



Plantation



Responsible Agriculture Charter

Revised 2020



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1.

PREAMBLE

We strive to be a world leader in the agriculture sector through sustainable practices and this Responsible Agriculture Charter ('RAC' or 'this Charter') articulates our commitments to no deforestation, no new development on peat, and no exploitation of the rights of indigenous peoples, workers and local communities ("NDPE commitments").

This document is the second revision of the RAC first launched in 2016. This Charter defines our commitment to achieving excellence across our business engagements without compromising on our responsibility to protect and improve the interdependent and mutually supportive foundations of sustainability: people, planet and prosperity.

In this revision we have further strengthened our position and commitments towards no deforestation, no new development on peat and no exploitation. These commitments are also extended to include actors within our supply chain and communities surrounding and affected by our operations. Traceability of our global supply chain and responsible sourcing is a key driver to support the industry to increase sustainable palm oil production.

We are guided by leading sustainability certification schemes as the baseline for determining compliance to our commitments and we continuously look for holistic and practical systems to better protect people and the environment.

The implementation of these commitments is guided by policies and guidelines designed to ensure consistency and standardisation across our operations and businesses.

The overarching building blocks of our approach to responsible agriculture are:



2.

SCOPE

We are committed to meeting the different aspects of this Charter in all our operations and business units across the world. However, we are also aware of the challenges and limitations of implementing these proactive measures, especially in our non-core businesses. Nevertheless, we commit to minimising instances of non-conformance by imposing immediate and appropriate corrective actions as soon as possible.

3. COMMITMENTS

We recognise the inherent value of forests and the biodiversity they contain, as well as the scarcity of natural resources and threats from climate change. All our activities will be guided by a precautionary approach, and a no-deforestation objective. We recognise the limitations of individual company commitments in this area and seek to work with all stakeholders, including competitors, to deliver long-term positive conservation results.

3.1 Protect and conserve biodiversity and ecosystems

In order to conserve biodiversity and protect ecosystems, we commit to:

- 3.1.1 Adoption of integrated HCS-HCV¹ using HCVRN² and HCSA³ toolkit assessments to identify areas to be protected prior to new land clearing.
- 3.1.2 Management of erosion by protection of steep slopes and river reserves within our operations and promote restoration programs.
- 3.1.3 Implementation and enhancement of evidence-based practices for the maintenance and management of all identified conservation areas and to enhance where possible, the value of such areas.
- 3.1.4 Addressing human-wildlife conflicts within plantation boundaries including prohibition of illegal hunting through implementation of evidence-based practices and building tolerance to promoting coexistence.

3.2 Commitment towards no deforestation and new development on peat

Recognising the climatic impact that may arise from destruction of forest and development on peat, we have committed to:

- 3.2.1 Eliminating deforestation⁴ and conversion⁵ of other natural ecosystems⁶ in our operations and supply chain.
- 3.2.2 No new development of 'potential high carbon stock area' forest as defined by the 'HCS Approach'.
- 3.2.3 No new development of peat areas, regardless of depth or location. Existing planted areas shall be managed according to best practices and rehabilitated if the area reaches natural gravity drainability limit⁷ measured using recognised method.
- 3.2.4 Extending our commitments to those in our supply chain through our policy on 'Working with Suppliers to Draw the Line on Deforestation'.
- 3.2.5 Zero use of fire for land preparation and establish effective monitoring and prevention as well as proactive firefighting measures within a reasonable radius beyond our operational boundaries.
- 3.2.6 Recognising that haze as a result of fire is a transboundary issue, we commit to influence other stakeholders including communities to adopt the same stance.

¹ HCS-HCV (High Carbon Stock – High Conservation Value)

² HCVRN (High Conservation Value Resource Network)

³ CSA (High Carbon Stock Approach)

⁴ Accountability Framework's definition of deforestation, including "gross deforestation"

⁵ Accountability Framework's definition of conversion, including "gross conversion"

⁶ Accountability Framework's definition of natural ecosystem

⁷ As prescribed in the RSPO Manual on BMPs for Existing Oil Palm Cultivation on Peat

3.3 Reduce climate change impacts and enhance resilience

We strive to combat climate change and promote climate resilient agricultural practices to ensure the sustainability of our own business and ongoing success of those in our supply chain and beyond. We are committed to:

- 3.3.1 Annual measurement, review and reporting of our carbon footprint and identification of key strategies aimed at delivering a 40% reduction in operational carbon emission intensities by 2030.
- 3.3.2 Mitigating climate change impacts through our no deforestation commitment, reforestation efforts, sustainable land management and no new development on peat.

3.4 Promote responsible consumption and production

We strive to ensure that activities within our operations do not harm the ecosystem and minimise pollution, hazards and the production of waste. We commit to:

- 3.4.1 Complying with all legal requirements and Best Management Practices on chemical usage and minimising chemical use by adopting integrated pest management programmes in our plantations.
- 3.4.2 Eradicating the use of pesticides that are categorised as World Health Organisation Class 1A or 1B, or that are listed by Stockholm or Rotterdam Conventions. We also ensure that paraquat is not used, unless in exceptional circumstances, as validated by a due diligence process, or when authorised by government authorities for pest outbreaks.
- 3.4.3 Identifying the sources and impact of all our activities that may pollute the environment (air, waterways and others) by instituting appropriate control measures, constant monitoring, and adopting initiatives to reduce environmental impact from waste generated from our processes and operations.
- 3.4.4 Working towards protection of natural resources through optimisation of water extraction, robust water management initiatives and implementation of water quality improvement plans.
- 3.4.5 Where possible, the business unit will strive to opt for renewable resources and recycled materials.

3.5 Enhance supply chain traceability

We are committed to ensuring traceability of our raw material and products by:

- 3.5.1 Working towards a fully traceable supply chain, with visibility to the mill and plantation.
- 3.5.2 Ensuring that the production of all our raw materials, including from third party suppliers, are aligned to the No Deforestation, No Peat and No Exploitation commitments in this Charter.
- 3.5.3 Promoting the adoption of the RSPO standard and use of RSPO certified products, as outlined in the Shared Responsibility requirements.

4. APPROACH

- 4.1 We will follow best practice, and are guided by best available science and consultation with our stakeholders. We prefer structured guidance developed in multi-stakeholder contexts, and follow the latest developments of such initiatives.
- 4.2 We commit to monitor our progress in implementing this Charter and to develop, where appropriate, performance indicators and other measurements that assist in determining our progress.
- 4.3 We maintain proactive engagement with relevant internal and external stakeholders to better understand and then to respond to environmental and supply chain related issues and concerns. We seek to learn and share best practice through engagement within local and international networks.
- 4.4 We will maintain and continuously improve robust and effective systems to avoid and counter bribery and corruption in all its forms through the Sime Darby Plantation Code of Business Conduct (COBC).

5. IMPLEMENTATION

- 5.1 The commitments in this Charter are effective immediately for all of our palm oil operations, both upstream and downstream, including associated smallholders.
- 5.2 Acknowledging the challenges to independent smallholders in our supply chain that this Charter will create, we strive to jointly find innovative solutions to ensure a balanced outcome and avoid exclusion. Where breaches occur, we will work through constructive engagement with our business partners to resolve and prevent further instances of non-compliance. In cases where breaches are repeated, we will cease to conduct business with them until they are able to demonstrate compliance to this Charter.
- 5.3 The commitments in this Charter will be embedded in our long-term development strategies supported by business and operations plans and implementation measured through defined Key Performance Indicators.

6. RESPONSIBILITIES & REPORTING

- 6.1 The oversight of this Charter is led by the Board of Directors, through the Sustainability Committee. The implementation and administration of this Charter is the responsibility of the management within Sime Darby Plantation.
- 6.2 We will report on performance and progress to the Sustainability Committee on a quarterly basis, and also disclose progress to external stakeholders through our Annual Reports and Sustainability Reports, where available.
- 6.3 This Charter has been endorsed by the Sustainability Committee and approved by the Main Board. It will be reviewed at a minimum, every three years.
- 6.4 This Charter will be made available to all stakeholders and players in our supply chain.