Building a **Sustainable and Transparent** Palm Oil Supply Chain

**Sustainable Palm Oil Policy**

IOI Loders Croklaan

Let's create together
Palm oil is an important commodity; it is the most widely used vegetable oil in the world. Since palm oil plantations are labor intensive, crop production provides a livelihood to millions of people in small, tropical agricultural communities around the world. Of all vegetable oils, palm oil has the highest oil yield per hectare by far. Palm oil is well positioned to remain a crucial part of the food production process in the future as the global population increases, according to expectation, by 22% to 9 billion by 2050. This opportunity comes with the responsibility to implement palm oil production practices that are environmentally sound, protect forests and biodiversity, reduce greenhouse gas (GHG) emissions and respect the rights of indigenous peoples, workers and local communities.

Scope
IOI Loders Croklaan is a responsible, global palm oil processor. The provisions in this policy apply to all IOI Loders Croklaan operations worldwide, including our subsidiary companies, joint ventures and companies in which we have management control. The policy also applies to all our suppliers of palm oil, palm oil fractions and palm kernel oil.
Our Commitment

IOI Loders Croklaan is committed:
✓ To accelerate the journey to no deforestation through the conservation of High Carbon Stock (HCS) forests and the protection of peat areas regardless of depth
✓ To build traceable and transparent supply chains
✓ To respect the rights of employees in the palm oil industry, indigenous peoples and local communities
✓ To increase the focus on driving beneficial economic change and to ensure a positive social impact on people and communities

We believe that a multi-stakeholder approach is the right way forward to transform the palm oil sector. We will work with various stakeholders including our suppliers, customers, non-governmental organizations (NGOs), governments and independent verification bodies to implement our policy. IOI Loders Croklaan will continue to be an active supporter of the Roundtable on Sustainable Palm Oil (RSPO) and will work to strengthen the RSPO standard and its enforcement. This policy is effective immediately, **November 2014**, and supersedes our previous Sustainable Palm Oil Sourcing Practices. We commit to ensure that the palm oil supplied by IOI Loders Croklaan is produced in accordance with the following requirements:
Environmental Management

- No deforestation of High Conservation Value (HCV) areas following the approach as outlined in RSPO P&C sections 5.2 & 7.3

- No deforestation of High Carbon Stock (HCS) areas following the approach as outlined in the HCS Approach which is now governed by the HCS steering group. IOI Loders Croklaan is also supportive of the Sustainable Palm Oil Manifesto (SPOM) HCS Study that takes into consideration both the environmental and socio-economic elements of palm oil production. We expect that the HCS steering group will consider any recommendations coming from the SPOM HCS study.

- Protection of peat lands regardless of depth in new developments. Peat land is defined as soil containing more than 65% organic matter regardless of depth. For existing plantations on peat, Best Management Practices are defined as those included in the RSPO P&C and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat.

- Implementation of programmes to progressively reduce GHG emissions, improve yield (CPO/ha), recycle/reuse palm biomass and generate renewable energy by methane capturing.

- Observation of no-burning policy.

- No use of Paraquat and pesticides that are categorised as World Health Organization Class 1A or 1B.

- For other matters related to environmental management: Adherence to all relevant RSPO P&C sections, laws and legislation.
Marketplace and Supply Chain

- Commit to building a traceable, transparent and sustainable palm oil supply chain. Traceability is defined as traceable to a defined list of mills (short term) and plantations (medium term). Our supply chain traceability targets will be communicated in our time-bound plan, and progress will be reported on a quarterly basis.

- Actively promote and support the transformation of the palm oil supply chain into a traceable and sustainable supply chain through the process of engagement. If any of our suppliers are unwilling to transform or prove to continuously miss the targets set in their time-bound plans, we will terminate the supply agreement.

- Strive to minimize the use of natural resources and limit the amount of waste produced. Our guiding principle in progressively reducing GHG emissions is: Reduce, Reuse, Recycle.

- Support the RSPO and the production and promotion of physically RSPO certified Palm Oil.
Human Rights and Workplace

- Respect and support the rights of all workers in accordance with the Universal Declaration of Human Rights and the International Labor Organization’s fundamental conventions.

- Uphold the right to freedom of association and the effective recognition of the right to collective bargaining. We eliminate all forms of illegal, forced, bonded, compulsory or child labour and we provide fair and equal employment opportunities for all employees, including contract, temporary and migrant workers.

- Promote a safe and healthy working environment that is free of sexual harassment.

- Provide adequate equipment and training on the health and safety policies.

- Support and implement RSPO P&C sections 6.5, 6.6, 6.7, 6.8, 6.9, 6.12, 6.13

- Resolve complaints and conflicts effectively and responsibly through an open, transparent, consultative process that is agreed upon by all the stakeholders involved (effective complaint and/or whistle-blowing policies in place).
Community Development and Social Impact

- Support the inclusion of smallholders in the palm oil supply chain and help them to comply with our sustainability policy.

- Support and implement RSPO P&C sections 6.1, 6.2, 6.3, 6.4, 6.10, 6.11.

- Respect the rights of people and indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on land over which they hold legal, communal or customary rights in accordance with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

- Support the Food and Agriculture Organization’s Voluntary Guidelines on the Responsible Governance of Tenure.
Achievements:

• In September 2013 we released the first full year traceability report for IOI Loders Croklaan. This report was followed by quarterly updates on the progress made with regard to the traceability of palm oil sourced by IOI Loders Croklaan.

• In November 2013 we released our Sustainable Palm Oil Sourcing Practices (updated March 2014).

• In July 2014 we published a time-bound plan that includes targets for traceability and supply chain verification of our sustainable palm oil practices. The set target, to trace Palm Oil to mill level, was achieved: 95% of our palm oil was traced to mill level. Our traceability protocol will be verified by an independent certification body by the end of 2014.

• On behalf of IOI Loders Croklaan in July 2014, as part of an ongoing supply chain monitoring activity, ProForest commenced a programme of mill assessments targeting a sample of our supplier base, in order to verify these mills (and their catchment areas) for compliance with our sustainable sourcing criteria. In addition to environmental aspects, these criteria include a “no exploitation of people or local communities” policy and reference the relevant RSPO P&C sections. The ProForest assessments carried out to date have confirmed that there are no critical non-compliances present at the mills visited.

• In September 2014 we completed a remote sensing analysis of our 2013-2014 list of 256 supplying mills. We are combining the results with additional information (volumes supplied, RSPO certification, social elements etc.) to establish priorities for conducting field assessments. A detailed action plan for mill verification and the implementation of our Sustainable Palm Oil Policy will be available by the end of 2014.

• We are cooperating with the World Resource Institute (WRI) and other stakeholders in building a global platform that will facilitate monitoring & verification of the palm oil supply chain.
Time Bound Action Plan:
IOI Loders Croklaan will adopt a time bound action plan to ensure that all palm oil products it sources are independently verified as compliant with this policy. Our implementation plan will include:

- The development of practical auditing procedures and independent verification measures that build on the requirements of the RSPO P&C and our Sustainable Palm Oil Policy for both the environmental and social elements.

- The development, in consultation with expert NGOs and stakeholders, of standard operating procedures or best practices to assist plantations in implementing the requirements of our policy.

- The implementation of a monitoring system to verify labor conditions and to address labor rights violations in our supply chain, focusing on recruitment of migrant workers, reasonable working hours, progress towards a living wage, freedom of association, elimination of forced and child labor and unlawful withholding of personal documents.

- Timeline for traceability targets and targets for third party verification and supplier compliance with the Sustainable Palm Oil Policy.

- Depending on geographical region and discipline (environmental, social or other) the appointment of implementation partners that will assist us with the implementation of our Sustainable Palm Oil Policy at supplier level.

We are on a journey to build a traceable, transparent, sustainable palm oil supply chain. Moving forward, in consultation with our stakeholders, we will review, adjust and improve our policy and its implementation. We will publicly disclose all implementation progress documents on a regular basis.
Links summary:

HCS Approach
http://www.greenpeace.org/international/Global/interna-
tional/briefings/forests/2014/HCS%20Approach_Breifer_-
March2014.pdf

Sustainable Palm Oil Manifesto (SPOM) HCS Study
http://carbonstockstudy.com/

Universal Declaration of Human Rights

International Labor Organization’s fundamental conventions
http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---dec-
laration/documents/publication/wcms_095895.pdf

United Nations Declaration on the Rights of Indigenous Peoples

Voluntary Guidelines on the Responsible Governance of Tenure