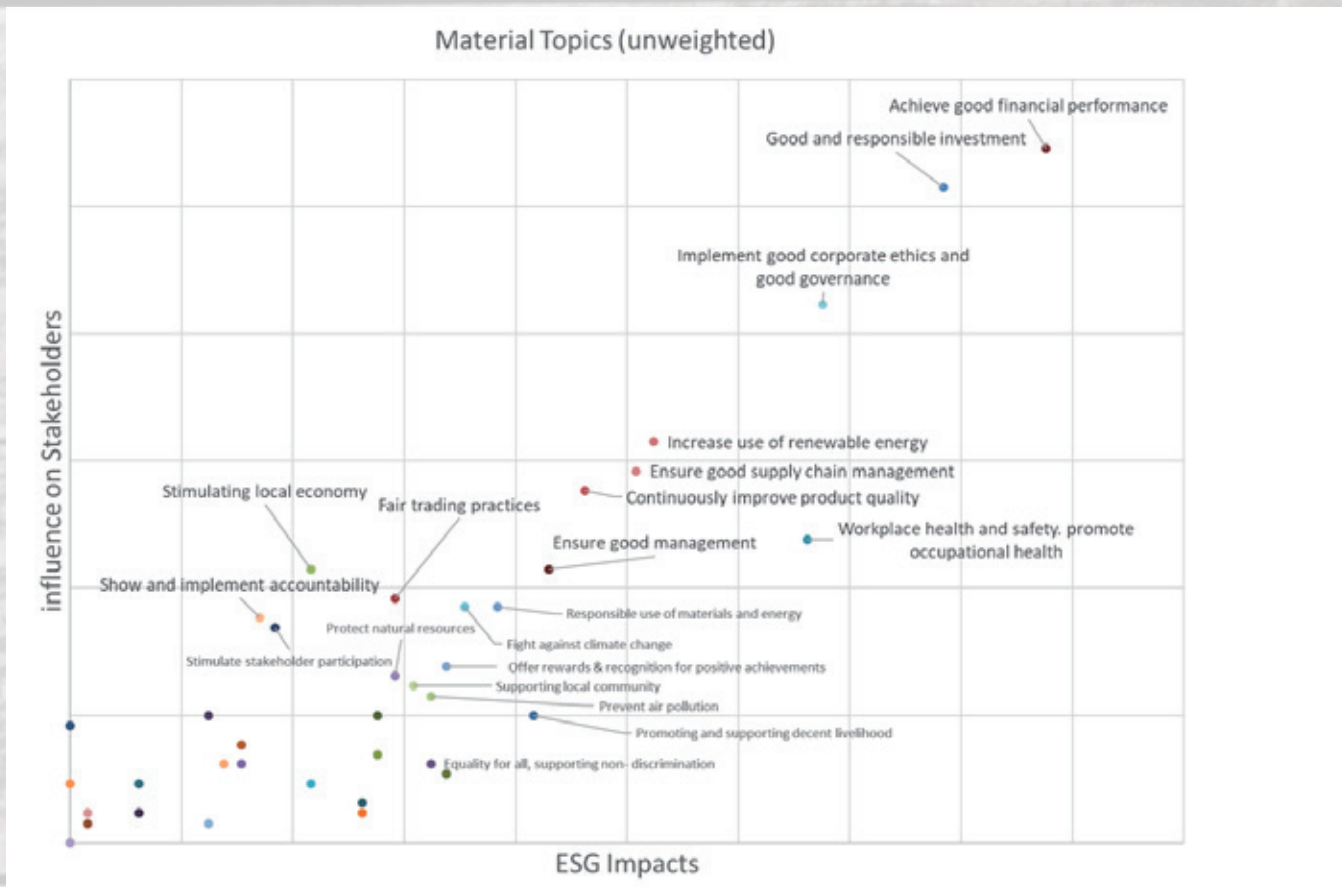
 Prevention of Corruption Act (Cap. 241)

## Selection and Continuous Improvement Process of Materiality Matrix





## Materiality Matrix



**Figure: Annex 1 – Materiality Study**

## Risks and Opportunities for each Materiality Topic

MATERIALITY	RISK	OPPORTUNITIES
Achieve good financial performance	Financial loss resulting from mismanagement of business operations, political instability and a slowing economy	Increasing access to capital, and new investors.
Good and responsible investment	Investing in controversial sectors or assets that go against Provident Biofuel's ESG policy	Proper review of all investments, taking into consideration the environment and social economic impact of the investment
Implement good corporate ethics & governance	Corruption, bribery, illicit behaviours or any irregularities or violations of legal regulation	Systemic shift towards a more sustainable business model with a robust corporate governance management system
Reduction in greenhouse gas emissions from operations	Potentially high upfront set up cost and increase of capital expenditure	Review of operations to ensure higher efficiency Potential switch to use of more environmentally friendly fuels. Decrease of operational expenditure and overheads over the long term.
Promotion of workplace health and safety, and overall occupational health	Occupational health and safety risk, injuries, related to working environment.	Establishment of management system for monitoring working hours, health and safety and awareness training



## Sustainable Business Operations



To ensure the responsible and sustainable sourcing, processing, and delivery of PKS along the value chain, we incorporated the 'Triple Bottom Line' approach of people, planet and profit in our processes. We have an established Supplier Policy, based on the principals in our Corporate Policy, that our supply chain partners must adhere to.

We recognize that the procurement of PKS requires consideration for environmental, labour safety, human rights, and customary rights of local communities and indigenous people. To ensure sustainable procurement and creditable reputation of our corporate and stakeholders across the sector, we have been implementing the requirements of GGL and RSB Certification to support sustainable biomass and promote transparency and traceability of our supply chain.

Our traceability strategy includes developing a strong internal control systems with records keeping across the entire supply chain using information technology and data. We have introduced an internal system to implement the chain of custody within our supply chain. This includes performing regular risk monitoring, documentation, tracking and tracing of every batch shipment of PKS from CPO mills to their eventual sale to our customers.

As part of the certification of our supply chain, these documents will be submitted to accredited third-party certification bodies such as RSB and GGL which provides assurance that Provident's PKS products are sourced sustainably and hence provides traceability and transparency for the entire supply chain.



## Anti-Bribery and Corruption Policy



*Provident Biofuels is determined to promote inclusive societies for sustainable development and will not tolerate any form of corruption and bribery. We are committed to operating with a zero-tolerance approach to bribery and corruption. Honesty, integrity and fair-play are core values of Provident Biofuels and must always be upheld by management and staff.*



*To address this risk, Provident Biofuels has established clear regulations on anti-bribery and corruption in our internal ESG Policy. The policy identifies all the types of business practices that are classified as bribery and corruption, which include but are not limited to gifts, loans, fees, rewards or commission, employment contracts, payments, release or discharge of loans or liability, service or favour, and the exercise of any right or power.*



## Environmental Policy

At Provident Biofuels, 'Sustainability' is not just our promise; it's our very philosophy, our credo which drives everything we think, say and do.

We have always been committed to addressing global warming and other environmental challenges in every aspect of our business, but were not overt about this. The challenges facing global warming has always been one of our top priorities. To address this lack of overt commitment, the Board of Directors passed the Company's first ESG Policy, thus setting out a brand-new framework that further strengthens our effort on the Greenhouse Gas reduction ethos.



Our goal is to contribute to a low-carbon society, promote biodiversity and reduce resources consumption. By harnessing the energy of PKS, we are contributing to a circular-economy as we transform waste from one business to become a renewable input for another business. PKS is a waste product for the palm oil industry that was previously dumped in the rivers or open fields. Our business efficiently clears up this waste, helping to clean up the palm oil supply chain.

In addition, we are contributing to a circular economy that reduces reliance on fossil fuels as power plants substitute coal as a feedstock with PKS. We commissioned Peterson to produce a White Paper on the use of PKS as a sustainable biofuel. One of the findings is that utilizing PKS as a feedstock to power plants instead of coal results in a 80% - 90% greenhouse gas emission reduction using the EU 2030 scenario fossil fuel comparator. As part of our GGL and RSB certification process, each shipment of PKS will include a greenhouse gas calculation which allows us to measure the carbon footprints of our operations.

Lastly, Provident Biofuels will continue to strengthen our position on having responsible, sustainable sourcing and delivery of PKS as part of our core values. We are in the process of implementing the Chain of Custody for our entire supply chain. For our clients, this certification provides greater reassurances that the PKS they buy are sourced from sustainable producers.

## Our People

Provident Biofuels believes that our greatest asset is our human capital which provides innovation, support our business activities and growth. We will continue to invest in our human resource capital by continuously supporting comprehensive training on equipment handling, operations efficiency, health and safety protocols for all employees across various functions and as an organization.

One of our key corporate governance strategy is to enhance inclusion and diversity. This year, we further strengthened our management structure by appointing a female director to our board of directors. We will continue to explore different human resource initiatives which we can introduce to improve inclusion and employee diversification within our organization.

1. Contextualization of Palm Kernel Shells as a Sustainable Biofuel dated 01<sup>st</sup> Sep 2020 by Peterson Projects & Solutions Singapore Pte Ltd

2. The EU 2030 scenario fossil fuel comparator has an energy output of 183g CO<sub>2</sub> <sub>eq</sub> /MJ<sub>electricity</sub>



## Our contributions to the local community



As a member of the global community, Provident takes a proactive approach to engaging and having a positive impact on with our local community. During the Ramadan season in May 2020, Provident partnered with our local supplier, PT Jatim and the Indonesian Labor Union to distribute food to the communities near PT Jatim's stockpiles. We distributed a total 300 packages containing 5kg of rice, instant noodles, 1 litre of cooking oil, 1 kg of sugar and 30 pieces of eggs were distributed to the poorer people in the local community. This is one example of how Provident intends to partner with our suppliers to better serve and protect our local community.



## Community

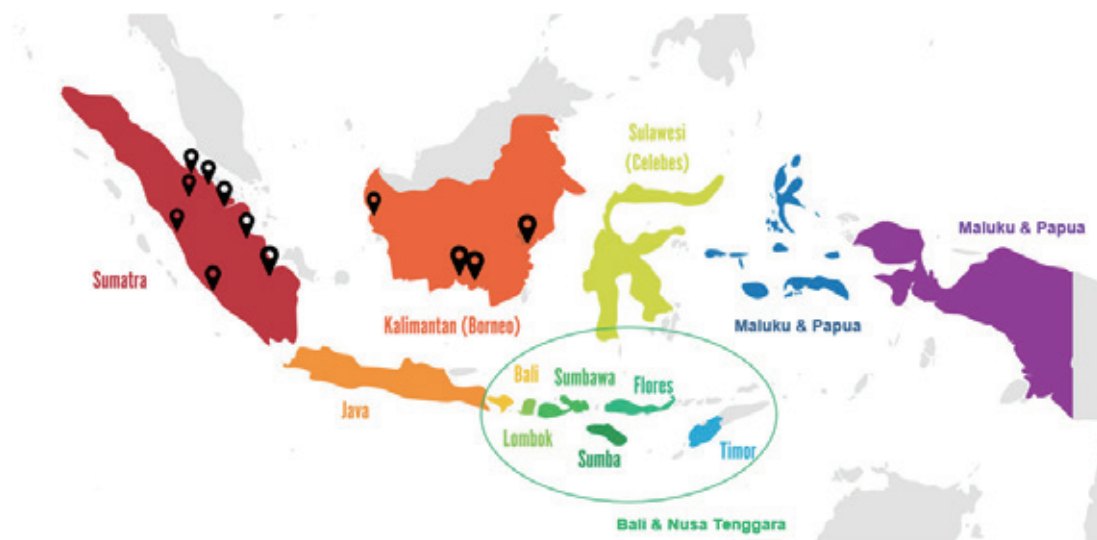
### Provident's network of suppliers' stockpiles

Provident's network of suppliers and partners have 12 stockpiles distributed across Indonesia, with 8 in Sumatra and 4 in Kalimantan



#### Locations of Provident stockpile

- Provident has 12 stockpiles distributed across Indonesia, with 8 in Sumatra and 4 in Kalimantan



Being a part of the global community, we find it imperative that we give back to the communities we operate in, the people who work for us and the associates who have strategic partnerships with us.

Through our suppliers' operations in Indonesia and Malaysia, we play a role in strengthening the economy by giving employment to the locals where our partners operate in. These operations offer stable economic infrastructure for the local community, particularly in the logistics sector, and have created more than 8,000 jobs directly and indirectly.

By making a commitment to working with local small and medium sized enterprises ("SME") and hiring local workers, we have been able to play a part in financial empowerment of these workers. This helps to bridge the economic gap by offering jobs in the places where we operate in. According to an internal benchmarking exercise, we are currently offering 1.72 times higher than the minimum wage requirement across the different provinces.

We enhance sustainable urbanization by keeping jobs in rural areas, which reduces rural urban migration and reduce overcrowding pressures on the larger cities in Indonesia and Malaysia such as Jakarta and Kuala Lumpur.

Across both Indonesia and Malaysia, we are dedicated to ensuring compliance of national labour law including the Law of Malaysia - Employment Act 265 & Indonesian Labour Law - Act 13 of 2003, supporting local SMEs and service providers by cultivating local professionals across our business segments. We believe our investment in education and the development of the biomass ecosystem can uplift the skill sets within the local community, bringing about positive change in the region.

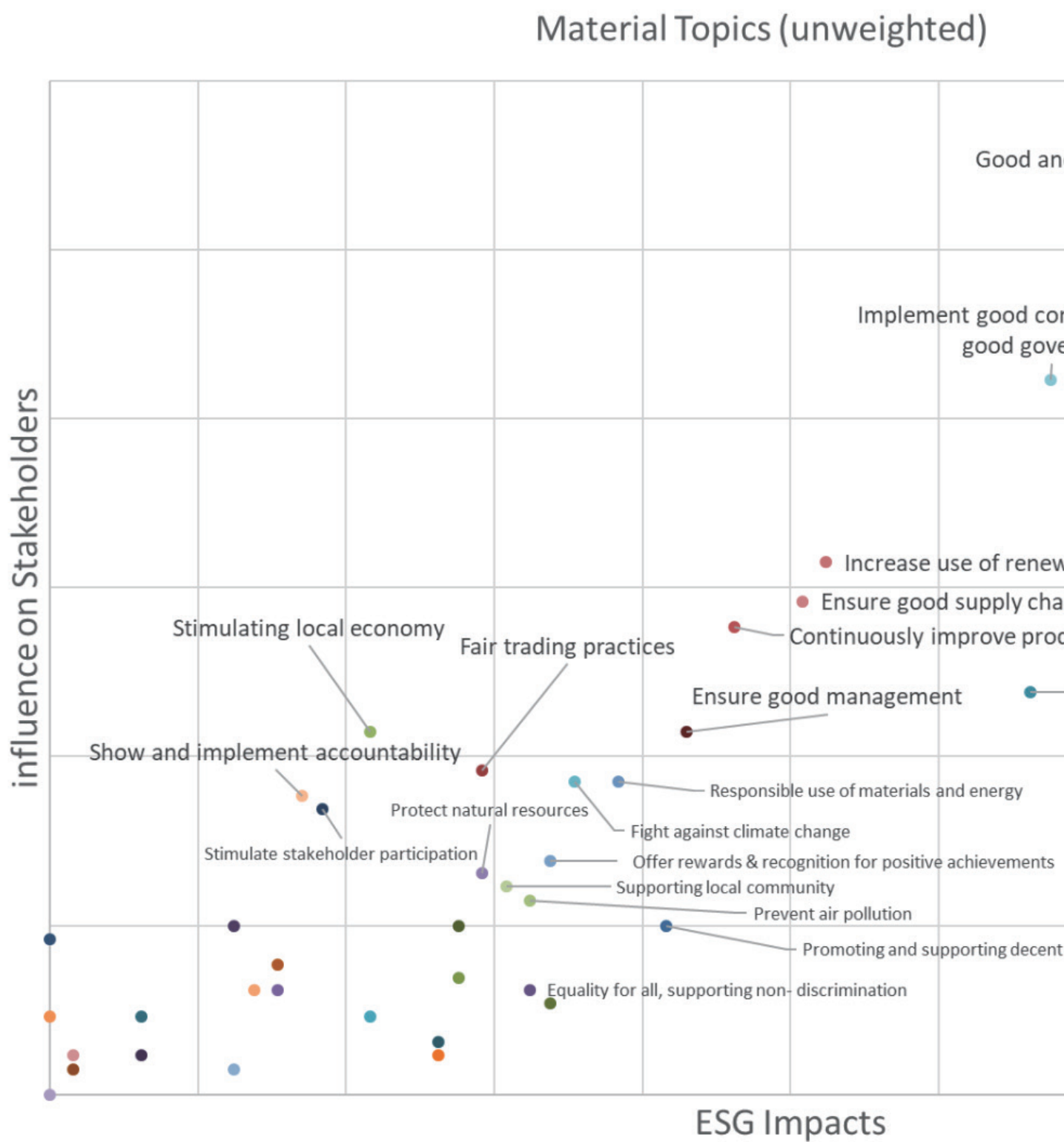


## ESG Content Action Plan

MATERIALITY	SDG	ISSUE TO ADDRESS	COMMITMENT	PERFORMANCE INDICATOR
Achieve good financial performance		Widening economic gap between communities in urban, per-urban and rural areas	Support positive economic growth by increasing annual purchase of PKS from Indonesia and Malaysia	Annual purchase volumes of PKS by country by Provident Biofuels
Good and responsible investment		Challenge of providing and creating jobs, encouraging entrepreneurship and providing access to financial services for the community	Maintain at least 8,000 jobs either directly or indirectly through our business operations and logistics partners	Number of employees employed by our business network
Implement good corporate ethics & governance		Corruption, bribery, illicit behaviours or any irregularities or violations of legal regulation	Implementation of the Sustainable Sourcing Policy which includes anti-Corruption and responsible sourcing policy. Ensuring Acknowledgement from all our suppliers	Request all suppliers implement the Sustainable Sourcing Policy  No reported case of any form of corruption, bribery or illicit behaviours
Reduction in greenhouse gas emissions from operations		Limited access to sustainable and modern energy and low energy efficiency	By 2030, increase investment in renewable energy or global energy mix	Proposal for renewable energy adoption and support studies on energy efficiency
Promotion of workplace health and safety, and overall occupational health		Occupational health and safety risk, injuries, related to working environment.	Protect labour rights and promote safe and secure working environments for all workers	Health and safety guidelines and introduction of Environmental, Social, Governance Policy of Provident Biofuels to avoid or mitigate the risks



## Annex 1 - Materiality Analysis







Achieve good financial performance		
Good and responsible investment		
Corporate ethics and governance		
Renewable energy		
Product quality		
Workplace health and safety. promote occupational health		
Livelihood		

- Good and responsible investment
- Continuously improve product quality
- Stimulating local economy
- Promoting innovation
- Investing in research and development
- Improving farming systems and improvement
- Be an advocate for anti-corruption
- Achieve good financial performance
- Developing and introducing new and improved product choices
- Protecting and caring for water
- Properly manage land
- Promoting and protecting biodiversity
- Responsible use of materials and energy
- Increase use of renewable energy
- Prevent air pollution
- Protect natural resources
- Fight against climate change
- Responsibly manage and reduce effluents and waste
- Promoting and supporting decent livelihood
- Fair trading practices
- Ensure good labour rights
- Equality for all, supporting non- discrimination
- Workplace health and safety. promote occupational health
- Supporting cultural diversity
- Offering good employee training
- Offering and supporting education
- Supporting local community
- Promote anti- competitive behaviour in the company
- Implement good corporate ethics and good governance





## Provident Biofuels

*Office Address:*

*80 Raffles Place, #51-02, UOB Plaza1 Singapore 048624*

*URL: <https://providentbiofuels.com/>*

*Email: [info@providentbiofuels.com](mailto:info@providentbiofuels.com)*

*Contact: +65 6395 5200*