



Intercontinental Specialty Fats Sdn. Bhd.

Sustainability Palm Oil Policy

Implementation Roadmap

Progress Update

FY2018-2020

Date: Nov 2019

## Introduction

Since our Sustainability Palm Oil Policy was published in Dec 2017, the palm oil industry has seen much progress. We have gained a wide range of experience in implementing our policy for achieving impact. This progress update, published in September 2019, reflects the latest developments in Best Practices and articulates our approach to policy implementation. We remain fully committed to the Roundtable on Sustainable Palm Oil (RSPO) as essential to transforming the palm oil sector.

We will communicate the implementation of this implementation plan through regular progress reporting in a public and transparent way.

## Summary

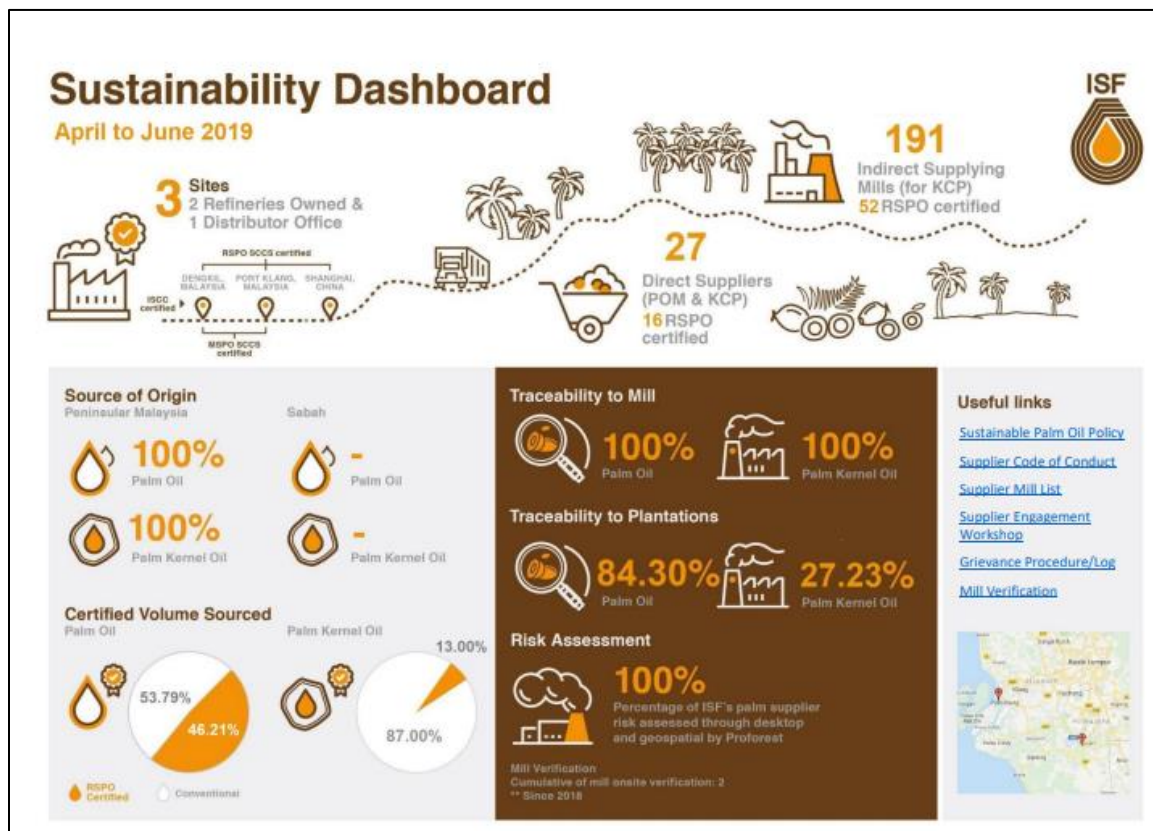
Action Plan	Strategy	KPI	Target Date	Status
<b>Transparency</b>	Mill list shall incorporate palm oil and palm kernel oil suppliers	Publish all mill list	June 2019	Accomplished
	Display the supply chain information through dashboard	Publish the dashboard on the website on quarterly basics	June 2019	Accomplished
	Publish regular reports, including an annual report, on key metrics, time-bound implementation plans, progress and impacts.	<ul style="list-style-type: none"> <li>Update the progress report on six monthly basics</li> <li>Sustainability Reporting</li> </ul>	Feb 2020	On-going
<b>Verification</b>	Risk profiling of all supplier conducted through desktop and geospatial by Proforest	<ul style="list-style-type: none"> <li>Supplier risk profile</li> <li>% of supply chain covered by satellite and/or radar monitoring</li> </ul>	Dec 2019	Accomplished
	Use satellite and radar technology to monitor deforestation, burning, peat and verify compliance	<ul style="list-style-type: none"> <li>Number of field verifications of compliance with NDPE requirements</li> </ul>		On-going
	Conduct stakeholder consultations/site verification to verify supplier compliance	<ul style="list-style-type: none"> <li>Workshop to communicate</li> </ul>		On-going; accomplished 2 visits

		<ul style="list-style-type: none"> <li>• GFW Assessment Result</li> </ul>		
<b>Traceability</b> a) Collect plantation data from suppliers b) Risk assessment & prioritisation c) Encourage disclosure of concession maps	Traceability to mill by 2020- Direct suppliers	100% traceability to mill level	June 2019	Accomplished
	Traceability to plantation by 2020- Indirect suppliers	100% traceability to plantation level (risk-based approach to traceability to plantation, with our tier 1 suppliers)	Dec 2020	On-going
<b>Grievances</b> a) Implement grievance process with suppliers b) Engage at supplier group level	Establish grievances SOP and the list	Publish the grievances SOP and list on the website	June 2019	On-going
<b>Supplier Engagement</b>	<ul style="list-style-type: none"> <li>• Direct and indirect suppliers compliant with No Deforestation, No Peat and No Exploitation (NDPE) policy</li> <li>• NDPE modules for capacity building of suppliers</li> </ul>	a. Organize supplier Engagement workshop b. Number of suppliers has signed of ISF's code of conduct or own establish NDPE policy	Dec 2019	Accomplished
<b>Smallholder Inclusiveness</b>	<ul style="list-style-type: none"> <li>• Identify the suitable smallholder group which can deliver their FFB to our suppliers</li> <li>• Supporting the smallholder through</li> </ul>	a. Number of smallholders supported by ISF's program b. Volume of PO enter into ISF's supply chain	June 2020	On-going

	collaboration with supplier			
<b>Certified Sustainable Palm Oil</b>	<ul style="list-style-type: none"> <li>All the supplier shall be at least MSPO and/or RSPO certified</li> </ul>	Tier one supplier MSPO and/or RSPO Certification Status	Dec 2020	On-going


## Transparency

We have made significant progress on our commitment towards traceable and sustainable supply chains of our third-party suppliers. Other key information which recorded at the dashboard such as source of origin, certified volume sourced, traceability to mill & plantation, mill list and grievances. The dashboard updated on the quarterly basics.



## Verification

The PALM Risk Tool (Prioritizing Areas, Landscapes and Mills) is a simple to use and automated way to assess the risk of deforestation associated with a palm oil mill and its supply base. This global tool prioritizes mills within a company’s supply chain to guide improvements toward zero-deforestation commitments. With the assistance from Proforest, ISF able to determine initial risk ratings for all the suppliers. Then we carry our deeper analysis for operations with higher relative risk for social and environmental issues.



**ISF Supplier Risk Analysis**

This document summarises the key supply base risks for ISF's CPO suppliers.

Note: Only the mills that have not been assessed by Proforest in the past have been included in this analysis. Details on the other mills, namely: Seri Langat, Seri Ulu Langat and Tian Siang Air Kuning may be able to be shared with ISF with agreement from the contracting parties.

MILL NAME	PALM RISK TOOL	PRIMARY FOREST	PROTECTED AREAS	PEAT	FIRE	HISTORIC LOSS	POTENTIAL FOR FUTURE LOSS
ULU KANCHONG PALM OIL	Overall, this mill has low priority	Low	Medium Low	Medium	Medium	Medium Low Risk	Medium Low Risk
TIAN SIANG RAUB PALM OIL MILL	Overall, this mill has low priority	Medium Low	Medium	Low	Medium Low	Medium Low Risk	Medium Low Risk
SUNGAI TERAH PALM OIL MILL	Overall, this mill has medium low priority	Medium Low	Medium	Low	Medium	Medium Risk	Medium Risk
RAUB OIL MILL	Overall, this mill has medium low priority	Medium Low	Medium	Medium Low	Medium Low	Medium Low Risk	Medium Risk
JUGRA PALM OIL MILL	Overall, this mill has low priority	Low	Medium Low	Medium	Medium	Medium Low Risk	Medium Low Risk
ENG HONG PALM OIL MILL	Overall, this mill has low priority	Low	Medium Low	Medium	Medium	Medium Low Risk	Medium Low Risk
SERI LANGAT PALM OIL MILL	Overall, this mill has low priority	Low	Medium Low	Medium	Medium	Medium Low Risk	Medium Low Risk
TIN SIANG AIR KUNING	Overall, this mill has medium low priority	Low	Medium	Medium	Medium Low	Medium Risk	Medium Risk
SERI ULU LANGAT PALM OIL MILL	Overall, this mill has low priority	Low	Medium Low	Medium Low	Medium	Medium Low Risk	Medium Low Risk

Intercontinental Specialty Fats commits to working with its suppliers to ensure they become compliant to our sustainable palm oil policy which has published in December, 2017. The visits take the form of an audit using a checklist and criteria, resulting in a report that highlights areas of and provides recommendations for continuous improvement, against which action plans are developed to close the gaps identified.

ISF and Proforest conducted the following mill-level verification visit at following location:

- a. Gua Musang, Kelantan from 24-26 April 2018. Gua Musang is a town and district in southern Kelantan, Malaysia. It is the largest district in Kelantan. The visit permits a deeper understanding of the progress of implementation of sustainability commitments at mill, small grower and the smallholder.

- b. Rompin, Pahang from the 25<sup>th</sup> to 26<sup>th</sup> September 2018. The visit included a one-day assessment and 2nd day focused on capacity-building for the mill and plantation management on ISF sustainability policy.



## Traceability

Traceability is a key tool for increasing transparency in supply chains. ISF is focusing on high-risk landscapes where there are remaining forest and peat. We are working with suppliers to improve transparency in their sourcing and accountability on the ground in the collection of concession data. In December of 2018, we have achieved 100 per cent traceability to mill for all our direct suppliers. ISF's rigorous tracking process ensures that materials can be followed back to the source. We are committed to sourcing and processing traceable and certified sustainable palm oil. Sustainable is defined as certified by RSPO or an equal standard. Traceability will guarantee that we know and trust the source of the palm oil.

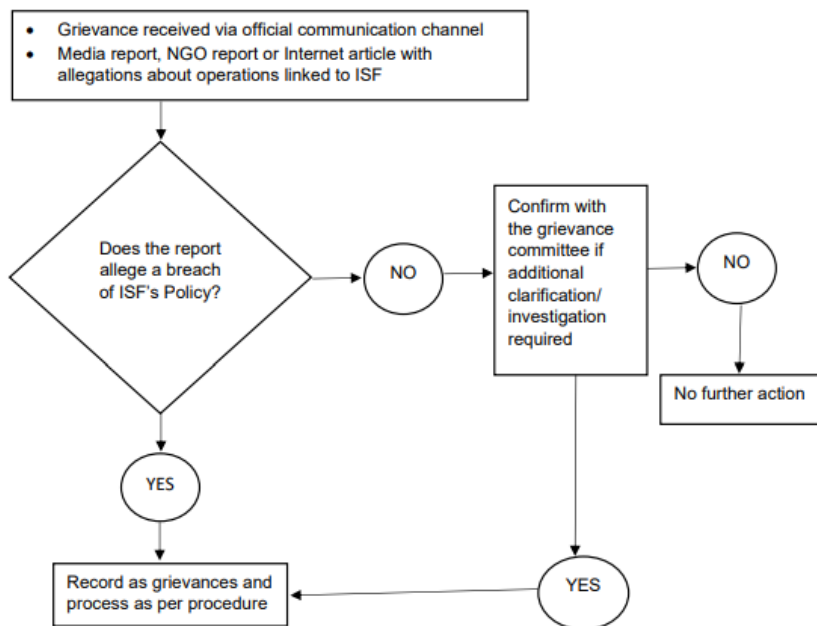


## Grievances Mechanism

As part of our Sustainability Policy, Intercontinental Specialty Fats (ISF) has established a Grievance Procedure as a reference for our management to handle any grievance from any external parties. This is a platform for all stakeholders to address concerns and feedback for enhancing the transparency and accountability in our supply chain. The SOP was established on Jan 2018 and all the grievances log made available on ISF's website.

Through our Grievance Log, we continue to report the status and progress of action for indirect suppliers that have been suspended. Through continuous engagement, our direct suppliers have investigated allegations, established NDPE policies and reported on traceability progress.

### Grievance Mechanism Process Flow



## Supplier Engagement & Capacity Building

Supplier engagement is a set of mechanisms or interventions that are implemented with suppliers to build compliance with policy commitments across the production base. We will adopt a proactive approach to engaging our key volume suppliers, to build compliance with our policy commitments and monitor progress.

As the ISF sustainability policy was published in December 2017, we had organized two workshops for the communication. The supplier engagement workshop held on 2018 and 16 May 2018 in Selangor, Malaysia, CPO and CPKO suppliers were present at ISF head quarter to understand elements of ISF's newly launched sustainability palm oil policy. The workshop brought together key CPO suppliers to address challenges within the palm oil industry and to discuss plans for



improving their existing practices in line with ISF's Sustainable Palm Oil Policy and Supplier Code of Conduct. MPOB representative was also invited to speak on the MSPO certification system which has become mandatory in Malaysia. Proforest as ISF's third party verifier also explained the risk assessment program that helps the company's supply partners to identify the gaps of their own operations. This assessment will assist ISF in identifying areas where the company's suppliers need support.

In 2019, as part of ISF's effort to support the transformation of the palm oil supply chain through supplier engagement, we have organized another Supplier Engagement Workshop with a series of technical presentation facilitated by Proforest. Topics covered at previous workshops include NDPE implementation plan, social issue and smallholder support mechanism. The workshop was organized on 31 July 2019 at Setia Alam Convention Centre with approximately 70 attendees.



## 2019-2020 Priorities

We will continue to advance and strengthen our efforts to deliver a sustainable, transparent and traceable palm oil supply chain. Priority actions will include:

- a. Maintaining strong engagement with our suppliers on our palm policy and NDPE commitments
- b. Continuing to collaborate with our direct suppliers to make progress towards increasing traceability of third-party supplies to the plantation
- c. Collaborate with consultant- Helikonika for producing Sustainability Report in early 2020
- d. Expedite the project with consultant on smallholder's certification and reduction of agrochemical use in Malaysia
- e. Continue engage with our supplier to ensure all the palm oil and palm kernel oil supply to ISF at least either RSPO or MSPO Certified