



12 July 2019

Dear Valued Business Partners and Stakeholders,

UPDATES ON FGV HOLDING BERHAD'S SUSTAINABILITY INITIATIVES

Greetings!

At FGV, we attach great importance to sustainability. We admit that there have been gaps in our practices but we have taken steps to move forward and to address our shortcomings. In relation to this, I am writing to share with you some of the initiatives that we have undertaken in the past few months as part of our commitment to the sustainability agenda. Below are some updates:

1. Revised Group Sustainability Policy

On 29 May 2019, FGV's Board of Directors adopted the revised Group Sustainability Policy (GSP). The revised GSP serves as the overarching framework and principal document on sustainability for FGV, and it applies to the whole of FGV Group, including its listed and non-listed subsidiaries worldwide as a whole, in which FGV has management control. Unlike the previous GSP, the application of the revised GSP is also extended to FGV's contractors and suppliers.

In keeping with FGV's increased dedication to an open consultative process, consultations were held internally and externally in the formulation of the revised GSP. Among the organisations that were consulted in this regard included the Human Rights Commission of Malaysia (SUHAKAM), the United Nations in Malaysia, the International Organization for Migration (IOM), Tenaganita, the Institute of Malaysian and International Studies (IKMAS) of Universiti Kebangsaan Malaysia (UKM), the Malaysian Nature Society and the Malaysian Palm Oil Board. FGV wishes to record its appreciation to the aforesaid organisations for their contribution to the process.

The revised GSP is a reflection of FGV's reinforced commitment to sustainability and it essentially underscores FGV's resolve to uphold the following goals and principles:

- i. No deforestation, no peat and no exploitation (NDPE)
- ii. Respect for human rights
- iii. Meeting labour standards
- iv. Non-discrimination and gender equality
- v. Zero-tolerance of any form of sexual harassment, violence or abuse
- vi. Health and safety
- vii. Enhancing livelihood

- viii. Access to grievance mechanism
- ix. The United Nations Sustainable Development Goals (SDGs)
- x. Traceability
- xi. Free, Prior and Informed Consent (FPIC)
- xii. Environmental protection and climate justice

As part of its effort to ensure that the revised GSP is fully understood and applied effectively by all entities within FGV as well as by its contractors and suppliers, the Group Sustainability Division has embarked on a comprehensive socialization exercise which involves all of FGV's internal and external stakeholders. The main objectives of this programme are:

- i. To raise awareness and understanding about the revised GSP and other sustainability-related guidelines and procedures; and
- ii. To convey and make clear FGV's expectations on its operations, contractors and suppliers in complying with the GSP.

The first session was held at Bandar Seri Jempol in Negeri Sembilan involving FGV's Serting and Bera Complexes. This exercise will be replicated throughout all of FGV's operations and the whole process is expected to take 10 to 12 months.

The GSP is available on FGV's website at the following link: <http://www.fgvholdings.com/wp-content/uploads/2019/06/FGV-Group-Sustainability-Policy-29-May-2019.pdf>

2. Supplier Code of Conduct

FGV's commitment to sustainability does not end merely at our own operations. In promoting the sustainability agenda, we strongly believe that sustainability standards must be fulfilled throughout the supply chain. Recognizing the need to ensure that our suppliers and contractors also commit and adhere to the same values and principles that we embrace, FGV has also adopted its Supplier Code of Conduct (SCOC) in April 2019, which outlines principles and standards relating to sustainability; business ethics and integrity; safety, health and environment; and labour, among other things. With this document, any supplier or contractor wishing to enter into a business partnership with FGV is required to agree and commit to the principles and standards stipulated by the SCOC.

The SCOC is available on FGV's website at the following link: <http://www.fgvholdings.com/wp-content/uploads/2019/07/Supplier-Code-of-Conduct-SCOC.pdf>

3. Guidelines and Procedures for the Responsible Recruitment of Foreign Workers

FGV relies on a significant number of foreign workers to carry out various kinds of work in its operations. Consistent with our commitment to human rights, FGV strives to ensure that the rights of its employees including foreign workers are always respected and fulfilled. Acknowledging that foreign workers are more vulnerable to human rights abuse and often fall victim to exploitation, we are taking all necessary steps to protect the rights of our foreign workers. To this end, FGV has recently adopted its Guidelines and Procedures for the Responsible Recruitment of Foreign Workers. This document provides a clear set of guidelines

to ensure responsible and ethical recruitment of foreign workers and covers various stages of the recruitment process namely pre-employment, employment and post-employment processes. The guidelines and procedures apply to the FGV Group including its listed and non-listed subsidiaries worldwide.

The Guidelines and Procedures for the Responsible Recruitment of Foreign Workers are available on FGV's website at the following link: <http://www.fgvholdings.com/wp-content/uploads/2019/07/FGV-Group-Guideline-and-Procedures-For-Responsible-Recruitment-of-Foreign-Workers-Final.pdf>

4. Second Quarterly Progress Report to RSPO

In November 2018, the Roundtable for Sustainable Palm Oil (RSPO) flagged several concerns regarding FGV's practices which may have led to potential human rights violations. In response to the RSPO's Complaints Panel Directives, FGV developed an action plan to undertake corrective actions to address RSPO's concerns. The action plan and the first quarterly progress report was submitted to RSPO on 29 March 2019, and we note with much appreciation RSPO's positive response to the report. We have just submitted our second quarterly progress report containing updates on the FGV's progress achieved between April and June 2019. We have had initial discussions with RSPO on the second progress report and we hope to receive their official response by the end of July 2019 especially on the possible lifting of RSPO certification suspension for our Serting Complex.

The Second Quarterly Progress Report to RSPO is available on FGV's website at the following link: <http://www.fgvholdings.com/wp-content/uploads/2019/07/FGV-Action-Plan-and-2nd-Quarterly-Progress-Report-to-RSPOwebsite.pdf>

5. Petition by Grant & Eisenhofer ESG Institute

On 24 June 2019, a petition was submitted by Grant & Eisenhofer ESG Institute to the United States Customs and Border Protection (CBP), containing several allegations about FGV's business practices. We would like to reiterate that the issues raised in the petition have been the subject of public discourse since 2015 and are not new findings. In response to the petition, FGV issued a statement on 26 June 2019 to address the allegations, some of which are untrue, and to highlight the actions taken by FGV to rectify and resolve the concerns. While we regret that the petition was submitted without seeking input from FGV, we are more than willing to engage with Grant & Eisenhofer ESG Institute or any other party to provide additional information or clarification. This is in line with FGV's policy of transparency.

FGV's statement in response to the petition is available on FGV's website at the following link: <http://www.fgvholdings.com/fgv-holdings-berhads-response-to-the-petition-by-grant-eisenhofer-esg-institute/>

6. Independent Advisory Panel

We are continually exploring avenues to advance sustainability within and beyond FGV's structures and business affairs. And sometimes, a fresh perspective is useful in generating new ideas. On that account, we are in the process of establishing an Independent Advisory Panel (IAP) and its function will be to provide independent advice and recommendations to FGV on matters pertaining to corporate governance and sustainability. The IAP will comprise experts in related fields, whose advisory role will complement FGV's existing and ongoing efforts to champion sustainability. We are currently identifying candidates to sit on the IAP, and will provide further updates on this subject in due course.

In conclusion, FGV is serious in honouring our commitment to sustainability. There is still much to be done in our ongoing endeavour to promote the sustainability agenda. We cannot make this journey alone and therefore, on behalf of FGV, I would like to thank all of you for your partnership and we look forward to your continued support.

Yours sincerely,



DATO' HARIS HADZILAH HASSAN
Group Chief Executive Officer