



ofi Responsible Sourcing Palm Oil Policy

January 2022

Introduction

ofi is committed to sustainable Palm Oil sourcing.

At ofi, making sure that we and our suppliers source in an ethical, socially responsible and environmentally sustainable manner is integral to our continued success and to supporting our purpose of being the change for good and a healthy future.

ofi's dairy and specialty fats businesses both procure palm oil from third parties. Our Responsible Sourcing Palm Oil Policy states our commitment to the RSPO standard, protection of High Conservation Value forests and ecosystems, High Carbon Stock forests, peatland, and improving the livelihood of rural communities across the palm oil we source. We have also referenced the precise terminology of "No HCS, No HCV, No Peat and No Exploitation".

1. Scope

The Responsible Sourcing Palm Oil Policy covers all our third-party sourcing. The policy applies at Group level¹ of our suppliers. The cut-off date for implementation of the Policy is February 2017.

2. Policy Commitment

All our suppliers must comply with this Policy to supply to ofi. In addition, our suppliers must adhere to our Supplier Code, to Roundtable on Sustainable Palm Oil (RSPO) requirements, or to a Code that is equivalent to the Supplier Code that has been approved by ofi. The Policy sets out requirements in line with our no deforestation, no peat, no fire and no exploitation (NDPE) commitment. We have implemented rigorous due diligence and NDPE sourcing requirements for our third-party suppliers since 2017.

¹ Definition of Group Level is per the RSPO's definition

2.2 Forest conservation and reduction of GHG emissions (No HCV, No HCS and No Peat)

- Any new development must identify HCV² areas and HCS³ forests for protection utilizing international best practice guidance from the RSPO Principles and Criteria, High Conservation Value Resource Network (HCVRN) and the High Carbon Stock (HCS) Approach. New HCV-HCSA assessments by our suppliers must be led by an assessor who has been accredited by the Assessor Licensing Scheme (ALS) assessors. HCV-HCSA assessment should include consideration for community needs and cultural values. The HCS Approach methodology also considers indigenous and local peoples' lands and the FPIC process.
- No deforestation of protected areas.
- No new development on peat regardless of depth. For plantations previously established on peat, the company must adopt best management practices for peat, as defined by the RSPO and peat experts.
- Zero burning including no use of fire during land preparation, planting or replanting. We expect suppliers to take immediate action if burning is found in their supply chain.
- Suppliers with peat area are expected to implement best practices on water management to reduce GHG emission and mitigate fire risk during dry season. Feasibility of replanting on peat area must be conducted and area to be restored or replaced with other crops with higher water table.

2.3 Commitment to respect rights of all workers and improve the livelihood of rural communities

- Promote responsible labor practices and respect legal, communal or customary rights of local communities and indigenous people according to the principles outlined in the RSPO and Free and Fair Labor Guidance.
- Committed to the Fair Labor Association's Workplace Code of Conduct for the Agriculture Sector and develop remediation plans for identified non-compliances.
- Enforce a strict rules to prevent and protect against child labor/forced labor as defined by ILO standards and national laws.
- Provide a healthy and safe workplace for employees, contractors and visitors. Ensuring ethical recruitment such that workers do not incur any recruitment fees at any stage of the recruitment process, and no retention of passports/identity documents.
- Respect and uphold the rights of all workers, including contract, temporary, and migrant workers, in accordance with the Universal Declaration of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work and related international covenants.
- Respect the right to freedom of association and recognize the right to collective bargaining of workers in accordance with Conventions 87 and 98 of the International Labour Organization.

² We will follow the definitions and guidance of the global multi-stakeholder platform of expertise on HCVs, the HCV Network, www.hcvnetwork.org as applicable, achieve quality HCV assessment by only engaging with the licensed High Conservation Value (HCV) assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (ALS).

³ We will follow the definitions and guidance of the global multi-stakeholder platform of expertise on HCS, the High Carbon Stock Approach (HCSA), <http://highcarbonstock.org> or those of an RSPO-endorsed HCS methodology, as applicable.

- Provide equal opportunities of employment without regard to the employee's race, colour, religion, sex, age, national origin, sexual orientation, disability, citizenship status, marital status, etc.
- Enforce a transparent and accessible grievance procedure.

2.3.1 Communities

- Engage transparently to ensure Free, Prior and Informed Consent (FPIC) of local communities and stakeholders.
- Respect legal and customary land tenure rights with reference to the UN Declaration on the Rights of Indigenous Peoples.
- We are committed to support the inclusion of smallholders into the supply chain.
- Support outgrowers and smallholders to build capacity, improve yields, apply good practices and avoid deforestation.
- Ensure that communities have access to a transparent grievance procedure.

2.4 Traceable supply chains of our third-party suppliers

- We will continuously evaluate our suppliers' compliance against the ofi Responsible Sourcing Palm Oil policy, RSPO Shared Responsibility Commitments and ofi Supplier Code.
- RSPO SG certified sourcing is considered as fully traceable to plantation level.

2.5 Commitment to a transparent grievance mechanism

- ofi has a Grievance Procedure which enables any stakeholder to raise a grievance against any party.
- All grievances are logged under the Grievance Procedure will be dealt with in a timely manner and details reported transparently on our Grievance Log.
- If any supplier is found to be non-compliant, they will be investigated, and corrective actions sought at parent company level.
- When a direct supplier is found with evidence to be non-compliant to our policy, we will adopt a suspend and engage approach of the case. We expect our suppliers to immediately apply a stop-work order while investigations are ongoing. Suspension will apply at the Parent-Company/Group Level.
- There may be cases where grievance cases are investigated through external mechanism such as the RSPO Complaints Procedure. ofi will review these cases and be guided by them.
- For our indirect sourcing, we will request our direct supplier(s) to suspend the producer/ mill. Engagement could continue for corrective action. Corrective action for non-compliance after cut-off date (February 2017) may include compensation/ conservation/ restoration of peatland or forest by working with expert stakeholders and communities. This applies to both their own plantations and their third-party supplies.
- Grievance log including suspended suppliers will continue to be updated on our website. Refer to ofi Grievance mechanism on admissibility of a grievance and re-engagement protocol with a suspended supplier.