

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

As part of ongoing efforts to enhance its labour practices, FGV continues to focus on its affiliation to the Fair Labor Association (FLA). In February and March 2021, FGV was subjected to a second validation exercise by the FLA, on FGV's progress in implementing its labour programme. The report of this validation was published on 31 March 2021.

As FGV enters its second year of affiliation, FGV will undergo an Independent External Assessment (IEA), which will serve as a baseline examination of FGV's implementation of its labour policies and practices on the ground. The IEA, which will cover a bigger sample size of FGV's mills and estates, is scheduled to be conducted by FLA-accredited monitors in the third quarter of 2021, subject to the COVID-19 situation and Movement Control Order (MCO). The findings from the IEA will be addressed by FGV through a Corrective Action Plan (CAP), which will be developed by FGV in consultation with the FLA. Besides the IEA, among other key priorities for 2021 include strengthening its grievance mechanism, remediation procedures and worker representation structures.

Verification Audit by the Roundtable for Sustainable Palm Oil (RSPO)

FGV has also been concentrating on addressing and implementing the directives of the Roundtable for Sustainable Palm Oil (RSPO) Complaints Panel, which had in January 2020, re-suspended the RSPO certification of FGV's Seriting Mill and suspended ongoing certification processes for FGV's remaining uncertified mills. After several delays due to the COVID-19 pandemic, a verification audit was conducted by an independent auditor appointed by the RSPO between November 2020 and April 2021. The verification audit involved six of FGV's complexes – four in Peninsular Malaysia and two in Sabah. A draft report of the audit has been prepared by the auditor and once finalised, it will be submitted to the RSPO Complaints Panel for deliberation. FGV has been made to understand by the RSPO Secretariat that a decision on the lifting of the aforesaid suspensions will be made by the RSPO Complaints Panel by the end July 2021, based on the outcome of the verification audit.

Withhold Release Order by the US Customs and Border Protection

On 30 September 2020, the U.S. Customs and Border Protection (CBP) issued a Withhold Release Order (WRO) against palm oil and palm oil products made by FGV and its subsidiaries and joint ventures, on account of concerns relating to FGV's compliance to labour standards.

In addition to other initiatives and programmes on labour, FGV established a Foreign Workers Working Committee (FWWC) to focus on continuous improvement with regard to infrastructures on the ground that will further strengthen our labour practices. These include, among other things, further upgrading of workers' housing, improving access to healthcare by

establishing clinics in remote areas, upgrading facilities to provide uninterrupted water supply and electricity in areas that do not have access to the national power grid and state-provided water supply, implementing FGV's e-Wallet system for more convenient salary payment and cashless transactions, and establishing FGV mobile shops to provide regular access to fresh food supplies.

FGV is determined to take all necessary steps towards the lifting of the WRO, and will be appointing an independent auditor to conduct an assessment of FGV's operations against the 11 International Labour Organization (ILO) Indicators of Forced Labour, as advised by the CBP. As announced on 18 June 2021, FGV has called for proposals from prospective organisations and expects to finalise the appointment of the independent auditor in August 2021, following which the assessment work will immediately begin. FGV estimates that it would be able to submit to the CBP, for its consideration, the assessment report together with FGV's proposed remediation plan within eight months upon the appointment of the independent auditor.

COVID-19 Response

FGV implemented a comprehensive COVID-19 response since the beginning of the pandemic. FGV established a COVID-19 Task Force that supervised the development of COVID-19 specific policies, guidelines, a Pandemic Response Plan, Key Interruptions Indicators (KII) and Standard Operating Procedures. As part of the plan, workers' health status was closely tracked for infections through screening tests for all workers including migrant workers. To date, FGV has screened all its plantation workers for COVID-19.

As a proactive measure to ensure the right to education among the children of its migrant plantation workers is not affected by the COVID-19 pandemic situation, FGV has recently conducted an online school exam for FGV Community Learning Centre students (CLC) in Sahabat province (CLC FGV Sahabat), Sabah. The students utilised computers and internet facilities provided by CLC FGV Sahabat in addition to mobile phones. The online exam was conducted for 88 Standard Six students (age 12-13 years old), and 25 Secondary Three students (age 16-17 years old) who are taking the primary and secondary school education qualification certificates supervised by Kota Kinabalu Indonesian School (SIKK). The CLCs function as alternative learning centres for children of our migrant workers who are not enrolled in formal education. This is part of FGV's effort to respect the rights of the child and the right to education.

FGV is supportive of the government's effort to combat the COVID-19 pandemic. On 19 June 2021, FGV conducted a COVID-19 vaccination drive in collaboration with the Sabah State Health Department where 435 FGV employees in Sabah received COVID-19 vaccinations. FGV is also currently in discussions with the relevant authorities to obtain vaccinations for all FGV's employees including migrant workers.

Traceability

In fulfilling our commitment to responsible sourcing, a lot of effort is made by FGV to improve traceability of materials used for our operations. Since 2019, FGV has maintained 100 percent palm oil traceability to mills and FGV currently has 82 percent traceability to plantation (TTP). Our TTP data for full year 2020 was externally verified by the Malaysian Institute of Supply Chain Innovation (MISI). FGV targets to achieve a 100 percent traceability to plantation by the end of 2021. The Traceability and Validation Task Force (TVTF), which was established in 2019 in collaboration with MISI, Malaysia's National Applied Research and Development Centre (MIMOS) and Procter & Gamble Chemicals (PGC), is tasked to identify and verify the sustainability risks, including environmental as well as social and human rights risks, associated with external suppliers based on their specific geographical areas. This is done by assessing and verifying compliance to FGV's Group Sustainability Policy (GSP) by third party FFB suppliers and assisting the independent smallholders to improve their farming practices. In 2021, we plan to expand TTP up to Tier 3 suppliers in plantations. By 2023, FGV's goal is to expand the application of the GSP to all its supply chain partners, and for FGV's products to be fully compliant with the requirements of international markets.

FGV has also expanded its traceability programme into its rubber sector and currently, FGV has 82 percent traceability to plantation/collection centres. FGV expects to achieve 100 percent traceability of rubber to plantation for our local supplies by the end of 2021. In addition, FGV plans in 2021 to expand this rubber traceability initiative to our overseas suppliers.

Details on our traceability initiatives can be found on our [website](#).

Climate Action

Climate action is an important aspect of FGV's sustainability agenda as we share the global concern about climate change. FGV is committed to playing our part in the global community to achieve SDG 13 on climate action through the various initiatives currently being implemented. For example, FGV generates renewable energy from methane that is captured from our wastewater treatment plants. Some of our biogas plants continue to export electricity to the national power grid and supply electricity to several townships in the State of Sabah.

FGV's Plantation Business is conducting a feasibility study on the use of the ARUS system (Autonomous Solar Powered Single-Point Water Plant using Ultrafiltration Technology). If proven viable, we plan to introduce this new technology to reduce our operating costs and at the same time provide clean and safe water to workers. This water plant is powered 100 percent by off-grid solar photovoltaic panels, which will reduce carbon emission levels. In addition, the solar panels can convert photon to electricity for the plant's usage, and excess energy can be stored for use in surrounding areas.

Since 2020, FGV has initiated a comprehensive GHG inventory that would identify and capture key emissions from all entities across the group that come directly under FGV's operational control. FGV is now formulating an ambitious GHG emission reduction target, which is expected to be announced by the end of 2021, as part of its commitment to climate action.

Wildlife Conservation

Wildlife conservation remains a high priority for FGV. One of FGV's conservation projects involves the rescue, rehabilitation and release of injured or displaced Malayan Sun Bears. This project is implemented in partnership with the Malaysian Nature Society, the Department of Wildlife and National Parks Peninsular Malaysia and the National University of Malaysia (UKM). Through this project, FGV and its partners have developed three documents namely 'Guidelines in Managing Sun Bear in Captivity', 'Guidelines on Conflict Management for Sun Bear' and 'Malayan Sun Bear Conservation Action Plan'. We envisage these guidelines will be useful reference tools for interested parties such as conservation centres, zoos, research centres, NGOs and wildlife conservationists. While this project is ongoing, we have expanded our Protection of Rare, Endangered and Threatened Species Programme to include pygmy elephants, gibbons and pangolins, and we are exploring the possibility of developing similar guidelines in relation to these species.

FGV has also embarked on a new 3-year initiative to protect and enhance High Conservation Value (HCV) and High Carbon Stock (HCS) areas within the vicinity of FGV's and the Federal Land Development Authority (FELDA)'s plantations by planting fast growing indigenous or native tree species and wild fruit trees. Under this programme, FGV targets to plant a total of 50,000 trees in three years.