



SUSTAINABLE PALM OIL SOURCING POLICY

(Incorporating No Deforestation, No Peat & No Exploitation – NDPE)

Version 2
1 October 2022



Pacific Inter-Link Group

Sustainable Palm Oil Sourcing Policy

Introduction

Palm oil is a crucial commodity to the world. It is the most cost effective oilseed crop since the production of palm oil gives the highest yield per hectare while using the least area compared to other vegetable oil crops. Palm oil is seen as a solution when it comes to feeding the growing number of people on our planet. The production of this vegetable oil provides job opportunities, supports livelihoods and eradicate poverty for communities and workers in developing countries.

PIL Group, being a processor and trader in palm oil industry, believes that producing palm oil sustainably safeguards environment, economic viability and supports social elevation of communities living and working in palm oil plantations. Being a leading global player, PIL Group commits to play an active role in supporting sustainable practices in the palm oil industry. PIL Group will also adopt sustainability standards in its own business operations.

Scope

This policy is applicable to all PIL Group operations and we expect all our third party suppliers of palm oil, palm kernel oil and its derivatives to adhere to the commitments in this Policy in their operations. PIL Group will work to ensure that our third party suppliers complies with our policy and will only source our supply through transparent and traceable network.

The PIL Group of companies consist of the following:

- ❖ Pacific Inter-Link Sdn. Bhd. (Trader)
- ❖ PT. Pacific Medan Industri (Refinery)
- ❖ PT. Pacific Palmino Industri (Refinery)
- ❖ Pacific Oils & Fats Industries Sdn Bhd (Refinery)
- ❖ PT. Pacific Indopalm Industries (Refinery)
- ❖ PT. Oleochem & Soap Industri (Oleo Chemicals)

The various entities under PIL Group developed their respective responsible sourcing policy over the period 2018 -2021. Based on feedback from stakeholders as well as practicality of implementation, the Sustainability Steering Committee of PIL Group has decided to issue a group-wide policy which comes into effect 1 October 2022.



Our Commitments

PIL Group is committed to ensure a transparent, traceable and responsible supply chain by adopting no deforestation, no peatland planting and no exploitation of local communities and workers in our operations. PIL Group's promise is further explained in the following core commitments:

1. Compliance
2. Environmental Responsibility
3. Social Responsibility
4. Engagement and Inclusivity
5. Transparent and Traceable Supply Chain

1. Compliance

1.1 Legal compliance:

Adherence to all relevant local and national laws in our operations and sourcing of palm oil. We expect our third party suppliers to comply with national and international certification requirement, where relevant.

PIL Group upholds highest ethical conduct and corporate responsibility standards. We do not tolerate any forms of corruption or bribery and our suppliers shall comply with this.

1.2 Supplier Code of Conduct

This Code is applicable throughout the supply chain to ensure compliance to our policy and No Deforestation, No Peat and No Exploitation (NDPE) commitments.

1.3 Roundtable on Sustainable Palm Oil (RSPO):

PIL Group is a proud member of the RSPO, the palm oil industry's certification and regulatory body and remains committed to engaging and maintaining a dialogue with its business associates, clients and wider stakeholders to achieve the mutual goal of responsible and sustainable palm oil development.

Wherever possible, we will engage our suppliers to implement RSPO certification and existing industries best practices within their operations.

In line with RSPO Code of Conduct for members, PIL Group commits to continuous improvement in our practices.



2. Environmental Responsibility

2.1 No Deforestation:

PIL Group will not knowingly source palm oil from plantations established on areas of significant environmental or cultural importance from 1 July 2018¹. We support the conservation of High Conservation Value (HCV)² areas and Carbon Stock (HCS)³ forests.

- High Conservation Value (HCV) areas which we recognize that in some circumstances, non-forest areas particularly those with significant cultural or historical value may also be considered as HCV land and such areas would fall within the scope of this policy
- Carbon Stock (HCS) forests such as primary forests, high, medium and low density forest and young regenerating forests.

We expect our third party suppliers to identify areas of conservation and protection through High Conservation Values (HCV) and High Carbon Stock (HCS) assessments. These assessments must be led by licensed HCV assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (HCVRN-ALS) and HCSA registered practitioners. HCS areas are protected using Carbon Stock Approach as defined by the HCS Approach Toolkit.

2.2 No Peat:

PIL Group will not accept any new development on peatland regardless of depth. For existing plantations (indirect suppliers) on peat, best management practices for soil and peat plantations must be implemented, preferably in accordance with the RSPO Manual on Best Management Practices for existing oil palm cultivation on peat.

¹ Refers to the date PIL first established its Responsible Sourcing Policy in 2018, hence it is used as the cut-off date throughout this policy as it is established earlier compared to other sister entities. However, the cut-off date differs among the sister refineries, depending on the date the refineries established their responsible sourcing policy; Pacoil (August 2020), Indopalm, Palmindo, Pamin (November 2020) & OSI (August 2021)

² For more details, please refer to the High Conservation Value Resource Network (HCVRN):
<https://www.hcvnetwork.org/>

³ For more details on methodology, please refer to the High Carbon Stock Approach:
<http://highcarbonstock.org/>

2.3 Zero burning:

Zero burn policy in all operations and require our suppliers and indirect suppliers not to use fire in land preparation for new planting, re-planting or any other developments.

2.4 Biodiversity Protection:

- PIL Group expects and encourages our third party suppliers to conduct Social & Environmental Impact Assessments (SEIA) in any new developments or operations that might impose adverse impacts on environment and local communities.
- Respect the traditional rights of indigenous groups and communities to hunt with controlled manner in areas designated for those purposes, provided that their hunting activities are legal, non-commercial, do not involve rare, threatened, or endangered species, do not threaten the long-term viability of the species, and do not have negative impacts on ecological processes important for agriculture and local ecosystem sustainability.

2.5 Use of Chemicals:

We expect our third party suppliers to minimize the use of chemicals; pesticides and chemical fertilizers in plantation operations. We prohibit the use of pesticides classified under World Health Organization (WHO) Class 1A and 1B, Stockholm and Rotterdam Convention, and the use of paraquat by our suppliers in the production of palm products, except in specific circumstances permitted by government authorities.

2.6 Greenhouse Gas Emission Reduction:

Measure and progressively reduce Greenhouse Gas (GHG) emission and encourage suppliers to improve continuously by implementing *RSPO Best Management Practices to Reduce Total Emissions from Palm Oil Production*.

3. Social Responsibility

3.1 Human Rights:

PIL Group supports Universal Declaration of Human Rights (UDHR) to respect and to protect human rights of all workers, including permanent, temporary, contract, and migrant workers. We will constantly ensure that our suppliers' operation does not complicit in human rights abuse.

3.2 Indigenous and Local communities:

PIL Group recognizes and respects the rights of indigenous and local communities in line with Universal Declaration on the Rights of Indigenous Peoples (UNDRIP) to give or withhold their Free, Prior, and Informed Consent (FPIC)⁴ to operations on lands to which they hold legal, communal or customary rights. We strongly encourage engagement with local stakeholder communities to ensure the FPIC process is correctly implemented and continuously improved.

3.3 Land Tenure Rights:

We respect and recognize duties associated with land tenure rights in which local stakeholder communities hold legal, communal or customary rights. We encourage long-term protection and sustainable use of land and forests. This is done in accordance with our policy, local laws and regulations of the country we operate in.

3.4 Fair Labour:

PIL Group is committed to ensure that the rights of all workers covered under this policy are according to local and national law, and aligned to the five fundamental conventions of International Labour Organization (ILO)⁵. We also commit to ensure international best practices in place, where legal frameworks are not yet in place. The following principles are part of our policy:

- Child labour – shall not knowingly use or promote the use of child labour, and shall take appropriate measures to prevent the use of such labour in connection with their operations.
- Forced labour - shall not knowingly use or promote the use of forced or bonded labour or human trafficking, and shall take appropriate measures to prevent the use of such labour in connection with their operations.
- No discrimination - shall ensure that workers are protected from any form of harassment, abuse and discrimination including gender discrimination related to employment that would constitute a violation of their human rights
- Ethical recruitment – shall not incur any recruitment fees at any stage of the recruitment process, provision of decent work and freedom of resignation from employment.

⁴ For more details on Free, Prior and Informed Consent, please refer to the RSPO FPIC Consent Guide.

⁵ Forced Labour, Minimum Age, Child Labour, Equal Remuneration, No Discrimination

- Document retention – will not withhold wages, identification cards, passports or other travel documents, or other personal belongings without worker’s consent or other than required by law.
- Wages - shall ensure all workers are paid a wage equal to or exceeding the legal minimum wage.
- Employment contract - shall ensure that workers are given in writing, in a language that they understand, the details of their working conditions, including but not limited to the nature of the work to be undertaken, rate of pay and pay arrangements, working hours, vacation, other leave, and all other benefits of employment.
- Working hours - shall ensure that workers do not work more than permissible hours per week according to respective local law⁶, including overtime; that overtime hours are worked on a voluntary basis; and that workers have at least one day off per week.
- Record keeping - shall maintain a transparent and reliable record of working hours and wages for all workers.
- Accommodation - shall ensure that the accommodation is decent, adequate and safe with separate and segregated accommodations for men and women with no restriction of movement.

3.5 Health and Safety:

Committed to provide a secured and healthy working environment free from occupational hazard as outlined in health and safety policy⁷.

4. Engagement and Inclusivity

4.1 Supplier engagement:

We will engage with our key suppliers to uphold our commitments and policies. This will include verification and monitoring of grievances, policy compliance and supplier progress towards meeting our responsible sourcing policy.

⁶ Malaysia: Employment Act 1955, Indonesia: Labour Law-Act 13 of 2003 & Labour Law Act 11 of 2020

⁷ Refers to sister refineries individual health and safety policy



Suppliers who do not comply, or compliance cannot be confirmed with our Sustainable Palm Oil Sourcing Policy from July 2018 will be subjected to our Grievance Procedure and activation of Control Purchase Plan (CPC). We will work with them to develop time bound action plan, where necessary. Failure to respond to our Grievance Procedure and remedial action will cause suspension from PIL Group's supply chain.

4.2 Client engagement:

PIL Group is committed to share the sustainability mechanisms for improvement with our clients.

4.3 Smallholders:

Committed to support the inclusion of scheme and independent smallholders in our supply base and improve their livelihoods by good agricultural practices, certification, initiating yield improvement programs, etc.

5. Transparent and Traceable Supply Chain

5.1 Traceability:

PIL will work towards a traceable, transparent and responsible supply chain. We have attained traceability to mills by 2020 and will collaborate with suppliers to achieve traceability to plantation by 2025.

5.2 Grievances:

PIL Group has established a transparent grievance mechanism including an avenue for stakeholders to report grievances and a process to resolve complaints within our supply base. We will work with relevant parties to resolve complaints and conflicts through an open, transparent and consultative process in a timely manner. Our grievance mechanism is detailed in Grievance Procedure and posted on PIL's website.

PIL Group will work towards continuous improvement to meet the standards and expectations of stakeholders in an evolving global market. We will continue to analyze the policies as well as implementation process and engage in a constant review and improvement process. As new development or requirements are implemented, PIL Group will adjust and improve our policies in ways that are consistent with our sustainability commitments of protecting forests, peat lands, indigenous and local communities and human rights.