

# FGV Appeals Against the RSPO Complaints Panel's Decisions

**Kuala Lumpur, 8 April 2020** – FGV Holdings Berhad (FGV) has appealed against the decision by the Complaints Panel (CP) of the Roundtable on Sustainable Palm Oil (RSPO) to re-suspend the certification of its Serting Mill Complex, and to suspend all certification processes for currently uncertified FGV mills. This decision was communicated to FGV on 13<sup>th</sup> January 2020. FGV submitted its **appeal** to the RSPO on 3<sup>rd</sup> April 2020.

In its appeal, FGV made several points, including the following:

1. The two independent verification bodies appointed by the RSPO, Bureau Veritas Certification (BVC) and TUV Nord (M) Sdn. Bhd. (TUV), had in fact recognised FGV's efforts and progress made in our operations. The reports noted:
  - ***"POSITIVELY RECOMMEND that FGV has demonstrated their compliance and positive progress to fulfill the RSPO Complaint Panel Directive as stated in RSPO Complaints Panel's Directives letter to FGV dated 28th Nov 2018 throughout their complexes in Peninsular Malaysia."*** (emphasis as published in the report) (BVC, October 2019)
  - ***"It could be concluded, FGV Sahabat is putting efforts to address CP directives. However, there were several concerns outline in the verification findings."*** (TUV, October 2019)

FGV also emphasized that the two mill complexes audited by TUV are located in the Sahabat Region of Sabah and are actually still uncertified, and thus, by extension unprepared for audits. Both mill complexes are scheduled for certification in 2021.

2. the CP identified seven non-compliances, one of which was classified as major. This was in relation to the presence of undocumented workers, a matter which was true only for the two uncertified estates in Sabah and which had been transparently communicated to the CP and all FGV's stakeholders over the span of several months.

Mindful of the complexity and historical context of undocumented population in Sabah, and in keeping with FGV's commitments to support national efforts to eradicate poverty and to respect human rights, FGV had worked with the Sabah Immigration Department and several foreign embassies to document and regularise 6,158 workers by end-June 2020. The CP was aware of this timeline and had acknowledged and agreed that the matter is complex as it involves three governments and amendments to state policies and procedures. An action plan for this exercise was submitted to the RSPO's CP on 13<sup>th</sup> February 2020, however FGV

is yet to receive a response from the CP.

Five non-major non-compliances have been rectified since the audits were concluded and in accordance with FGV's timelines for completion. Of these five, three were also found in the two uncertified complexes in Sabah. The remaining two non-compliances were found in mill complexes in Peninsula Malaysia and involved the timing of socialisation exercises of several new policies and procedures.

One non-compliance was vaguely worded. FGV is still awaiting a response from the RSPO seeking greater clarity.

With regard to Seriting Mill Complex, where the original 41 non-compliances were identified in November 2018, the independent audit revealed that there was only one remaining non-compliance. This is related to the complaint by workers that they had to pay some fees to the recruitment agency in their home country to expedite the recruitment process. It is important to note that FGV's Guidelines and Procedures for the Responsible Recruitment of Foreign Workers was adopted on 27 June 2019 and the socialisation of these Guidelines among third parties is still ongoing, a fact the RSPO is aware of. It is also unclear whether the workers interviewed during the audit were recruited before or after the adoption of the said Guidelines. Thus, this non-compliance relates again to the timing of new policies and procedures that FGV has adopted.

3. there was a lapse of approximately 3 months between the completion of the verification audits and the letter from the CP. During that time, the situation was dynamic and there were several ongoing efforts to revise and improve FGV's internal policies, processes and guidelines, and also, compliance with the RSPO's Principles & Criteria.

Simultaneously, FGV had been undergoing a leadership and strategic overhaul as part of its transformation programme.

Thus, several new and revised policies, procedures and guidelines were being rolled out across the Group and socialised during this period. Several processes are still ongoing with independent third-party organisations to further strengthen FGV's initiatives.

Thus, between October 2019 and January 2020, the situation had changed and of all the non-compliances identified by the CP, except for the issues relating to Sabah, had been rectified.

"There has been a comprehensive and ongoing review and overhaul of FGV's internal policies and standards, guidelines and processes. Many are new, or were revised and thus, the last 16 months have been intensive. This is why we were able to correct 34 of the 41 non-compliances identified in November 2018," said FGV's Group Chief Executive Officer

Dato' Haris Fadzilah Hassan. "Our revised Group sustainability policy was adopted in July 2019."

"It is however important to note that rolling out new policies and procedures to third parties and outsiders is a complex exercise, especially since FGV works extensively with smallholders who have limited means and capacity to implement changes swiftly. Thus, it is an ongoing journey of continuous improvement," added Haris Fadzilah.

During that period, FGV had also engaged with several independent organisations such as the United Nations International Organization for Migration (IOM), and the non-profit Earthworm Foundation. Furthermore, FGV was also accepted as a Participating Company of the Fair Labor Association (FLA), together with the Procter & Gamble Chemicals, an important partner and stakeholder of FGV's. The FLA Board had taken into consideration FGV's willingness to improve working conditions and uphold stringent labour standards in its palm oil supply chain as well as its commitment to an independent review, verification, and public transparency of its social compliance programme. Under this affiliation programme, FGV will ensure that all its practices are fully in line with international labour standards.

### Transparency

FGV remains committed to ensuring that all our stakeholders are kept abreast of the efforts undertaken to deliver on our commitment to sustainability. In this spirit of full transparency and disclosure, all of FGV's statements, updates, action plans and progress reports have outlined the various measures that have been taken and continue to be taken. All of these documents are available on FGV's website and are listed below.

1. 30 November 2018 – Press Release: FGV's response to the CP's decision dated 28<sup>th</sup> November 2018
2. 7 December 2018 – Updates: Chairman's letter to business partners
3. 14 December 2018 – Report: Progress Report in reference to the findings of the CP
4. 14 January 2019 – Updates: Chairman's 1<sup>st</sup> letter to shareholders
5. 25 April 2019 – Report: 1<sup>st</sup> Quarterly Report and Progress Updates to the RSPO
6. 21 June 2019 – Updates: Chairman's 2<sup>nd</sup> letter to shareholders
7. 28 June 2019 – Report: 2<sup>nd</sup> Quarterly Report and Progress Updates to the RSPO
8. 12 July 2019 – Updates: GCEO's letter to business partners
9. 5 August 2019 – Press Release: Lifting of Certification Suspension for FGV's Serting Complex
10. 5 August 2019 – Updates: GCEO's letter to business partners
11. 17 September 2019 – Updates: GCEO's letter to business partners

12. 27 September 2019 - Report: 3<sup>rd</sup> Quarterly Report and Progress Updates to the RSPO
13. 8 January 2020 - Updates: Chairman's 3<sup>rd</sup> letter to shareholders
14. 13 January 2020 - Press Release: FGV's Response to RSPO's CP's letter dated 13<sup>th</sup> January 2020
15. 24 January 2020 - Updates: GCEO's letter to business partners
16. 2 April 2020 - Press Release: FGV announces action plan to enhance labour practices

FGV is committed to sustainable development and the principles of human rights, and will continue with efforts to uphold the highest standards in all our operations, with the aim to create sustainable value for all our stakeholders.

(End)