

Group Sustainability Policy



Introduction

The Group Sustainability Policy (GSP)¹ serves as the overarching policy framework of FGV's sustainability commitments. The GSP comprises three main pillars, namely promoting economic growth, respecting human rights and protecting the environment. The GSP is currently in its fourth iteration, which was adopted by FGV's Board of Directors on 17 November 2020. The latest review of the GSP involved a series of consultations with internal and external stakeholders including with civil society organisations.

Scope

The GSP applies to the FGV Group as a whole, including its listed and non-listed subsidiaries worldwide, in which FGV has management control. Contractors, consultants, suppliers, vendors and all other third party companies including individuals working with them, should adopt responsible practices and at a minimum adhere to this Policy.

Policy

As a business entity founded on the ideals of poverty eradication and sustainable development, and over the years have grown into one of the world's largest palm oil producers with integrated agribusiness operations in several countries, the FGV Group remains committed to the Sustainable Development Goals (SDGs) and to delivering value to our customers and stakeholders especially our smallholders.

FGV Group recognises the value, necessity, and importance, of product safety and quality as fundamental to its operations. We are committed to ensuring that all of our products are designed and manufactured to be safe for their intended use, and meet the highest quality

¹ This version of the GSP is for public consumption. In this version, provisions relating to certain internal processes have been redacted. The full text of the GSP is available upon request via email to sustainability@fgvholdings.com

standards by implementing best practices and complying with applicable regulatory and statutory requirements.

As an agriculture-focused business, FGV Group supports the country's national food security aspirations which are shaping our diversification initiatives and where applicable we shall work with local communities to address food security concerns.

We will continuously improve the quality of our products and services by adopting the best possible approaches to enhance productivity and profitability by optimising resources and operational efficiencies, while eliminating or minimising negative impact on people and the environment.

We shall achieve this by:

- A. Promoting Economic Growth
- B. Respecting Human Rights
- C. Protecting the Environment

FGV Group shall endeavour to socialise this policy and its commitments for compliance by all employees and our suppliers. Where non-compliance is observed, FGV Group have put in place a grievance mechanism to address the gaps and in a phased approach will work to achieve the full implementation of this policy. FGV Group is also committed to providing transparent reporting related to this policy.

1. Promoting Economic Growth

We are committed to long term economic growth and will seek every opportunity to develop new sustainable earning streams that deliver value to our shareholders and stakeholders. We acknowledge the significant roles of our suppliers and vendors as part of the value chain in delivering sustainable products and services. Therefore, we expect the adoption of this Policy by all vendors and suppliers of the group and wherever possible we will lend support to assist them in meeting this objective.

1.1 Enhancing Livelihood

- 1.1.1 Recognising the right to an adequate standard of living, and as part of its effort to contribute to the alleviation of poverty, FGV Group is committed to promoting sustainable economic growth, prosperity and to enhancing the livelihoods of its employees and local communities, in particular its associated smallholders.
- 1.1.2 FGV Group shall continuously seek opportunities to review and monitor its operations ensuring that it is aligned with the commitments of this Policy and the interests of smallholders and local communities.
- 1.1.3 FGV Group reiterates its commitment to implement, participate and support national and international industry standards relevant to its business operations.

1.2 Profitability and Efficient Use of Resources

- 1.2.1 FGV Group shall manage resources efficiently and sustainably to improve productivity in its operation and throughout its value chain.
- 1.2.2 FGV Group shall adopt lean management for efficiency improvement, reduce wastage and leakages in its operations by:
- i. Improving competency and capacity of employees in performing their tasks efficiently.
 - ii. Aligning management strategies and operational system towards efficient use of material and resources.
 - iii. Continuously reviewing internal control system and processes to minimise and eliminate leakages.
 - iv. Inculcating productivity improvement culture by clear reward and recognition system.
 - v. FGV Group believes in innovation and embraces new technologies as a means for continuous improvement in its operations, products and services.

1.3 Obligation of Value Chain Partners

- 1.3.1 When required, FGV Group's value chain partners shall agree to authorize FGV Group or any party appointed by FGV Group to conduct audits to verify compliance to this policy, subject to maintaining confidentiality of the findings within relevant party(ies).

2. Respecting Human Rights

We are committed to respecting human rights by upholding international human rights principles and standards as encapsulated in the Universal Declaration of Human Rights (UDHR), and other applicable international human rights treaties, subject to the laws and regulations of the countries and territories in which FGV Group operates. In fulfilling its responsibility to respect human rights, FGV Group is guided by the United Nations Guiding Principles on Business and Human Rights (UNGPs).

In order to identify, prevent and mitigate human rights impacts, FGV Group undertakes to conduct appropriate human rights due diligence in the development of any new business activity or relationship. This will be an ongoing process that will take into account any changes to the activity or relationship.

2.1 Equality and Non-Discrimination

- 2.1.1 No person shall be subjected to any discrimination in employment, including hiring, compensation, advancement, training, disciplinary action, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, gender identity, nationality, political opinion, social group, ethnic origin, reproductive rights or other forms of discrimination.

2.2 Upholding Labour Standards

- 2.2.1 FGV Group shall uphold and respect employees' rights in line with national laws and international labour standards as enshrined in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work as well as other applicable ILO conventions.

- 2.2.2 FGV Group is committed to adopting and adhering to rules and conditions of employment that respect employees and, at a minimum, safeguard their rights under national and international labour and social security laws and regulations.
- 2.2.3 FGV Group is committed to ensuring that there shall be no use of forced, including prison labour, indentured labour, bonded labour or other forms of forced labour, and that its operations are free from human trafficking and modern slavery.
- 2.2.4 While FGV is committed to employing only persons of the age of 18 and above, FGV recognises that Malaysian laws allow for young persons to be engaged in certain forms of employment. Therefore, no person shall be employed under the age of 15, and any employment of young persons shall not be in a manner that is likely to be hazardous, or to interfere with such person's education, or to be harmful to the person's health or physical, mental, spiritual, moral, or social development at any stage of the employment.
- The term 'young person' refers to any person who has completed his/her fifteenth year of age but has not completed his/her eighteenth year of age.
- 2.2.5 FGV Group is committed to ensuring responsible recruitment of employees in line with international and industry good practices subject to the approved process by the sourcing and receiving countries.
- 2.2.6 FGV Group commits to respect employees' right to freedom of movement.
- 2.2.7 FGV Group respects employees' right to compensation for a regular work week that is sufficient to meet the employees' basic needs and provide some discretionary income. Discretionary income refers to income remaining after deduction of taxes, social security charges and basic living costs. FGV Group is committed to paying at least the minimum wage or the appropriate prevailing wage, whichever is higher, to complying with all legal requirements on wages, and to provide any fringe benefits required by law or contract. Where compensation does not meet employees' basic needs

and provide some discretionary income, FGV Group will take appropriate actions that seek to progressively realize fair compensation.

Deductions from regular contracted wages shall not be permitted, except those which (i) are mandated by law; and/or (ii) are in accordance with the prescribed procedures under the law. All wages and compensation are to be paid in a timely manner.

2.2.8 FGV Group shall respect employees' rights to fair working hours with adequate rest periods. All overtime work shall be consensual, voluntary and compensated at a premium rate as recognised in international labour standards and other applicable laws and regulations. FGV Group shall not require employees to work more than the regular and overtime hours allowed by the law where the employees are employed. The regular work week shall not exceed 48 hours. FGV Group shall allow employees at least 24 consecutive hours of rest in every seven-day period. The sum of overtime hours shall not exceed the maximum hours allowed by the applicable labour laws and regulations.

2.2.9 FGV Group recognises and respects employees' right to freedom of association and to collective bargaining.

2.3 Respecting Rights of Indigenous Peoples and Local Communities

2.3.1 FGV Group respects the rights of indigenous and local communities, including their rights to give or withhold their consent to land over which they hold legal, communal or customary rights.

2.3.2 FGV Group shall observe the principles of free, prior and informed consent (FPIC) in any new land development.

2.3.3 Where there is conflict and/or dispute over land, FGV Group is committed to resolving such conflict and dispute through engagement and consultation with affected local communities and their own representative institutions.

2.3.4 Any disputes with local people shall be handled under the same principles and shall be free of intimidation, violence and harassment. The agreement

making processes shall be documented, including negotiations regarding entitlements and compensation.

2.3.5 FGV Group respects the rights of local communities to practice their ancestral cultures and beliefs.

2.4 Health and Safety

2.4.1 FGV Group is committed to providing a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of our facilities. This commitment also applies in situations where any public health concern arises in our operations.

2.4.2 FGV Group shall ensure that all health and safety plan is documented, communicated and implemented.

2.4.3 FGV Group shall allocate appropriate resources in order to minimise and eliminate health and safety risks.

2.5 Preventing Harassment and Abuse

2.5.1 FGV Group shall not tolerate any form of harassment and abuse including physical, sexual, psychological or verbal. Everyone shall be treated with respect and dignity.

3. Protecting the Environment

FGV Group recognises the impact of climate change and will play our part in reducing greenhouse gas emissions in line with national commitments made in the Paris Agreement. FGV Group values its natural resources and endeavours to eliminate or minimize negative impact on the environment through the implementation of best practices and by continuously improving its performance. FGV Group is committed to adopting responsible measures to mitigate any negative impact that we may have on the environment. FGV Group shall ensure its operations adhere to our commitments to No Deforestation, No Peat and No Exploitation (NDPE). Where

applicable, FGV Group shall initiate conservation efforts for the continuous protection of the ecosystem.

3.1 Efficient use of natural resources

3.1.1 FGV Group shall continuously explore opportunities to improve and enhance efficiency in the existing land bank by implementing Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP).

3.2 Managing Environmental Impacts

3.2.1 FGV Group shall ensure that all its businesses operate in a responsible and sustainable manner to minimize and/or eliminate negative impact on the environment and that an Environmental Management plan is in place.

3.2.2 FGV Group shall undertake a Social and Environmental Impact Assessment (SEIA) prior to new plantings or operations.

3.2.3 FGV Group shall ensure that pests, diseases and invasive introduced species are managed according to Integrated Pest Management (IPM) techniques.

3.3 No Deforestation and Planting on Peat

3.3.1 FGV Group shall not develop on any areas of primary forest, High Carbon Stock (HCS) or High Conservation Value (HCV). FGV Group shall be guided by HCS Approach toolkit or any other accepted methodology as the basis for defining HCS.

3.3.2 FGV Group shall adopt Best Management Practices (BMP) in all its existing plantations on peatland.

3.3.3 There shall be no new planting on peat land regardless of depth that is owned or leased by FGV Group.

- 3.3.4 FGV Group shall abide by Best Management Practices (BMP) and all legislative requirements on the management of peatland within its concession area.
- 3.3.5 FGV Group shall consider replanting when due based on economic, legal and/or environmental concern(s).
- 3.3.6 FGV Group shall implement practices, to maintain or improve soil fertility for sustained yield and to minimise soil erosion and degradation.
- 3.4 Protect High Biodiversity Value (HBV) & High Conservation Value (HCV) areas
 - 3.4.1 FGV Group shall not plant nor organise any land clearings that will cause deforestation or damage on any HCV areas.
 - 3.4.2 FGV Group shall perform HBV or HCV assessments that are in line with the relevant guidelines, and develop management plans to protect, conserve and/or enhance the identified value/s.
- 3.5 Limitations on the Use of Hazardous Chemicals and Agrochemicals
 - 3.5.1 FGV Group shall not use any hazardous chemical or any agrochemical that are categorized as World Health Organization Class 1A or 1B or that are listed by the Stockholm or Rotterdam Conventions and paraquat except in specific situations. In such situation, FGV Group shall ensure that the usage does not endanger the health of employees, communities, environment and that action(s) must be taken to eventually eliminate the use of the pesticides in a time bound manner.
- 3.6 No Open Burning/Use of Fire
 - 3.6.1 FGV Group shall practice no open burning in all its premises.
 - 3.6.2 FGV Group shall develop and maintain fire prevention and emergency preparedness programmes to deal with fires that may encroach within or in the vicinity of its boundaries.

3.6.3 FGV Group shall actively monitor and report all fire incidents occurring within as well as its surrounding areas to the relevant authorities.

3.7 Water Management

3.7.1 FGV Group shall deploy water management practices to ensure its activities do not lead to any negative impacts to natural water bodies on its water quality or availability.

3.8 Waste Management

3.8.1 FGV Group is committed to managing waste in accordance with applicable regulatory requirements and other commitments made by FGV Group.

3.8.2 Wherever possible, measures shall be taken to reduce, reuse, recycle or dispose wastes in an environmentally responsible way.

3.9 Addressing Climate Change

3.9.1 In addressing climate change, FGV Group is committed to reducing or minimizing its Greenhouse Gas (GHG) emissions through the use of proven technologies wherever feasible.

3.9.2 FGV Group is committed to optimising the use of renewable energy and efficiency across its operations wherever possible.

4. Monitoring and Implementation

FGV Group is committed to ensuring the full implementation of the GSP. Where gaps in implementation have caused or contributed to adverse impacts, FGV Group shall provide for or cooperate in their remediation, through legitimate processes

4.1 Transparency and Reporting

4.1.1 FGV Group shall provide adequate and transparent information on a timely manner related to its sustainability performance for effective engagement with its stakeholders through appropriate platforms.

4.2 Grievance Management

- 4.2.1 FGV Group is committed to providing access to remedy through a grievance mechanism, for any adverse impact it has caused or contributed to.
- 4.2.2 FGV Group shall provide accessible, transparent, predictable, equitable, means for all employees and external stakeholders including human rights defenders to express their grievances without fear of reprisal.
- 4.2.3 All grievances shall be handled in accordance to the United Nations Guiding Principles on Business and Human Rights (UNGPs).
- 4.2.4 Where confidentiality is required, it shall be instituted in accordance to FGV's Whistleblower Policy.

4.3 Traceability and Supply Chain

- 4.3.1 FGV Group promotes the inclusion of smallholders and outgrowers into our supply chain in a fair, transparent and equitable manner.
- 4.3.2 FGV Group shall continuously work towards improving the traceability of sourced raw materials.
- 4.3.3 FGV Group is committed to responsible sourcing of raw materials.
- 4.3.4 Where necessary, FGV Group will engage with value chain partners to assist, enhance/exchange skills, knowledge and/ or access to resources, including, but not limited to environmental, social and legal matters.

Conflict and Dispute

If a Policy conflicts with any applicable law or international standard, FGV Group shall comply with the higher standard.

ANNEX: Definitions

For the purpose of this Policy, the following definitions apply:

- “Biodiversity” : The variability among living organisms from all sources, inter alia, terrestrial, marine and other aquatic ecosystems and ecological complexes of which they are part, this includes diversity within species, between species and of ecosystems.

- “BMP” : Best Management Practices (BMP) refers to a set of guidelines on Best Management Practices for existing oil palm cultivation on peat.

- “Bonded Labour” : The status or condition of debt bondage when their labour, or the labour of a third party under their control, is demanded as repayment of a loan or of money given in advance, and the value of their labour is not applied towards the liquidation of the debt or the length of the service is not limited and/or the nature of the service is not defined.

- “Child” : The term ‘child’ refers to any person who has not completed his/her eighteenth year of age.

- “Customary Rights” : Patterns of long-standing community land and resource usage in accordance with indigenous peoples’ customary laws, values, customs and traditions, including seasonal or cyclical use rather than formal legal title to land and resources used by the State.

- “Deforestation” : Loss of natural forest as a result of conversion to agriculture or other non-forest land use, conversion to plantation

forest, or severe and sustained degradation.

- “Employee” : A person who is employed by FGV Group, including migrant workers on a permanent or contractual basis, on secondment, or as a temporary member of staff or on an assignment or training basis.
- “Environment” : The physical factors of the surroundings of the human beings including land, water, atmosphere, climate, sound, odour, taste, the biological factors of animals and plants and the social factor of aesthetics.
- “FGV” : FGV Holdings Berhad.
- “FGV Group” : The FGV Group of companies, including its listed and unlisted subsidiaries worldwide, in which FGV has management control.
- “Forced labour” : All worker services that is exacted from any person under the menace of any penalty and for which said person has not offered him or herself voluntarily.
- “FPIC” : Free Prior and Informed Consent (FPIC) is a principle upholding a community’s right to give or withhold its consent to proposed projects that may affect their customary rights.
- “GAP” : Good Agricultural Practices (GAP) refers to a collection of principles to apply for on-farm production and postproduction processes, resulting in safe and healthy food and non-food agriculture products, while taking into

account economic, social and environmental sustainability.

- “GMP” : Good Manufacturing Practices (GMP) is a system for ensuring that food production is safe and hygienic according to quality standards.
- “Grievance” : A specific, real or imagined formal notice of employees, workers or stakeholder dissatisfaction.
- “HBV” : High Biodiversity Value (HBV) refers to primary forest, areas protected by law or by international agreements for the protection of Rare Threatened and Endangered (RTE) species.
- “HCS” : High Carbon Stock (HCS) refers to areas of land that have been identified using the High Carbon Stock Approach (HCSA) Toolkit.
- “HCV” : The areas necessary to maintain or enhance one or more High Conservation Values (HCVs) as recognised by the High Conservation Value Resource Network Common Guidance for Identification of HCVs. The value determined on the basis of biological, ecological, social or cultural values considered significantly important at the national, regional or global level.
- “Human Rights” : Human rights are rights inherent to all human beings. These rights are interrelated, interdependent and indivisible, and are based on principles enshrined in the Universal Declaration

of Human Rights (UDHR) and other international human rights treaties.

- “Natural Forest” : Forests composed of indigenous trees regenerated naturally. This can include both spontaneous and assisted natural regeneration.
- “New Planting” : Planned or proposed planting on non-agricultural land.
- “Open Burning” : Any fire, combustion or smouldering material that occurs in an open space and which is not directed there through a chimney or stack.
- “FGV Outgrowers” : FGV Outgrowers are defined as farmers with more than 100 hectares of land.
- “Peat” : Soil with an organic layer of more than 50% in the top 100 cm, containing more than 65% organic carbon or any other characteristics as defined by the country of operation.
- “PPE” : Personal Protective Equipment (PPE) are equipment worn to minimize exposure to hazards that cause serious workplace injuries and illnesses.
- “Shareholder” : An individual who owns Ordinary Shares of FGV and/or its listed subsidiaries.
- “Smallholders” : Farmers growing oil palm where the planted area is less than 40.46 hectares (100 acres) in Malaysia or any other size as defined in the country of operation.

- “Stakeholders” : An individual or group with a legitimate and/or demonstrable interest in, or who is directly affected by, the activities of FGV Group and the consequences of those activities.
- “UDHR” : The Universal Declaration of Human Rights (UDHR) is considered a milestone document in the development of human rights. It set outs, for the first time, fundamental human rights to be universally protected. The Declaration was adopted by the UN General Assembly in Paris on 10 December 1948 during its 183rd plenary meeting.
- “SDGs” : Sustainable Development Goals(SDGs) refer to the 17 goals that were derived from the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, which provide a shared blueprint for peace and prosperity for people and the planet.
- “Value chain” : The process of adding value to a raw material through production, manufacturing, and other processes to create a finished product.
- “Value Chain Partners” : Players in the value chain.