

## FGV SPECIAL ADDRESS - FUTURE PROOFED PALM OIL SUMMIT (FPPO 2021)

Speaker : Mohd Nazrul Izam Mansor, GCEO of FGV Holdings Berhad  
Date : 23 – 24 November 2021  
Topic : **‘CHANGING THE NARRATIVE: FGV’S HOLISTIC  
SUSTAINABILITY STRATEGY’**

### SALUTATIONS

- Yang Berhormat  
Datuk Hajah Zuraida binti Kamaruddin  
Minister of Plantation Industries and Commodities
- Yang Berbahagia  
Datuk Dr. Abdul Aziz S.A. Kadir, Chairman of Confexhub Group

Esteemed members of the panel:

- Datuk Dr. Ahmad Parveez Ghulam Kadir  
Director-General of the Malaysian Palm Oil Board
- Dr. Rosediana Soeharto  
Executive Director, of the Responsible Palm Oil Initiative
- Encik Mohammad Hafezh bin Abdul Rahman  
Chief Executive Officer of the Malaysian Palm Oil  
Certification Council
- Mr. Willem Klaassens  
Director of Markets & SourceUp | BU Landscapes, IDH – The Sustainable Trade Initiative
- Mr. Supun Nigamuni, General Manager of Control Union Malaysia

- Distinguished guests, ladies and gentlemen
- Assalamualaikum, and a very Good Afternoon to all of you.

## INTRODUCTION

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| 1. | <p>It is indeed an honour to be here this afternoon.</p> <p>First and foremost, I would like to thank Confexhub Group and the Malaysian Industry-Government Group for High Technology - MIGHT, for inviting FGV Holdings Berhad to this year's much anticipated virtual 'Future-Proofed Palm Oil Summit'.</p>                                |
| 2. | <p>Doing our part in future-proofing the palm oil industry, FGV is passionate about changing the narrative for Malaysian palm oil, by taking a holistic view and approach towards sustainability. This is to ensure that Environmental, Social and Governance considerations continue to take centre stage in all of FGV's undertakings.</p> |

## CHANGING THE NARRATIVE: FGV'S HOLISTIC SUSTAINABILITY STRATEGY

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| 3. | <p>Ladies and gentlemen,</p> <p>We have a strong commitment to ESG. This is clearly embedded in our Group Sustainability Policy, where FGV has adopted the no deforestation, no planting on peat and no exploitation commitment.</p>   |
| 4. | <p>In September 2021, we established our Board Sustainability Committee, whose main role is to assist FGV's Board in fulfilling its oversight responsibilities, in relation to FGV Group's sustainability policies, strategies and initiatives.</p> <p>The decision reinforces our unwavering commitment to sustainability, and reflects our resolve in ensuring that matters pertaining to sustainability are given utmost priority throughout the FGV Group.</p> |
| 5. | <p>FGV has also undertaken various initiatives on conservation of biodiversity and wildlife.</p>   |

	<p>We have embarked on a new 3-year initiative to protect and enhance High Conservation Value and High Carbon Stock areas within the vicinity of FGV's and FELDA's plantations, by planting fast growing indigenous or native tree species and wild fruit trees.</p>
<b>6.</b>	<p>Wildlife protection and human-wildlife conflict management remain a high priority for FGV. One of our conservation projects involves the rescue, rehabilitation and release of injured or displaced Malayan Sun Bears.</p> <p>While this project is ongoing, we have expanded our Protection of Rare, Endangered and Threatened Species Programme to include pygmy elephants, gibbons and pangolins.</p>
<b>7.</b>	<p>On the social component, FGV has been focusing on efforts in the past several years towards ensuring compliance to human rights and labour standards.</p> <p>These efforts have been intensified since early 2019 especially with our affiliation to the Fair Labor Association or FLA, which is a long-term programme to improve structures and systems for the enhancement of FGV's labour practices.</p>
<b>8.</b>	<p>Numerous initiatives are being implemented to align FGV's policies and procedures with FLA's Workplace Code of Conduct which is based on internationally-recognised human rights standards, improving FGV's migrant worker recruitment process, developing human rights capacity building and training programmes, due diligence process for the appointment of recruitment agencies, strengthening grievance mechanisms and enhancing our labour monitoring systems.</p>
<b>9.</b>	<p>These include 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.</p>

10.	FGV had invested RM350 million, to construct 319 blocks of new workers' housing over the period of 2018 to 2020. In 2021, we allocated additional funds amounting to RM43 million to further enhance facilities for our workers. These include refurbishing the older housing in 169 plantations and upgrading equipment to ensure continuous access to electricity and water supply.
11.	To improve access to healthcare for our workers, FGV has established 13 clinics in our plantations that are located in remote areas, with the guidance and approval of the Ministry of Health. Furthermore, we are establishing mobile shops to make it more convenient for our workers to have constant access to fresh food and supplies.
12.	We also recognise the importance of having a gender perspective in all of our actions and efforts. Therefore, FGV has established a Committee on Gender Equality and Women Empowerment in February 2021, with the objective of creating an enabling environment for women to have equal access to all opportunities, and adopting a gender-responsive and gender-mainstreaming approach throughout our operations.
13.	With regards to the Withhold Release Order (WRO) issued by the U.S. Customs and Border Protection (CBP) on 30 September 2020 against palm oil and palm oil products made by FGV Group, FGV is committed to taking all the necessary steps towards lifting the WRO including the recent appointment of an independent audit firm ELEVATE to conduct an assessment of FGV's operations, as advised by the CBP.

## REIMAGINING THE PALM AND KERNEL OILS ECONOMY

14.	<p>Ladies and gentlemen,</p> <p>FGV is dedicated to driving positive impact through business driven sustainability, and to becoming a responsible global company.</p> <p>In our efforts to future-proof Malaysian palm oil, and reimagining the palm and kernel oils economy, FGV strives to fulfil our customers' expectations for nutritious and healthy products</p>
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	through embedding sustainability throughout FGV's entire business chain. This includes FGV's plantations, mills, and refineries.
<b>15.</b>	In achieving ESG values as a leading sustainable food producer through our leading brands such as SAJI, Seri Pelangi and Adela, FGV is committed in upholding labour standards, efficient waste and water management and reducing the use of fossil fuel such as liquefied natural gas.
<b>16.</b>	In controlling carbon emissions in our factories, there are several processes in place, such as daily energy usage monitoring control to measure the use of LNG and electricity, as well as the installation of efficient insulation and heat exchangers to reduce heat losses.
<b>17.</b>	In terms of Governance, we are guided by various certifications such as Halal, Hazard Analysis and Critical Control Point, Kosher, sustainability related certifications, and Environmental and Safety protocols. Currently, we are undertaking in-depth study on the use of environmentally friendly biodegradable packaging materials.
<b>MECHANISATION AND DIGITALISATION</b>	
<b>18.</b>	<p>Ladies and Gentlemen,</p> <p>In future proofing our plantation, FGV has 115,000 hectares of flat and undulating areas which have been gazetted for mechanisation.</p> <p>As at 2021, the area has been 100 percent completed with Mechanical Assisted Infield Collection such as Mini Tractors and 3-Wheelers, that upgrades the conventional harvesting and collection method to mechanical.</p>
<b>19.</b>	We are continuously improving the mechanisation and digitalisation of our business, by utilising advanced technology to support the achievement of net-zero carbon emission targets by 2050. This is to ensure that FGV is abreast with the latest trends and requirements for us to provide products which comply to MSPO, RSPO and statutory requirements, and are healthy and free of contaminants for the nation, and the world.

20.	<p>The application of precision farming is also able to reduce the use of manpower, operation time, and fuel consumption. In addition to that, the introduction of drought-tolerant materials to adapt with the increasing temperature or dry areas, plus breeding research trials at low rainfall areas of FGV plantations, have identified several varieties that have the potential to perform better than regular palm varieties.</p>
21.	<p>We have also developed a drone-spraying methodology that can efficiently spray for weed, pests and disease control. Drone spraying without a doubt has improved the productivity of workers in up-keeping the estates, by enabling them to spray at much larger areas.</p>
<p><b>FGV RESEARCH &amp; DEVELOPMENT (FGV R&amp;D)</b></p>	
22.	<p>Ladies and Gentlemen,</p> <p>R&amp;D in FGV has been an integral part of the Malaysian oil palm industry. It traced its history back in 1972 when Tun Razak Agricultural Research and Development Centre was officially opened in Pahang by the second Prime Minister of Malaysia, Tun Abdul Razak Dato' Hussein.</p> <p>It was established to address the need for science-driven agricultural innovation, to leverage on nature's bounty to bring prosperity to the nation.</p>
23.	<p>FGV has since consolidated over four decades' worth of research expertise towards becoming a front-runner in oil palm research, and this has culminated in one of South East Asia's largest biotechnology centres, the FGV Innovation Centre in Bandar Enstek, Negeri Sembilan.</p> <p>The centre specialises in the production of oil palm clones with specific traits, and focuses in bio-molecular marker research.</p>

24.	This led to the pioneering of marker assisted oil palm breeding and selection which will ensure that its current award winning oil palm germinated seeds, FGV Yangambi ML161 and FGV 3 Way, continue to remain as the market leader in Malaysia by supplying more than 40 percent of the country's annual germinated seed requirements.
25.	Our strong R&D capabilities in oil palm breeding utilises advanced genomics, cloning, and big data analysis tools for crop improvement through molecular breeding and oil palm DNA fingerprinting.
26.	<p>Through innovation and research, we can reduce chemical use as we perform targeted aerial spraying that has much reduced chemical use and minimised run-off of chemicals to underground water or watercourse.</p> <p>At the same time, workers are remotely controlling the drone sprayer that is a great advantage in minimising hazardous chemical exposure.</p>
27.	<p>Ladies and Gentlemen,</p> <p>Palm oil is well known as a unique form of oil and fats. It is potentially used to produce many product variants without further additional modification processes, due to it already containing a balanced composition of saturated and unsaturated fatty acids.</p>
28.	Through research, FGV has successfully developed high-value food products using existing sources of oil and fats with controlled process conditions namely PREMEO Frying Oil with high frying stability performance compared to normal frying oil, PREMEO Animal Fat Replacer to eliminate animal fat in meat-based products such as nuggets and patties, and PREMEO Dairy Fat Replacer for industries to produce end products using palm-based ingredients.
29.	Besides that, FGV's biodiesel subsidiary is one of the nation's key biodiesel producers of B10, B20, and the upcoming B30 programmes. The biodiesel production generates more than 20 metric tonnes of wastes monthly such as glycerin pitch, black oil and spent carbon.

	<p>The research on new applications of these wastes to recycle, reuse or regenerate into other products or chemicals, is another zero waste approach and effort for decarbonation.</p>
<p><b>30.</b></p>	<p>Furthermore, FGV has established the FGV Chair for Sustainable Oil Palm Management in Universiti Malaysia Sabah since 2016.</p> <p>The Chair has the responsibility for conducting research into the sustainable oil palm management research project, provide further opportunities for higher degree research students to undertake agricultural-environment focused research, and will support the implementation of evidence-based sustainable practice in the oil palm agricultural industry.</p>
<p><b>DIGITALISATION</b></p>	
<p><b>31.</b></p>	<p>In digitalising our business operations, FGV is developing an Electronic Harvesting Interval Report System for our mills, to improve traceability of our fresh fruit bunches.</p> <p>For replanting, autonomous application methods are used such as Shuttle Radar Topography Mission dataset; to produce topography and slope map, GIS Software; for replanting area design, Global Navigation Satellite System for example EMLID and Trimble which are for pre-lining or lining point stackout, Archive Satellite Image or UAV Image; for area desktop study, and Avenza Map; for felling and chipping palm counting.</p>
<p><b>32.</b></p>	<p>We are also modernising traditional industrial practices through the implementation of the Palm Oil Mill Integrated System, or POMIS. POMIS offers a total solution to monitor palm oil mills including plants, factories and refineries in an integrated automated system.</p> <p>We also implement the Continuous Emission Monitoring System which is a full monitoring system for emission release by mills that can be accessed in real-time by the Department of Environment.</p>
<p><b>33.</b></p>	<p>We are also monitoring incoming chloride content in crude palm oil from our mills to mitigate 3-MCPDE/GE in our refining process. 3-MCPDE/GE is a heat-induced food contaminant which occurs in thermally treated foods including refined edible oils, bread, coffee and infant foods.</p>

34.	Part of FGV's initiatives in reducing 3-MCPDE/GE levels in our refined products include developing a cost efficient trial CPO washing plant in Lepar Hilir Palm Oil Mill, Gambang, Pahang for reduction of chloride content in CPO.
<b>KERNEL</b>	
35.	<p>Ladies and Gentlemen,</p> <p>For the kernel economy, FGV is currently expanding our by-product of palm kernel cake or PKC based animal feed, an alternative main raw ingredient for animal feedstock which is compelling, significant and sustainable.</p> <p>This is with the aim to strategically penetrate and expand FGV's 'Waste to Wealth' product offerings that is interrelated with our core business.</p>
36.	There are many benefits for the expansion of animal feed. Firstly, this initiative ensures circulation of wealth within the nation. Secondly, such an initiative allows better public health through the control of zoonotic diseases by the creation of safe animal based foods, and allow sustainable livestock production.
37.	FGV's PKC products has the potential to help reduce Malaysia's agriculture industry dependency on external sources of animal feed. This will ensure stability of animal feed supply and the nation's food prices, by stressing on ruminants and private sector investment in agriculture.
38.	As there is still a gap for the Self Sufficiency Level of Animal Feed in Malaysia, FGV aims to expand our palm kernel expeller or PKE animal feed business beyond ruminant, into the poultry business. This creates a circular economy not only within the Group, but also within Malaysia, reducing the export of our raw materials overseas and importing the finished products again.
39.	Hence, ALMA was launched in March this year, for FGV's expanding animal feed and animal nutrition business.

40.	ALMA animal feed products are free of antibiotics and include healthy formulations for beef and dairy cattle feed, goat and sheep feed, chicken and native chicken feed, natural mineral feed and additional feed for livestock.
<b>MOVING TOWARDS NET ZERO</b>	
41.	<p>Ladies and Gentlemen,</p> <p>FGV was founded on the principle of poverty eradication and sustainable development.</p> <p>As the adverse impacts of global warming are likely to affect low-income communities first, it is FGV's obligation as a responsible business and industry leader to be on the frontline of the fight against climate change.</p>
42.	We are proud to be the first food and agriculture company in Malaysia to formalise the commitment by signing the United Nations-backed Science Based Target initiative Business Ambition for 1.5 degree Celsius pledge, which calls for limiting global warming to 1.5 degree Celcius.
43.	The science-based targets provide a defined carbon management framework to reduce emissions in line with the latest climate science to limit the global temperature rise at 1.5 degree Celcius. The commitment to science-based targets requires FGV to halve our greenhouse gas emissions by 2030 and hit net zero emissions by no later than 2050.
44.	Our actions speak louder than words. In achieving these targets, FGV has developed a group-wide climate action plan comprising of climate governance, carbon management, waste management, water management, operational efficiency, and climate awareness.
45.	As part of our climate action plan, various initiatives such as generation of renewable energy and effective waste management are currently being implemented to reduce our GHG emissions and minimise impacts to the environment.

46.	For example, FGV generates renewable energy by utilising captured biogas and biomass in our operations, which is then used to supply electricity to the national power grid and local townships.
47.	FGV provides rural electrification to about 4,500 homes, small offices and mosques in Sabah townships without access to the national grid. This has enabled the local population to enjoy clean renewable electricity.
48.	With sustainability embedded and ingrained in all aspects of our operations, FGV is fully committed to ensuring consistent efforts and initiatives are carried out to improve our carbon emission footprint, utilisation of green resources, compliance with regulations, and contribution to society and the environment.
<b>CLOSING</b>	
49.	In future-proofing our palm oil, and in response to the increasing urgency for climate action, we hope other companies will together take urgent action and commit to science-based emissions reduction targets in the efforts to limit the global temperature rise to 1.5 degree Celsius.
50.	<p>On that note, I would like to thank Confexhub Group and MIGHT once again, for inviting me to speak.</p> <p>I look forward to all the discussions coming up today and tomorrow, for us to work hand in hand, in creating a better future-proofed palm oil industry together. Thank you.</p> <p style="text-align: center;">End</p>