



SUSTAINABILITY POLICY

SEPTEMBER 2020-2025

PREFACE

Musim Mas is a leading palm oil company, whose activities range from plantations to production of consumer goods. Our business philosophy is based on long-term, accountable commitments, placing sustainability among our core values. Our aim is to increase positive impacts on livelihoods and the environment while maintaining a sustained profitable growth.

This document is an update of our 2014 Sustainability Policy, which established the framework for our no deforestation, no peat, and no exploitation (NDPE) commitments, that apply to our operations and to our third-party suppliers. Moving forward, the next steps in our sustainability journey are aimed at consolidating previous achievements and addressing new challenges.

ACHIEVEMENTS DURING 2014-2019

Looking back at the past six years, we have attained many of our objectives. We have maintained our RSPO certifications and have achieved verification of compliance of our plantations against the POIG indicators for responsible palm oil production. We have significantly reduced greenhouse gas emissions by the installation of methane capture facilities and precise peat management. The Government of Indonesia has awarded us the highest number of PROPER "Green" ratings in our industry, recognizing achievements beyond legal compliance.

Through our collaboration with the IFC, more than 30,000 independent smallholders have received training in sustainable palm oil production. Near our operations, we have launched Fire-Free Village Programs with neighboring communities. We support them in fire prevention and firefighting activities to reduce transboundary haze.

As we have progressed in our sustainability journey, so have the expectations from customers, consumers, and civil society organizations for traceable, deforestation-free, and conflict-free supply chains. Our supply base is broad, consisting of large and small plantation companies and scheme and independent smallholders, each of them at a different stage of progress. Balancing inclusiveness with strict, credible compliance requirements throughout the supply chain is and will remain our main challenge as we continue to make it mandatory for all suppliers to adopt and implement NDPE policies, at a corporate group level.

Climate change is becoming another challenge, with extreme variations in weather patterns resulting in floods followed by dry spells, which increases fire risk. We are rising to these and other challenges. In the process, we seek to remain a leader in innovation for our sector, participating in the constant improvement of robust standards. Concurrently, we want to be a reliable partner in the stewardship of the landscapes where we operate and source our raw materials. Above all, we will continue our efforts to transparently report on progress against this sustainability policy and other objectives, such as our Supplier NDPE Roadmap, grievances, or landscape strategies.

¹ RSPO: Roundtable on Sustainable Palm Oil, the largest and most prominent multi-stakeholder initiative for sustainable palm oil production and use (www.rspo.org)

² POIG: Palm Oil Innovation Group, an initiative formed by NGOs and progressive palm oil companies with the objective to innovate and promote responsible palm oil production (www.poig.org)

³ IFC: International Finance Corporation is the private-sector lending arm of the World Bank



SCOPE

The scope of the Musim Mas Group Sustainability Policy encompasses all our operations and business units world-wide⁴ from 2020 to 2025. Included are our oil palm plantations as well as facilities involved in processing, refining and trading of palm oil products.

We will extend this policy to our processing and refining of coconut oil from 2022 onwards, recognizing that this commodity is at an early stage of setting industry-wide requirements for sustainable production.

Responsible production practices outlined in our policy commitments will be incorporated into standard operating procedures (SOPs), due diligence and verification procedures or subsidiary policies. Immediate actions will be undertaken to address any non-conformances to our policy. We will report annually on our progress in implementing this Sustainability Policy, in alignment with the GRI⁵ reporting standard.

As a member of RSPO, POIG and HCSA⁶ we fully embrace the requirements and standards of these organizations. We expect suppliers that are also members of these organizations to adhere, as well.

This policy applies to our suppliers and contractors.

Some commitments of this policy are specific to Musim Mas and these are subsequently *highlighted in italics*.

Our commitment to sustainability rests on **four pillars**:



Improve the Lives of Smallholders, Workers, and Communities



Deliver Positive Environmental Impacts



Maintain Responsible and Enduring Relationships with Suppliers, Customers, and Stakeholders



Drive Innovation in Sustainable Practices

These pillars rest on the core components of sustainability, namely people, planet and profit. Although not explicitly referenced in this policy, we recognize the importance and relevance of the Sustainable Development Goals (SDG). Our contributions to specific targets of the SDGs can be found in our upcoming 2020 Sustainability Report.

⁴ 'All of our operations' applies at a corporate group level as defined by the Accountability Framework Initiative: This policy applies to all subsidiaries and operations of the Musim Mas Group, Inter-Continental Oils and Fats (ICOF), joint venture partnerships and includes investments, regardless of stake (e.g. a minority shareholding in any oil palm, or forest-risk related business, even without management control).

⁵ GRI: Global Reporting Initiative, a standards organization for sustainability reporting (www.globalreporting.org)

⁶ HCSA: High Carbon Stock Approach, an initiative to halt deforestation in the tropics, whilst respecting rights, through a credible, inclusive and science-based methodology (highcarbonstock.org)

PILLAR 1

IMPROVE THE LIVES OF SMALLHOLDERS, WORKERS, AND COMMUNITIES

Palm oil production above all is a people business: Be it the workforce that tends to our plantations or operates our mills and refineries; the hundreds of thousands of smallholders who supply their crop to our mills or those of our suppliers; the local communities and villagers living near operations; the customary rights holders to lands which currently comprise concessions; and those affected by our supply chain. We are committed to respecting human rights, land rights, and labor rights, and will work hard to establish a **lasting, positive legacy** everywhere we work.



IMPROVE THE LIVES OF SMALLHOLDERS,
WORKERS, AND COMMUNITIES



THE TENETS OF OUR POLICY THAT MUST BE ADHERED TO ARE:

1. **Respect of all human rights** as spelled out in the International Bill of Rights and UN covenants and adherence to the principles for business set out in the UN Guiding Principles (UNGP) on Business and Human Rights, or applicable national laws.
2. **Respect of the formal and customary rights** of indigenous peoples (outlined in the UN Declaration on the Rights of Indigenous Peoples) and local communities. Respecting the rightsholders' prerogative to grant or withhold Free, Prior and Informed Consent (FPIC) for all new developments or conservation areas which may affect indigenous peoples' and local communities' rights, land, resources, territories, livelihoods, and food security, and providing remedy in cases where existing operations have caused harm.
3. **Compliance with laws and regulations** governing employment, or with eight fundamental ILO⁷ conventions, where legal requirements are lower, *and with specific provisions for the workforce as spelled out by the RSPO and POIG standards*⁸.
4. **No child or forced labour**, direct or indirect, is tolerated.
5. **Occupational health and safety standards** (OHS) for the entire workforce which are continuously reviewed and improved. Adequate **housing facilities and access to basic infrastructure** for workers and staff (e.g. medical treatment, banking facilities, day-care). Consideration of **women's reproductive health rights**.
6. Commitment to **respecting diversity** and promoting **gender equity**.
7. *Support for maintaining or strengthening **food security**, including respect for local control and diversity of food production systems.*
8. Fair and lasting business transactions with contractors and suppliers, and **transparent prices of FFB**⁹ for independent and scheme smallholders.
9. *Opportunities for **training of our smallholder scheme members** to enhance productivity, good agricultural practices, and achieving compliance with standards, such as the RSPO.*
10. **Inclusion of independent smallholders** in the supply chain, as long as the crop originates from known, identified and legal sources. **Establishment of smallholder hubs** for training independent smallholders in our priority landscapes¹⁰.
11. *Provisions for the **education** of the children of our workforce, as well as scholarship programs for the children of our workforce and surrounding communities.*
12. *Continuous engagement with local communities near our operations, be it through specific programs, such as the **Fire-Free Village Program**, support in infrastructure improvements or involvement in consultations. Efforts will be continued to improve basic infrastructure and to create job opportunities.* Suppliers are expected to engage constructively with communities.
13. **Zero tolerance for corruption, bribery, violence, or any form of intimidation and criminalization**¹¹.
14. **Complaints and grievance resolution** procedures or mechanisms, which resolve disputes in an effective, timely and appropriate manner, and provide protection to complainants, whistleblowers, community spokespersons and human rights¹², land and environment defenders. Periodic review of accessibility and performance.

⁷ ILO: International Labor Organization; commitment applies specifically conventions on freedom of association and right to organize, collective bargaining, forced labor, minimum age/child labor, equal remuneration and discrimination.

⁸ This includes a decent living wage (matching but usually exceeding minimum wage), provisions for food security and no charging of recruitment fees.

⁹ FFB: Fresh fruit bunches, the fruits of the oil palm.

¹⁰ Training modules include topics such as good agricultural practices, NDPE, financial literacy and replanting. They are the basis for preparation towards certification.

¹¹ Criminalization is defined as 'the intent to discredit, sabotage or impede the work of human rights defenders through the misuse of the legal system and through a targeted manipulation of the public discourse within a country'.

¹² Refers to the broad United Nations definition of human rights defenders as people who, individually or with others, act to promote or protect human rights (www.ohchr.org/EN/Issues/SRHRDefenders/Pages/Defender).

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PILLAR 2

DELIVER POSITIVE ENVIRONMENTAL IMPACTS

A **healthy environment** is key for the sustainable production of our raw materials. We are committed to maintaining the ecological integrity of our plantations and surrounding areas, and to **mitigate or minimize any adverse impacts** of operations on the environment or neighboring communities. Our deep commitment to conservation and preserving biodiversity is long-standing and continues to be one of our priorities.



DELIVER POSITIVE
ENVIRONMENTAL IMPACTS



THE TENETS OF OUR POLICY THAT MUST BE ADHERED TO ARE:

1. **No deforestation** of High Carbon Stock (HCS) forests, no conversion of High Conservation Value (HCV)¹³ areas and **no new developments on peatlands** (regardless of depth) after 31 December 2015 (*no development on peat since 2014 for our own operations*). Full adherence to the relevant requirements of the RSPO and HCSA for new developments or expansion of plantation areas¹⁴.
2. **Traceability of FFB** to the place of production (industrial plantation or smallholder farm¹⁵).
3. **Protection, monitoring and management** of HCV areas and HCS forests in estates and where appropriate in the surrounding landscape.
4. **Restoration** or regeneration of any areas under management control affected by fires or encroachment. *Compliance with RSPO and POIG requirements and specified cutoff dates for restoration or remediation for managed areas.*
5. **Management of peatlands** and other fragile soils in accordance with best practices, as determined by legal obligations and/or RSPO requirements, or as advised by peatland experts. *For peat, this includes a drainability assessment prior to replanting. Commitment for rehabilitation of peat areas to natural vegetation, if replanting with oil palm is deemed unsuitable because of drainability limitations, or because the area is within a critical peatdome/peatland ecosystem. Unplanted peatland within the concessions is protected.*
6. **No use of fire** in operations (“zero burning”). Fire risk monitoring, fire prevention and firefighting in and near operations.
7. Implementation of **integrated pest management** to maximize natural control of pests and diseases, and to reduce the use of toxic pesticides. Compliance with legal regulations. *RSPO and POIG pesticides prescriptions are adhered to in full (Use of Paraquat has been stopped since 2011 in all Musim Mas operations).*
8. Maintain **soil fertility** with optimized use of inorganic fertilizers, and with organic residues from processing (e.g. effluent, decanter solids).
9. *Minimization and targeted reductions of greenhouse gas emissions from operations including land use changes in accordance with internationally recognized best practices.*
10. Full compliance with legal requirements for **airborne emissions** as well as for **water use** and quality from operations (mills, refineries).
11. Implementation of proactive measures to minimize the risk of, and where necessary resolve, **human-wildlife conflicts**, and **prohibition of hunting** in concessions.
12. *Commitment to water accountability, with respect to water quantity and quality, as well as equity (extraction, use, treatment and discharge, and management of riparian areas and water sources according to best practices).*
13. **Reduce paper and packaging footprints** through decreased paper and cardboard use, or where unfeasible targeted increases in the proportion of recycled fibers or next-generation fibers in cardboard and paper products.

¹³ HCV areas: Sites which contain one or more High Conservation Values (HCV), based on an assessment by a qualified, independent, HCVRN-ALS assessor (HCVRN-ALS: the High-Conservation Values Resource Network Assessor Licencing Scheme).

¹⁴ RSPO and HCSA require use of HCVRN-ALS assessors for HCV/HCS assessments, mandatory use of the appropriate toolkits and quality control measures, as well as SEIAs or national equivalents. The simplified HCSA methodology for smallholders can be utilized. *Our commitment also includes full compliance with RSPO, HCSA and POIG cutoff dates for deforestation, HCV, HCS and peat.*

¹⁵ For smallholders, traceability can be to the farm, or to the village, under a risk-based approach.

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PILLAR 3

MAINTAIN RESPONSIBLE AND ENDURING RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS, AND STAKEHOLDERS

In order to initiate, support and lead transformation across third party supply-chains and at a landscape level, we depend on likeminded partners from the private and public sector as well as civil society. The end of deforestation and sustainable livelihoods can only be achieved through **cooperation** and **collaboration** among these actors.



MAINTAIN RESPONSIBLE AND ENDURING RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND STAKEHOLDERS



THE TENETS OF OUR POLICY THAT MUST BE ADHERED TO ARE:

1. Compliance with the legal requirements applicable to the location of particular operations. *Seeking **collaboration with local governments** to promote sustainability-driven regulations that enable NDPE commodity production at a landscape and/or jurisdictional level.*
2. *Active participation in and adherence to the requirements of voluntary **multi-stakeholder platforms** that are relevant to our sector, at the international, national, or local level, such as RSPO, POIG, HCSA, and GAPKI.*
3. *Proactive support and outreach to suppliers to ensure full understanding of NDPE requirements, as well as the exchange of best practices amongst our suppliers. Support for achieving **NDPE compliance across all suppliers' operations** as defined and targeted in our Supplier NDPE Roadmap.*
4. *Maintenance of a **public grievance system** aligned with the UNGP on Business and Human Rights principles for non-judicial grievance mechanisms to recognize, assess, address, and resolve suspected violations of our NDPE commitments. This system is equitable and accessible to all concerned parties.*
5. *Activation of our Grievance Procedure, and our **Controlled Purchase Protocol (CPP)** in case of violations to our NDPE requirements, to resolve issues, secure remedy and remediation, and where thresholds for suspension and termination of contracts have been breached, to exclude errant suppliers as a last resort.*
6. ***Partnerships across the supply chain** and including local governments to support outreach and training for independent smallholders.*
7. *Investment and participation in **landscape-level approaches for responsible sourcing** in our priority sourcing areas.*

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PILLAR 4

DRIVE INNOVATION IN SUSTAINABLE PRACTICES

Innovation is at the heart of our company, and has allowed us to reach a high performance as a producer and processor of palm products. We need to innovate to **answer growing demands** from civil society, customers, and consumers, to maintain our business under a **changing global climate** and to adapt to dynamic regulatory frameworks.



DRIVE INNOVATION IN
SUSTAINABLE PRACTICES



THE TENETS OF OUR POLICY THAT MUST BE ADHERED TO ARE:

1. Promotion of a **Musim Mas culture of staff-led innovation** at all levels of operations, where new ideas are continuously assessed and adopted on their merits.
2. Participation in key forums and initiatives that aim to **advance all aspects of sustainability** in the palm oil sector.
3. Investment in research programs leading to **excellence** in integrated pest management, palm breeding, HCV management and processing technology.
4. Extension of innovation efforts to smallholders, leading to **highly effective, scalable extension service programs**.
5. Support for the development of company roadmaps and landscape-level efforts that will deliver the **rehabilitation of peatland hydrology and ecosystem services** by phasing out drainage and phasing in alternatives like (community-based) paludiculture or, where clearance occurred in breach of legal, Musim Mas, POIG or RSPO requirements, peat swamp forest restoration and conservation.
6. Development and implementation of a framework for measuring the efficiency and efficacy of programs for independent smallholders, to determine - and over time increase - **positive impacts on the livelihoods of smallholders**.
7. Contributions to improvements in deforestation, peatland and fire **monitoring and verification**, as well as traceability tools and platforms, leading to credible, collaborative procedures to ensure **verified NDPE compliance** across our supply chain.
8. Active support for **industry-wide reporting initiatives** that lead to transparent, credible NDPE implementation reporting.

Although we cannot require suppliers and contractors to embrace innovation, we will proactively share innovative practices as appropriate. In addition, we are open to engaging in partnerships with suppliers, customers, or civil society organizations to foster innovation.



CORPORATE HEADQUARTERS

Musim Mas Holdings Pte Ltd
150 Beach Road #24-01, Gateway West
Singapore 189720

Tel: +65 6576 6500
www.musimmas.com