



Delivering
Sustainable
Futures

Plantation

WORKING WITH SUPPLIERS TO DRAW THE LINE ON DEFORESTATION (Policy Statement)

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Sime Darby Plantation and Sime Darby Oils are jointly committed to No Deforestation, No Peat and No Exploitation (NDPE) and today our own operations deliver to standards that go beyond those commitments. Our expectations of third-party suppliers are clear: we require them to meet NDPE standards as well.

Our policies are published in our Responsible Agriculture Charter (RAC), Responsible Sourcing Guidelines and our Human Rights Charter. These outline the strict requirements that we promise to meet in our operations.

Crosscheck - our approach to traceability

Crosscheck is an online mapping tool that we have developed as a mechanism to increase the traceability of our oils throughout our supply chain. It is accessible online to anyone, making it a tool that invites others to detect and report incidents to us.

All reported issues are recorded in our Supplier Grievance Register, published on the websites of Sime Darby Plantation and Sime Darby Oils. We endeavour to expedite the investigation and verification process that follows the reporting of an alleged breach. The status of each problem and the action we are taking is available in the Register.

We act on NDPE violations by third-party suppliers when they occur at the level of the mills that supply us directly, and also when there is evidence of breaches in compliance elsewhere in their Group operations.

We will continue to generate new information and data to enhance the transparency of our operations and the traceability of our sources of supply, and make it available on the Crosscheck platform. For example:

- Mapping the collection points for smallholders in our supply chain.
- Developing a comprehensive database of the oil palm producer groups represented in our supply chain.
- Incorporating information on exploitation issues, such as bonded or child labour.

Draw the Line - our approach to suspension

At Sime Darby Plantation, we want to draw the line on deforestation and the practices that contribute to it. Therefore, in the event of a violation of NDPE standards, we will notify that supplier of our requirement that they commit to:

- Stop work immediately on the affected land.
- Develop a plan for remediating the damaged forest.
- Develop a programme to improve their ongoing operational practices to meet NDPE standards.

If the supplier concerned is unwilling to make these commitments, it is our policy to suspend them. Once a supplier has been suspended, purchases will not resume until our strict conditions are met.

The Path to Re-engagement – our approach to raising supplier standards

At Sime Darby Plantation, we believe that in the event of suspension we need to provide the opportunity for that supplier to be reinstated. Constructive engagement has proved to be critical to systematically resolving issues and building the capacity of suppliers to improve their practices. Also simply suspending suppliers can have the unintended consequence of driving poor practice elsewhere into the system, making it less visible and harder to act on.

Our ultimate goal is to expand the sphere of oil palm companies operating to NDPE standards. Therefore, if a non-compliant supplier commits to meet our conditions, we will re-engage with them and support their progress.

The first requirement is that they immediately cease work on the affected land, preventing any further clearing for new plantings, and agreeing to the relevant HCV and HCS assessments to be conducted by external bodies.

Following that, the steps towards re-instatement in our supply chain are as follows:

- Public acknowledgement of the clearing and the necessity for remediation.
- Development within 2 months of time-bound plans for the recovery of High Carbon Stock (HCS) and High Conservation Value (HCV) forests and/or peatland cleared, plus agreement not to use the area cleared for commercial production.
- Development within 2 months of NDPE policies and time-bound implementation plans for operational improvement to meet those standards, covering their group-wide operations.
- Commitment to regular progress reports against our stepped Operational Improvement Programme, with third party verification.
- Independent annual audits of continued compliance.

Conservation International and Aidenvironment are our partners in the delivery of the operational improvement programme:

- Designing the steps required to progress towards meeting NDPE standards in their ongoing operations.
- Verifying the completion of the programme steps to achieve NDPE standards and monitoring of ongoing compliance.

Our intention is to implement this policy and start to deliver the supplier improvement programme starting in January 2020.

Raising the bar across an extensive network of suppliers is a complex challenge with no easy answers. Some industry issues remain particularly difficult to tackle. For example, the nature of the spot market makes it hard to trace sources, to vet companies and control the entry of problematic companies into our supply chain.

That is why we will continue to work in collaboration with our partners and stakeholders to develop new mechanisms and processes that will support our ambition for deforestation-free supply right across the sector.

Empowering Smallholders - our approach to capacity building

It is not our policy to suspend smallholders. Working with smallholders needs a different approach and dedicated programmes to help build their capacity. We work actively in partnership with governments to lift smallholders to a certifiable standard of sustainability, so they can make their living in a way that does not damage the forest.

Reporting

Oversight of our policies resides with the Sustainability Committee of the Main Board, and the Global Sustainability & Quality Management function is responsible for implementation.

The outcomes of these actions to create a deforestation-free supply chain will be reported in our Sustainability Reports and Responsible Agriculture Charter implementation progress reports. Issues of non-compliance arising with individual suppliers are incorporated into our published Supplier Grievance Register.

We will report transparently on our progress, including the improvements we achieve and the challenges we meet on this journey – because we believe that transparency and traceability are central to driving change throughout our supply chain and raising standards across the industry.