

Response to the COVID-19 Pandemic

The outbreak of the Coronavirus Disease 19 (COVID-19) has become one of the most devastating global health crises in recent times. As of 28 July 2020, more than 16 million cases have been reported in 210 countries and territories, leading to more than 600,000 deaths, with 124 COVID-19-related deaths recorded in Malaysia. The pandemic has already caused socio-economic disruption that is expected to result in a global economic slowdown.

On March 18, following a rise in COVID-19 cases, the Malaysian government announced a Movement Restricted Order (MCO) to help curb the spread of the disease. The MCO restricts non-essential services from operating, encourages social distancing and limited movement. Our operations were recognised as an essential service and remain opened. However, several plantations in Sabah were closed under the directive of the State Government and a substantial portion of our workforce (supporting services) were working from home to limit risks. Under the Recovery Movement Control Order (RMCO), which is being enforced at the moment, the Government has allowed almost all sectors to operate fully, but with the condition that the necessary standard operating procedures (SOPs) are observed.

As a concerned employer, FGV has taken several measures to minimise exposure to our workers. The steps were taken even before the MCO was announced. A COVID-19 Taskforce was established to monitor developments surrounding the pandemic and to also keep all staff updated on the latest situation through various means of communication channels including email blasts. We also disseminated information regarding the virus and communicated preventive measures to our workforce. Masks are distributed to all workers and hand sanitisers are made available at all our premises. For those who are working on site and at the office, their body temperatures are taken daily.

To ease the burden of our plantation workers during this difficult period, a one-off extra allowance of RM35 for basic necessities were provided during the MCO period. Over 38,000 plantation workers have received this monetary aid. For our mill workers, the same allowance was provided to those under a Collective Voluntary Shutdown, while the rest received meal allowances for lunch and dinner. We are committed to ensuring that our workers are employed during the MCO period, even if some operations have to be stopped. For our plantation workers facing shutdown they will still be paid minimum wage equivalent to RM46.15 per day.

Mindful of our role in the larger society, we have distributed over 13,000 food aid relief packages to the vulnerable communities and we have been working with the authorities to implement strict guidelines and SOPs in our operations, to support national efforts to curb the spread of the disease.

Furthermore, FGV, through its subsidiaries FGV Plantations (Malaysia) Sdn Bhd (FGVPM) and FGV Palm Industries Sdn Bhd (FGVPI), has come forward to assist frontliners in the State of Sabah to curb the spread of the COVID-19 pandemic by distributing financial aid to several government agencies and to local communities.

The contribution is mainly for the purchase of personal protective equipment (PPE) for frontliners at the Lahad Datu Hospital, the Lahad Datu Health Department, government agencies including the Lahad Datu District Police Station, the Malaysia Civil Defence Force as well as a number of District Councils and places of worship all over Sabah. FGV also provided daily basic supplies to 9,975 of its plantation and mill workers and aid to 1,647 FELDA settlers in Sabah.

These are challenging times but with the support of our stakeholders, we are confident that we will be able to chart our path forward successfully, with the safety and welfare of our workers remaining as our top priority.

Roundtable for Sustainable Palm Oil (RSPO) Complaints Panel Decision Letter Dated 13 January 2020

As a member of the RSPO, FGV remains committed to the RSPO Principles and Criteria (P&C). On 13 January 2020, FGV received a decision letter from the RSPO Complaints Panel (CP), which ultimately issued a directive to resuspend FGV's Seriting Complex's certification and to suspend ongoing certification processes for FGV's remaining uncertified complexes. With reference to the seven non-compliances raised in the CP's decision letter of 13 January 2020, five have been rectified since the audits were concluded and in accordance with FGV's timelines for completion. One non-compliance was vaguely worded and we are still awaiting a response from the RSPO seeking greater clarity. FGV continues to submit its progress reports to the CP to highlight the status of implementation of FGV's action plan to address the CP's directives of November 2018. The latest progress reports were submitted on [10 April](#) and [3 July](#) 2020, respectively.

The other non-compliance 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. The situation of undocumented persons in Sabah is not new. The issue is highly complex due to intricate factors stemming from historical, socio-economic, political, cultural and geographical contexts. Undocumented persons working in plantations in Sabah is an industry-wide concern. FGV invited the undocumented workers of its contractors to join its workforce following a Sabah state government programme in April 2019 that allows such workers to apply for regularisation in Sabah. This was in line with the Group's commitment to phasing out the engagement of labour contractors and to supporting national efforts to eradicate poverty and respect human rights. FGV also facilitated and paid for the applications for the regularisation of these workers. We were committed to completing the regularisation exercise by the end of June 2020. However, due to the COVID-19 pandemic and the MCO, the regularisation programme has been disrupted and now is targeted for completion by the end of December 2020, subject to the authorities' capacity in processing the regularisation applications.

The following are an update on the regularisation figures as of 30 June 2020:

- a. Number of workers registered: 6158
- b. Number of passports issued: 3692
- c. Number of work permits approved: 976

The CP, in its decision letter of 13 January 2020, had also requested FGV to develop a mechanism to ensure that existing undocumented workers' regularisation processes are monitored and that preventive measures against employing new undocumented workers are put in place. The proposal for such a mechanism has been submitted by FGV to the CP on 13 February 2020, which was within the stipulated timeline, for the CP's consideration. FGV is still awaiting the CP's response on the matter. However, the CP Secretariat had in May 2020 suggested a review of the mechanism by an independent expert. While FGV welcomes such a review, we are of the view that it should be carried out by a competent party who has the necessary expertise and understanding of the context and particularities of Sabah on the matter.

The CP's decision to re-suspend FGV's Seriting Complex and to suspend FGV's ongoing certification processes, as communicated in its letter dated 13 January 2020, was based on the verification audit in October 2019, which was conducted by independent auditors appointed by the RSPO. While the auditors found several gaps in our practices, they also recognised the progress and achievements made by FGV in addressing various labour issues. These positive steps by FGV were highlighted in the auditors' reports but were not reflected in the decision letter by the CP. In keeping with our commitment to transparency, we have made public the auditors' reports, in which the auditors had recognised that FGV had, in large part, already corrected most of the issues raised by the CP in November 2018. FGV is of the view that the decision and directives by the RSPO CP in January 2020 were disproportionate to the overall findings of the audit exercise, and therefore FGV submitted an [appeal](#) to the RSPO on 3 April 2020 against the 13 January 2020 decision of the CP.

On 18 June 2020, the RSPO CP responded to FGV, indicating that the appeal was not allowed on procedural grounds, stating that the decision by the CP as reflected in their letter dated 13 January constituted a sanction and therefore did not qualify for an appeal. FGV holds a different view as the matter can be argued differently, and we are currently considering ways to raise the matter with the RSPO.

FGV's Affiliation with the Fair Labor Association (FLA)

As part of FGV's commitment and long-term endeavour to respect human rights and enhance its labour practices, FGV, with the support of Procter & Gamble Chemicals (PGC), became a Participating Company of the Fair Labor Association (FLA) in October 2019. Through the FLA affiliation, FGV has developed a comprehensive five-year action plan which will serve as FGV's overarching programme to enhance its labour practices. The action plan includes FGV's commitment to, among others, responsible recruitment of migrant workers, strengthening of grievance mechanisms, regularisation of undocumented migrant workers, improving monitoring systems and remediation and enhancing stakeholder engagement. The

programmes and initiatives highlighted in the action plan are also part of FGV's commitment and role in contributing to the fulfilment of the Sustainable Development Goals (SDGs). In developing the action plan, FGV has engaged in consultation with various external stakeholders, including international and Malaysian based civil society organisations (CSOs). In keeping with our commitment to transparency, the [Background and Summary of the Action Plan for 2020](#) was made public on 31 March 2020. The 2020 action plan is deemed to be a living document, which FGV will review and update regularly, in consultation with relevant parties including the FLA.

Currently, FGV is focusing on aligning its policies and codes with FLA's Workplace Code of Conduct as part of the first-year requirement under the FLA affiliation. To this end, FGV is reviewing its Group Sustainability Policy (GSP), its Supplier Code of Conduct (SCOC) among other key sustainability documents. In this exercise, we will be engaging in consultations with relevant stakeholders including CSOs to obtain their views and feedback on the matter. In addition, FGV is collaborating with PGC and Tenaganita on two separate projects to enhance FGV's human rights training programmes.

Petitions Submitted to the US Customs and Border Protection

FGV acknowledges the concerns raised by some parties regarding alleged gaps in its labour practices, which have also been referred to in two petitions submitted to the US Customs and Border Protection (CBP) in June 2019 and August 2019, respectively. FGV has issued statements and appointed a US-based legal firm to address this. In addition to intensifying efforts to enhance our labour practices, FGV continues to provide updates to the CBP on our progress relating to these efforts. These updates are provided mostly through submissions to the CBP. However, FGV was pleased to have had the opportunity to meet with the CBP together with several related agencies of the US Department of State in Washington DC in February 2020 to discuss FGV's initiatives and programmes relating to labour. The meeting was also attended by a representative of the Fair Labor Association (FLA) and the legal firm appointed by FGV. While the CBP did not disclose information about any investigation against FGV, we found the interactions with the CBP and the Department of State during the meeting to be very useful. FGV would also like to record its appreciation to the US Embassy in Malaysia and the FLA for their roles in facilitating the meeting for FGV. Between November 2019 and February 2020, FGV has also engaged with the three international NGOs that filed the petition with the CBP. We will continue to keep the CBP and our stakeholders abreast of developments around our efforts to enhance our labour practices.

IOM-EF Labour Supply Mapping Project

FGV is participating in a labour supply chain mapping project conducted by the United Nations International Organization for Migration (IOM) and the non-profit organization Earthworm Foundation. The scope of this project, which started in October 2019, includes reviewing processes and procedures relating to the recruitment of migrant workers, with a view to identifying any gaps and proposing recommendations for improvement. As of today, IOM and

Earthworm Foundation has interviewed migrant workers at six of FGV's plantations, as well as a number of FGV's appointed recruitment agencies. IOM and Earthworm Foundation have also interviewed agents in the countries of origin, namely India and Indonesia. The project, which is in its final stages, will help FGV align its recruitment processes and procedures with international standards. IOM and Earthworm Foundation are currently in the process of preparing the report.

Strengthening Traceability

FGV continues to work closely with our value chain partners to ensure that traceability and transparency are embedded in their own practices. To this end, we have established a traceability and risk mapping programme to identify and address non-compliance among suppliers. The programme helps to ensure that our suppliers, in consultation with FGV, develop an action plan with specific timelines to address the identified areas of non-compliance. FGV is currently developing a model with our business partners to identify sustainability risks associated with specific geographical areas in order to ensure better traceability of our products. Today, FGV's palm oil is 100% traceable to our mills and we are committed to enhancing traceability of our raw materials. In ensuring suppliers' compliance with FGV's standards, we are currently working with Malaysia's National Applied Research and Development Centre (MIMOS) and the Malaysia Institute for Supply Chain Innovation (MISI). The strategic partnership covers the validation of traceability data information, the verification of external suppliers' compliance with the GSP and the development of FGV suppliers' sustainability status through the Preferred Network Programme (PNP).

Redoubling Efforts on Renewable Energy

As part of its ongoing commitment to climate action, FGV plans to intensify its renewable energy programmes. One of our immediate projects on this front is the power generation initiative through biogas captures at our palm oil mills. Biogas is utilised as fuel for electricity generation via biogas engines to supply electricity to National Grid through Feed-In-Tariff (FIT) mechanism governed by Sustainable Energy Development Authority Malaysia (SEDA Malaysia). Biogas is also used internally for rural electrification in Sabah generating electricity to power-up home of settlers in Felda Sahabat, Felda Cenderawasih and Felda Umas.

FGV's Serting Hilir mill in the State of Negeri Sembilan was the first FIT project in Malaysia to achieve Commercial Operation Date (COD) in 2006 followed by Tenggaroh, Maokil and Nitar mills in the State of Johor. Triang and Keratong 9 mills in the State of Pahang are the latest to supply to the National Grid this year.

Through renewable energy projects, FGV is also carrying out cost optimisation initiatives across the Group in terms of fuel savings at its mills and plants. For example, MSM Malaysia Holdings Berhad (an associate company of FGV)'s plant in Tanjung Langsat in Johor could run using shredded empty fruit bunches (EFB) supplied from the Group's mills in Johor and this would create annual RM60 million savings in electricity.

FGV is also carrying out a joint-venture plan to build an EFB pulp and paper plant, potentially in Kuantan, Pahang which is expected to be completed in 2022/2023 that would utilise between half a million to one million tonnes of EFB annually.

Following the success of the first bio-compressed natural gas (Bio-CNG) plant at Sungai Tinggi Palm Oil Mill, in Selangor, FGV is planning to set up Bio-CNG/Bio-LNG plants at potentially 35 of its palm oil mill through external investments, in addition to its FIT project, palm fibre oil extraction plants, biogas and renewable energy utility project in Sabah, which also involve external parties.

Sun Bear Conservation Programme

FGV gives priority to conserving biodiversity, especially when many of our plantations are close to natural forest reserves that are home to endangered, rare and threatened species. We have pledged to undertake conservation initiatives to preserve the pristine environment of these areas while reducing our impact on biodiversity as much as possible.

One of our landmark sustainability initiatives is the Sun Bear Conservation Programme (SBCP). Since 2015, the SBCP has been focused on the rescue, rehabilitation and release of injured/orphaned/confiscated sun bears back into the wild. In 2019, the SBCP managed to rescue 13 sun bears and release six back into the wild near Tasik Kenyir (Terengganu) and the Royal Belum Forest (Perak). In 2020, four have been rescued, of which two have undergone rehabilitation and released to the wild. In total, 39 sun bears have been released back into the wild since the SBCP's inception, which is a world record for the highest number of sun bears released back into their natural habitat.

FGV fully funds the SBCP and has to date contributed around 2.3 million Ringgit for the programme. The SBCP is a collaboration between FGV, the Malaysian Nature Society (MNS), Department of Wildlife and National Parks Peninsular Malaysia (PERHILITAN) and the National University of Malaysia (UKM) and is strongly supported by our Citizen Action Groups (CAGs) that now have over 200 members across five regions in Malaysia – Kuala Lipis (Pahang), Kuala Terengganu (Terengganu), Sahabat (Sabah), Gerik (Perak) and Mersing (Johor). The CAGs are also known as *Sahabat Beruang Matahari* (Friends of the Sun Bears) and aim to foster a community that is sympathetic to environmental issues, chief among which is the conservation of sun bears and other threatened wildlife species.

To further support the SBCP, FGV is currently working with partners to formulate the National Sun Bear Action Plan for Malaysia which will also serve as a blueprint to support the National Policy on Biological Diversity. FGV together with partners are also in the process of developing a set of guidelines on managing sun bear rescue, rehabilitation and release efforts. We envisage that the guidelines will act as a useful reference for interested parties including conservation facilities, zoos, researches centres, NGOs and conservationists.

Borneo Elephant Rescue

Following the rescue of a baby Borneo elephant by plantation workers at Sahabat 54 near Tabin Reserve Forest border in Sabah in April 2020, FGV announced that it will assist the Sabah Wildlife Department (SWD) by covering the costs of its treatment and care. The two-year-old Borneo elephant named 'Sahabat', was found wandering around the plantation area by FGV workers and while waiting for SWD and Wildlife Rescue Unit (WRU), they built a temporary shelter for the elephant. The total estimated expenditure for the adoption programme of three to six months is around 16,000 Ringgit, depending on Sahabat's recovery status and readiness for release back into the wild. We view this as fulfilling our national duty to protect the endangered wildlife, and as part of our commitment to RSPO and MSPO requirements. This was not the first time that FGV workers have rescued Borneo elephants in the plantation area. In March 2020, four Borneo elephants were trapped overnight in Sahabat 50 estate's pond, which led the workers to level down the side of the pond, allowing the elephants to escape safely into the nearby forest.

Supporting SDG Initiatives by the United Nations Global Compact Network Malaysia

FGV is pleased to announce our partnership with the United Nations Global Compact Network Malaysia (GCMY) on the #mySPACE4Change initiative which was officially launched on 9 June 2020 at the Malaysian Parliament by the Deputy Speaker of the House of Representatives, YB Dato' Haji Mohd Rashid bin Hasnon. The initiative seeks to establish the largest multi-stakeholder media network in the country to promote the UN's Sustainable Development Goals (SDGs), driven by corporate social responsibility with the inclusion of the private sector. This will be done through a series of Public Service Announcements (PSAs) which is aimed at shaping and influencing public discourse on the importance of giving due consideration to the SDGs as we seek solutions on issues affecting the country. As a responsible business, FGV fully supports this endeavour and is proud to have been recognised as one of the pioneer companies for this initiative. The first PSA, which focussed on education, was published on our social media platforms on 25 June 2020. On 3 July 2020, GCMY paid a courtesy visit to FGV Group CEO, during which both parties discussed the sustainability landscape in the country and globally, as well as potential joint projects. In the future, FGV hopes to engage in more collaborations with GCMY and other actors towards contributing to the achievement of the SDGs, in line with our commitments and ambitions.

FGV's Sustainability Report 2018/2019

[FGV's Sustainability Report 2018/2019](#) is now published and available on FGV's website. This report provides our stakeholders an overview of our sustainability progress as well as details on how FGV operates in a responsible and sustainable manner across our business. The contents of this biennial report cover our operational and financial activities between 1 January 2018 and 31 December 2019. Matters pertaining to Management and the Board are covered

up to March 2020. Our most recent report was published on 8 June 2018. In line with global reporting standards, this report has been prepared in accordance with the GRI Standards: Core option. The reporting scope and boundary of this report cover our global operations in our three core business areas: Plantations, Logistics and Sugar, unless otherwise stated. However, as our oil palm plantations comprise the majority of our business and the most material issues, the report is highly focused on the issues that matter most to our stakeholders, especially those relating to our operations in Malaysia and Indonesia. This report should be read together with other parts of our Annual Integrated Report 2019, which is available online on our website, to provide a comprehensive overview of our Group's performance. For data presented in this report, external assurance has been obtained from SIRIM QAS International Sdn. Bhd. On our sustainability-related activities.