

26th September 2018



UPDATES ON FGV'S RSPO CERTIFICATION INITIATIVE, FGV KALIMANTAN ISSUES AND HCS ASSESSMENT IN APL

Dear Valued Business Partners and Stakeholders,

We would like to update you on the progress we have made regarding the issues mentioned in our previous letters dated 12 January 2018 and 30 January 2018 respectively. We also note on the recent Greenpeace publication titled *Final Countdown, Now or Never to Reform the Palm Oil Industry* dated 19th September 2018 and have addressed the content of their publication with regards to their concerns on FGV.

Kindly find our updates on our sustainability initiatives and issues progress as to-date in the ensuing sections below.

A) FGV's RSPO Certification Initiative

In upholding our sustainability journey, we are pleased to inform you that as of 31 August 2018, a total of 17 mill complexes have been certified by the RSPO. We expect to achieve our time-bound plan – where another 12 mill complexes have been externally audited and are ready to be certified this year.

B) FGV Kalimantan Issues

Updated Peat Restoration Management Plan

Pursuant to the consultation meeting with Indonesia's Kementerian Lingkungan Hidup dan Kehutanan (KLHK) and Badan Restorasi Gambut (BRG) as per our previous letter dated 12 January 2018, we would like to emphasize that "Peat Restoration" as defined by KLHK is to maintain the hydrological function of peat area.

The KLHK's recommendations are as follows: (i) FGV is required to restore the peat hydrological function by maintaining the ground water level to be less than 0.4m from the soil surface in the affected areas; (ii) Whilst no new planting is allowed in peat areas, it has been agreed that the present planting on peat land will be maintained at least for one cycle and follow the guidelines as per above.

Following our meeting with the KLHK on 9 – 10 April 2018, we have updated the Peat Restoration Management Plan (*please refer Table 1*). All the manual and automatic water level monitoring points and canal blocks (check dams) have been constructed and realigned in accordance to the advice and recommendations from KLHK. The water levels are now being monitored and will be reported to KLHK as required.

No	Activities	Timeline	Remarks
1.	Notification for peat restoration letter received from KLHK	Sept 2017	Notification received on 6 September 2017
2.	Submission of relevant documents to KLHK	Oct 2017	The submission was conducted within 15 days after receiving the notification from KLHK
3.	Consultation with the local communities and relevant stakeholders on the proposed peat restoration management plan	Nov 2017 – Feb 2018	The consultation was conducted through stakeholder consultation sessions; which ensures the local community and local regulatory agencies accept the proposed peat restoration management plan
4.	Confirmation of water monitoring points with KLHK	From Apr 2018	The water level monitoring points and their location were finalised. Based on the discussion with KLHK, some adjustments incorporated to the proposed peat restoration management plan, where FGV Kalimantan have: 1. Repositioned and established new canal blocks (check dams); and 2. Provided Periodical Monitoring Reports to KLHK
5.	Repositioning some of the water monitoring points	By Oct 2018	To adjust, refine and establish new canal blocks (check dams) accordingly
6.	Monitoring and maintaining of the water level to be less than 0.4m from the soil surface in all monitoring points	Nov 2018 onwards	FGV Kalimantan to: 1. Ensure that water levels are maintained below 0.4m from the soil surface in all monitoring points; and 2. Monitor and report the peat's water level to KLHK

Table 1: Updated Peat Restoration Management Plan

Local Community Conflicts with PT TAA and PT CNP

FGV is very concerned on the socioeconomic plight of the local communities since the implementation of Stop Work Order in April 2017. Their well-being remains one of our top priorities.

We have been informed that RSPO Indonesia's office has received a complaint letter filed by the local community representatives in July 2018 respectively. The letter requested RSPO to negotiate with FGV in order for them to continue the plasma development programme at PT TAA and PT CNP. In light of this, we are in consultation with RSPO to draw up an amicable Action Plan to address the issues faced by the local communities. At this juncture, RSPO is taking a neutral stance on this matter and have instead proposed that FGV carry out its own engagement.

In addition to the above, on 17 September 2018, Bupati Landak (Head of Regent) had chaired a meeting with all relevant stakeholders of PT CNP and PT TAA to discuss the plight of local communities. The resolutions of the meeting include:

1. FGV to comply with the Indonesian laws to develop the respective land;
2. FGV still needs to honor the agreement with the local communities in continuing the development of the land; and
3. The Indonesian government ordered the chief and representatives of the affected local communities to submit immediately their demands on their rights to develop their own land in the second complaints letter to RSPO.

In relations to the direction instructed by the local government, FGV strives to comply with all relevant local regulations and now in the process of drawing our action plan to handle this issue.

C) HCS Assessment in APL

Since the issuance of the Stop Work Order in APL from January 2018, we would like to confirm that there has been no further new development of palm oil plantations in APL. Our third party HCS assessor has completed the HCS assessment by using the HCS Assessment Toolkit V2. Currently, FGV is reviewing the final report and will update the decision once it is finalised.

D) Future Communication

Effective 1st October 2018, we will be relocated to our new office at :-

**Level 20 West Wing
Wisma FGV, Jalan Raja Laut
50350 Kuala Lumpur, Malaysia**

In the meantime, should you need any further clarification on the above mentioned matters, please contact our Sustainability Department at sustainability@feldaglobal.com. We thank you for your continued support and look forward to working even more closely with your organisation.

Thank you and best regards,



Ahmad Tifli Mohd Talha
**Chief Operating Officer, Corporate Services/
Group Chief Financial Officer**
FGV Holdings Berhad (Formerly known as Felda Global Ventures Holdings Berhad)