



IOI Loders Croklaan

**Wilmar and IOI Loders Croklaan Integrated
Rapid Assessment against Company Policies**

Overarching Report

Sabah

December 2017

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A large number of people (both internal and third-party suppliers) have provided their time, effort, experience and expertise to this process, which is an essential element in the transformation journey. Company and individual details are not included in this report to respect confidential and commercial data and information.

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1 INTRODUCTION

Both Wilmar and IOILC have released policies detailing their commitment to the sourcing of responsibly produced palm oil. The policies detail commitments to the protection of forests and peatland alongside commitments to uphold labour and community rights. In line with these policies both Wilmar and IOILC have undertaken work to visit suppliers to their refineries in Malaysia and Indonesia with the objective of assisting suppliers to produce responsible products i.e. without links to deforestation, peat development or exploitation of labour and communities. The process has initially been undertaken through key refineries from which buyers are demanding responsible palm oil products.

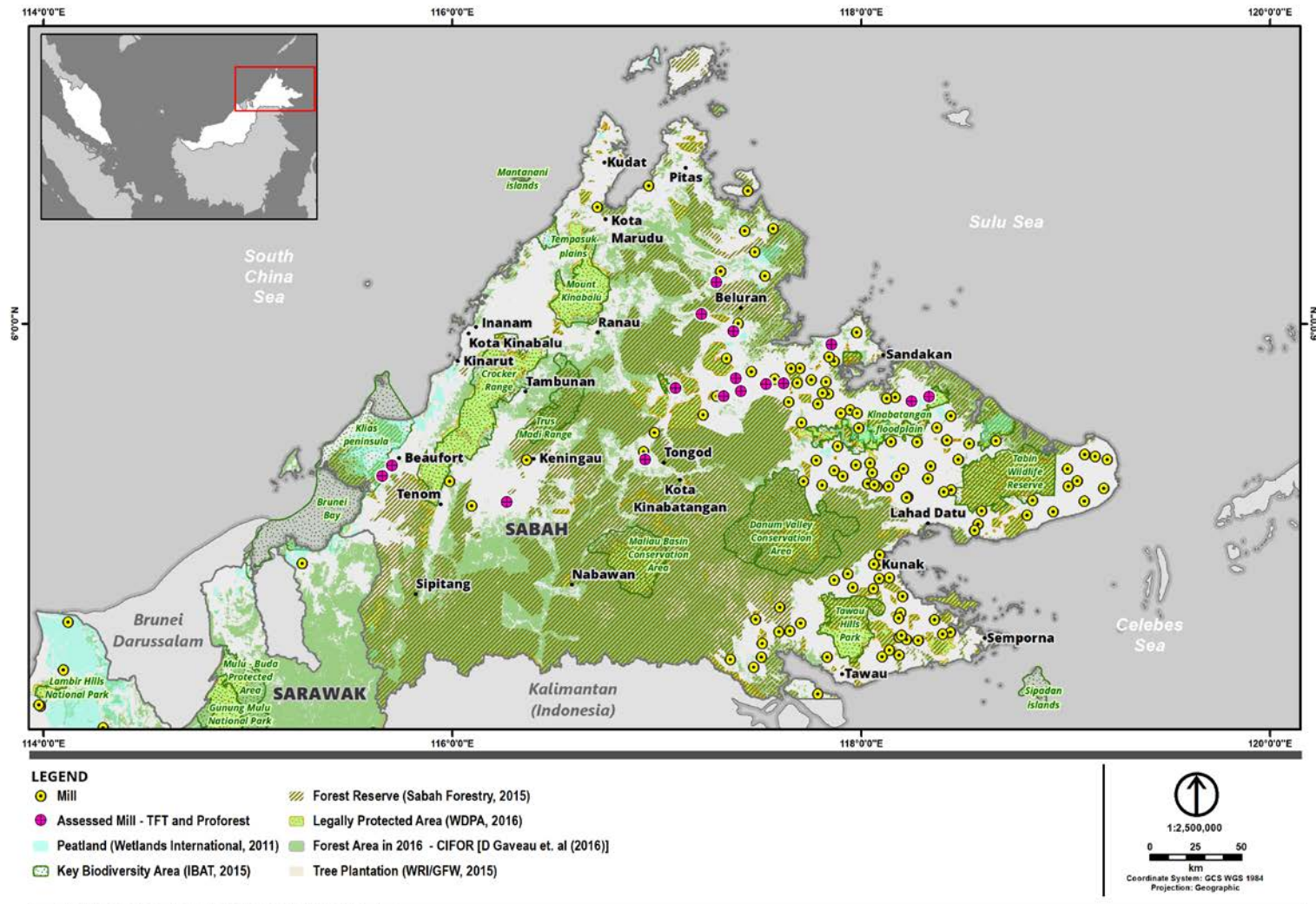
GIS analysis was carried out for the mills supplying each refinery and, together with other relevant non-spatial information, the analysis was used to gauge the potential risk of non-conformities against the companies' policies of palm oil mills and their supply bases. This analysis was used to prioritise mills for a visit. As a result, 16 mills that supply crude palm oil (CPO) and palm kernel (PK) to refineries and kernel crushing plants in Sabah, Malaysia were identified as high priority palm oil mills to be visited. This report presents the results from the subsequent visits to those 16 mills.

Field assessments were carried out at the palm oil mills and their Fresh Fruit Bunches (FFB) supply bases using assessment criteria defined so as to determine conformance with the companies' policies. Eight field assessments were carried out from July 2014 to December 2014 by teams consisting of representatives from TFT and Wilmar's Sustainability Department, whilst seven field assessments were carried out between April and September 2016 jointly by Proforest and IOILC. There was 1 joint assessment carried out by TFT and IOILC.

This report presents the overall findings from the visits to the internal and third-party suppliers of the mills to assist Wilmar and IOILC in understanding the prevailing trends and issues of the supply base in Sabah and support efforts to tackle issues on the ground.

Bunge announced it has completed its acquisition of a 70% ownership interest in IOILC from IOI Corporation Berhad on March 1, 2018. Bunge Lodders Croklaan will still remain active in transforming supplier practices with industry peers.

Figure 1. The distribution of assessed mills in Sabah, Malaysia



Source: TFT, WRI, GADM, Sabah Forestry, Natural Earth, CIFOR, WDPA, IBAT, Wetlands International, C:\Jason\TFT\TFT_Proforest_Sabah\Maps\TFT_Proforest_Sabah_Assesed_Mills_rev8.mxd

2 SCOPE OF ASSESSMENT

This report reveals the findings of both the internal and third-party suppliers to the palm oil mills. Most plantations visited (estates, small growers, smallholders) were selected by Wilmar and IOILC based on the mills' supplier data prior to the visit. However, in some cases some third-party suppliers could not be contacted, hence the mill management arranged for other suppliers that were open to the visit.

These assessments were carried out respectively by TFT and Proforest. Both organizations adopted different checklists with similar principles and criteria. Proforest was using the generic checklist based Traceability Working Group (TWG) Standard Methodology for Conducting Mill-Level Verification Assessments, version of 3 March 2016 and modified according to IOILC NDPE policy requirements. TFT was using a checklist for conducting mill-level assessments that was developed based on Wilmar's NDPE Policy requirements and the TFT 12 Respect for Workers Principles: Guideline for Sites. The number of indicators applied in these assessments were different, as stated below:

| Principles | No of Indicators | |
|---|------------------|-----------|
| | TFT | Proforest |
| Commitment to Sustainability | N/A | 2 |
| Legal Compliance | 2 | 4 |
| Protection of Key Conservation Value Areas | 3 | 9 |
| Environment Impacts Management | 4 | 7 |
| GreenHouse Gas Effects | N/A | 2 |
| Social Compliance and Respect of Human Rights | 8 | 17 |
| Creation of Share Values | 5 | 3 |
| Traceability | 3 | 2 |

3 DESCRIPTION OF FINDINGS FOR MILLS AND PLANTATIONS

This section presents the findings, by principle, for the entities visited during the assessments. Due to multiple entities being assessed, the entries reflected in this section are intended to best represent the aggregated situation on the ground.

3.1 COMMITMENT TO SUSTAINABILITY

This principle represents the commitment of companies and farmers to the production and sourcing of Sustainable Palm Oil including: no deforestation, no peat development and exploitation of local communities and workers in their operations with implementation plans and documented policy in place to meet the above requirements. The findings demonstrated that all mills assessed were not, at the time of assessment, able to meet the relatively recent sustainability commitments provided by Wilmar and IOILC. However, the visits to the mills in Sabah provided a great opportunity for these organisations to communicate their policies effectively as part of their supplier engagement processes.

3.2 LEGAL COMPLIANCE

Malaysia Palm Oil Board (MPOB) (Licencing) Regulation 2005¹ that was put into effect on 1st January 2006 requires that all those involved in the palm oil business obtain appropriate licences from MPOB. This includes the production, sale, purchase, movement, storage, construction of oil palm mills, milling, etc. Regulation 5(1) states that no person shall be involved in those activities unless he/she is a holder of an appropriate licence issued under these Regulations.

Generally, all the legal documents were available for viewing during the visits. There is usually a person in charge of monitoring the validity of the documents but sometimes the legal documents might not be available for viewing in the operating centre, as they were reportedly kept at the headquarter office. One notable area of non-compliance is the hiring of undocumented illegal workers. This is a common issue across the plantation sector in Sabah and there is a need for efforts at institutional-level to tackle this issue. It was also found that the minimum wage was not consistently met across all suppliers. Non-compliance with palm oil mill effluent (POME) discharge parameters was also found. Some suppliers were found to have installed polishing plants, geo tubes or decanter systems to reduce BoD levels demonstrating a commitment to reducing effluent discharge impacts. It is important to note that one assessed mill was observed to have a land dispute with local communities and was in the process of resolving the dispute.

3.3 PROTECTION OF KEY CONSERVATION VALUE AREAS

64% of the visited plantations were found to be established plantations at the first or second cycle of planted oil palm; however, 6 cases were found to be in the process of clearing vegetation cover for new planting. Density and size of these areas being cleared varies and clearing was found to be done without HCS and HCV studies being conducted. This represents a clear non-conformity with the policy commitments of the companies.

It was regularly found that neither the management of plantation companies nor the owners of smallholdings were aware of the concepts associated with, or the need to protect, High Carbon Stock (HCS) and High Conservation Value (HCV) areas. Among all the large companies, they were not aware of the need to conduct studies to identify and determine the viability of conserving forest areas within their concession areas. Only certified estates, or those in the process of gaining certification, were found to have made efforts to conduct HCV assessments and to conserve identified HCV areas. In many plantations where potential HCV areas had not been identified or conserved, potential HCV areas were often left unprotected, including water catchment areas that are sources of drinking water. Most findings relating to plantation development and lack of protection for HCV areas were found amongst the small growers and smallholders' concessions. Peatland is extensive in Beaufort district as well as part of Kinabatangan district, where many plantations of different sizes have oil palm planted on peat soil. It was found that these plantations were unaware of the need to protect peat and unaware of best management practices on peat.

3.4 ENVIRONMENTAL IMPACTS MANAGEMENT

Under ENVIRONMENT PROTECTION (PRESCRIBED ACTIVITIES) (ENVIRONMENTAL IMPACT ASSESSMENT) ORDER 2005², development of an oil palm plantation that

¹ <http://www.mpob.gov.my/licensing-a-enforcement/law-a-legislation/511-achievements#item5>

² <http://www.lawnet.sabah.gov.my/Lawnet/SubsidiaryLegislation/EnvironmentProtection2002%28PrescribedActivities%28EnvironmentallImpactAssessment2005%29%29.pdf>

necessitates the resettlement of 100 families or more, or converting an area of 500 hectares and above, is subject to an Environmental Impact Assessment (EIA). For plantations between 100ha to 499ha, a Proposal for Mitigation Measures (PMM) should be carried out. Approval of the EIA is required prior to the commencement of land opening or clearing. For the development of palm oil mills, written permission for the Director General of Environmental Quality is required, as stipulated under Section 19 of the EQA 1974.

It was found that EIAs had been conducted in many of the big plantation companies as demonstrated with reports. Findings from the visits revealed that chemical management is one of the most common aspects neglected in the plantations and requires systematic improvement. This was not the case for estates which are vertically integrated with the mills but was common for the third-party suppliers of the mills.

Waste management issues were found to be significantly higher in estates as compared to mills. 19% of the visited plantations did not allocate places for landfill, for the disposal of domestic waste. With regards to scheduled waste, the mills and some established estates tended to have facilities to store used lubricant and engine oil, whereas 46% of the visited plantations were found disposing the scheduled waste in the field and or accommodation area.

As mentioned in the legal section, 2 non-compliances with palm oil mill effluent (POME) discharge parameters were found. It is generally noted that the allowable discharge from the mill effluent pond should not exceed palm oil mill effluent discharge standards³ detailed in their DOE license in accordance with the Environmental Quality Regulations.

The Environmental Quality Act, 1974 states that "there is no person allowed to cause any fire, combustion or smouldering for the purpose for any activities"⁴. However, the burning of plants for land clearing for the purpose of planting, or replanting, of plant crops by smallholders in an area that does not exceed 2 hectares per day is allowed under certain circumstances. Only one case was recorded of fire having been used for land preparation. Estates were generally aware of requirements for no burning. The team also discovered many cases where domestic waste is burnt on a regular basis as a mean to handle the waste, sometimes near to the workers' quarter.

Paraquat was found to be used as a major herbicide, especially in small grower and smallholder categories. Small growers (63%) have higher tendencies to use Paraquat than smallholders (47%), nevertheless approximately half of the smallholders visited were found to use Paraquat on a regular basis.

3.5 GREENHOUSE GAS EFFECTS

In recent years, it has been identified that greenhouse gas emission from the palm oil sector can be substantially reduced through the utilization of palm oil processing wastes for the generation of energy and through avoidance of future conversion of tropical forest to oil palm plantations by establishing new plantations on non-peat degraded lands. Palm oil mills have applied various technologies to improve the treatment of POME, while also reducing methane emissions. These include technologies for biogas capture, which in most cases was converted to electricity/heat for local use. Flaring of biogas, or conversion of biogas to electricity and/or heat, results in conversion of methane to CO₂, which is biogenic. Generally, most of the mills assessed had not systematically identified their greenhouse gas sources or

³ <http://www.mpob.gov.my/palm-info/environment/520-achievements#Mill>

⁴ <http://www.doe.gov.my/portalv1/tentang-jas/perundangan/akta-kaedah-peraturan-arahan-2/akta>
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maintained records. However, many had made efforts to reduce GHGs through activities and technologies including biogas systems, electrical or heat generation from biomass (press fibre, shredded EFBs and shell), composting, effluent filtration systems, and methane capture projects.

3.6 SOCIAL COMPLIANCE AND RESPECT OF HUMAN RIGHTS

Malaysia has ratified three out of nine core human rights treaties, namely the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Convention on the Rights of the Child (CRC) and the Convention on the Rights of Persons with Disabilities (CRPD). Additionally, Malaysia has ratified a total of 18 International Labour Organization's (ILO) Conventions, of which 17 are in force and the other convention has been denounced.⁵ These treaties and conventions have been domesticated into national laws and regulations (i.e., Employment Act 1955; Sabah Labour Ordinance; Trade Union Act 1959; Children and Young Persons [Employment] Act 1966 and etc.) making companies legally responsible and accountable to uphold and protect human and labour rights in Malaysia. It is worth noting that in Sabah, only select acts such as Sabah Labour Ordinance 1950 and Employees' Social Security Act 1969 are applied.

In relation to respecting human rights in the palm oil sector, the existing palm oil certifications such as Roundtable on Sustainable Palm Oil (RSPO), International Sustainability and Carbon Certification (ISCC) and Malaysian Sustainable Palm Oil (MSPO) require businesses to respect human rights including, to the extent possible, implement human rights due diligence and develop action plans to remedy, prevent and mitigate any actual human rights violations concerning local community and workers.

Human Rights

The hiring of undocumented workers and failing to pay minimum wage are both violations of human rights, and indicate major non-compliance to certification standards. The lack of awareness amongst companies on the subject of human rights has led to the absence of comprehensive policy and mechanism in place to protect the rights of workers in alignment with international standards.

Recruitment of Foreign Workers and Forced Labour

One of the key issues found on site was the lack of transparency concerning cost of recruitment paid by foreign workers. As recruitment process may involve a number of parties including individual intermediaries and registered agents, it is challenging to develop a generalized account of recruitment cost imposed to each foreign worker. However, failing to conduct due diligence on the cost of recruitment may cause foreign workers to be at risk and vulnerable to becoming victims of bonded labour.

⁵ Among the ILO Conventions that have been ratified by Malaysia includes Forced Labour Convention (1930, No. 29), Right to Organize and Collective Bargaining (1949, No. 98) and Minimum Wage Convention (1973, No. 138). Full list of Conventions ratified by Malaysia is available at http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:102960

Returning Foreign Workers' Passports and Installation of easy-to-access Lockers

In 2013, Wilmar decided to put in place practices to prevent any form of forced and bonded labour – as part of their No Deforestation, No Peat and No Exploitation (NDPE) policy.



Recognising that passport retention is an indicator of forced and bonded labour, Wilmar is committed to return foreign workers' passports on a step-by-step basis.

On March 2018, Wilmar announced that the company has installed a total of 10,000 easy-to-use lockers to enable workers to keep safe their travel documents – making it one of the first oil palm plantation companies to complete the process of returning foreign workers' passports.

The returning of foreign workers' passports is expected to increase the level of trust between the company and its workers, and positive feedback on the locker system was received.

Another key labour issue was the common practice among employers to withhold foreign workers' passports immediately after the workers arrived in Malaysia. While such practice is often explained as a means to safeguard workers' travel documents, it is one of the indicators that leads to incidences of forced labour or human trafficking. As a basic principle, the ILO suggests that all foreign workers must hold their own travel document to avoid misuse of power and restriction on freedom of movement. In Malaysia, the Anti-Trafficking in Persons and Anti-Smuggling of Migrants (ATIPSOM) prohibits any acts that may lead to various forms of exploitation, including those that are related to the restriction of freedom of movement and access to identity card and travel document.

Children in Plantations

The issue of children in plantations was another labour and human rights aspect requiring further improvement. Malaysia is a state party to CRC, and is responsible to ensure children are protected from any forms of exploitation including child labour. The term "child labour" is defined by the ILO as "... a work that deprives children of

their childhood, their potential and their dignity, and that is harmful to physical and mental development".⁶

It was found that some workers brought along their children to plantations during working hours, in particular among small growers and smallholders. Many factors contributed to this situation. First, the lack of childcare facilities (e.g., crèche) that compelled workers to bring along their children at work. It was also observed that where childcare facilities were not available, makeshift childcare facilities were built to discourage family to bring their children at work.

Secondly, it was found that there was a lack of alternative educational facilities particular among small growers. Field assessments however found that some plantations companies have already partnered with NGO such as Humana Child Aid Society, Sabah (HCASS) and Indonesian Consulate (Sabah), who provided primary and secondary education opportunity for workers' children to attend alternative learning activities. This subsequently reduces the likelihood that these children may be involved in plantation work.

Employment Contracts

The absence of contract agreements between employers and workers was observed with higher occurrence among the small growers and smallholders. It is not uncommon for workers of the small growers and smallholders to be employed through verbal agreements, without any documentation to prove their terms of working conditions. In some cases, employment contracts were given to workers in a language that they do not understand. Some companies had provided employment contracts but with lack of clarity in the details of their contract including: terms of payment, rate of salary below statutory minimum wage and access to their travel documents. It was also found that some workers employed by small growers and smallholders were not given monthly payslips. While some workers may have fixed rate income agreed from the beginning of their employment with the small growers and smallholders, the absence of monthly payslips makes it difficult for workers to keep track of their earnings over a period of time, and document it for his/her own record and future reference.

Freedom of Association and Grievance

A lack of awareness with regard to freedom of association and access to grievance procedures are other areas found to be requiring further improvement. Malaysian labour laws such as Trade Union Act (1959), and Sabah Labour Ordinance in particular, do not prohibit foreign workers from joining a registered trade union. The Sabah labour ordinance states that nothing in any contract of service between employer and employee (including foreign worker) shall restrict the right of foreign worker to join and participate in any activities organized by such trade union.⁷ However, it was found that many workers - in particular foreign workers – were unaware of their right to join a trade union.

The lack of grievance procedures provided by small growers meant that many workers were unable to have their grievances recognized and addressed through necessary actions by employers. In the absence of formal grievance procedures, workers channelled their grievance or complaints verbally to their superior. In some other cases, workers channelled their specific grievances, in particular on sexual harassment cases, to the existing women committees.

⁶ International Labour Organization. 2017. "What is Child Labour". Available at <http://www.ilo.org/ipec/facts/lang--en/index.htm>

⁷ Further refer Sabah Labour Ordinance, Part II – Contract of Services, under Terms of Services (Part II[9C]).
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Safety and Health

Other issues found in the assessments were concerning Occupational Safety and Health (OSH) and workers accommodation. It was observed that some small growers and smallholders do not have OSH management system in place, and do not provide adequate Personal Protective Equipment (PPE) to their workers.

Workers accommodation in the plantations vary in terms of basic facilities provided. In large-sized plantation companies, workers were provided with decent accommodations facilities including spacious living rooms, stable access to electricity, sufficient access to clean water and other basic amenities. It was however found that lack of access to clean water (including drinkable water) and electricity were critical issues in many small growers and smallholders, in particular those that are located remotely.

Lastly, severe community conflicts were not commonly found between companies and the local community apart from one legal case.

3.7 CREATION OF SHARED VALUES

The creation of shared values relates primarily to efforts to facilitate the inclusion of smallholders into the supply chain. Smallholders are a critical part of the industry, and they face unique situations. Wilmar and IOILC ask their suppliers and their suppliers/sub-contractors to avoid marginalising smallholder within the supply chain. To ensure creation of shared values, smallholders must be given fair and transparent FFB pricing and the complaints and grievance mechanism of the operations centre must address smallholders as well. Overall smallholders were found to be happy with their treatment by the mills. Through the assessments, smallholders were observed to be actively included in the supply chain in this region, mainly through the FFB collecting centres and dealers out of convenience. Most mills did not document measures to support smallholders, to improve sustainability and responsible production, or otherwise to support their livelihood needs.

3.8 TRACEABILITY

Wilmar and IOILC recognise the importance of being able to trace supply flows from ports and refineries back to oil palm mills and over time to plantations. Wilmar and IOILC encourage their suppliers to seek greater visibility of their FFB sources. In addition, the nature of dealers and collection centres being outside the direct control of the mill required special attention in order to ensure implementation of sustainability requirements throughout the entire supply base, consistent with MPOB licensing requirements for Oil Palm Estates and Smallholdings. It was found that there is scope for improving the traceability of FFB arriving from smallholders.

Table 1. Overall findings, in percentage, at the mills and respective supply bases.

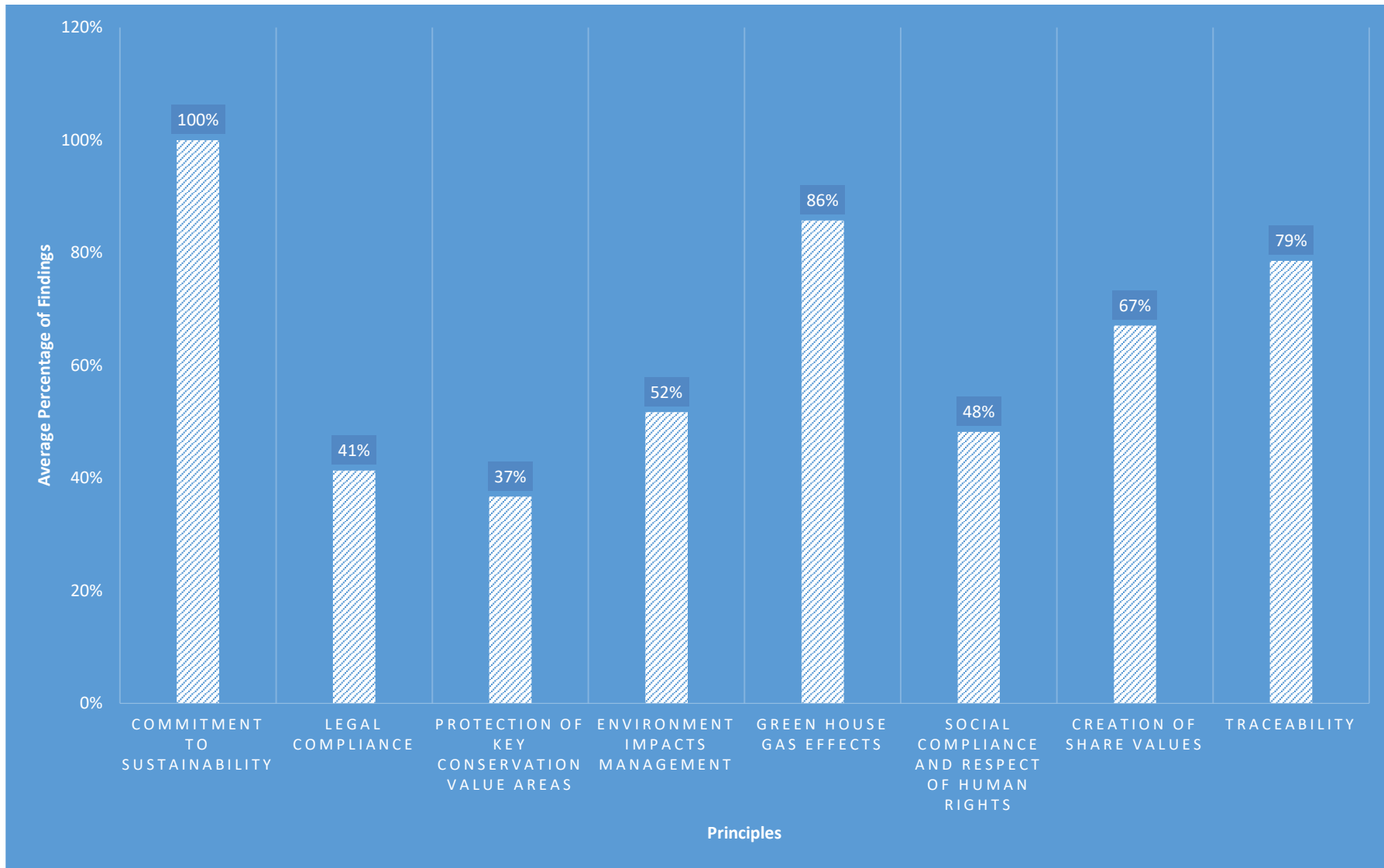
| Mill | Commitment to Sustainability | Legal Compliance | Protection of Key Conservation Value Areas | Environment Impacts Management | Greenhouse Gas Effects | Social Compliance and Respect of Human Rights | Creation of Share Values | Traceability |
|-------------|------------------------------|------------------|--|--------------------------------|------------------------|---|--------------------------|--------------|
| Mill 1 | N/A | 8% | 21% | 37% | N/A | 20% | N/A | N/A |
| Mill 2 | N/A | 41% | 24% | 52% | N/A | 30% | N/A | N/A |
| Mill 3 | N/A | 13% | 25% | 66% | N/A | 19% | N/A | N/A |
| Mill 4 | N/A | 50% | 7% | 50% | N/A | 38% | N/A | N/A |
| Mill 5 | N/A | 33% | 22% | 58% | N/A | 25% | N/A | N/A |
| Mill 6 | N/A | 42% | 11% | 54% | N/A | 19% | N/A | N/A |
| Mill 7 | N/A | 25% | 6% | 21% | N/A | 10% | N/A | N/A |
| Mill 8 | N/A | 42% | 28% | 33% | N/A | 31% | N/A | N/A |
| Mill 9 | N/A | 8% | 33% | 42% | N/A | 56% | 3% | N/A |
| Mill 10 | 100% | 100% | 78% | 71% | 100% | 82% | 67% | 100% |
| Mill 11 | 100% | 50% | 22% | 43% | 100% | 59% | 67% | 0% |
| Mill 12 | 100% | 50% | 89% | 100% | 100% | 76% | 100% | 100% |
| Mill 13 | 100% | 50% | 56% | 29% | 100% | 71% | 67% | 100% |
| Mill 14 | 100% | 50% | 56% | 29% | 0% | 71% | 67% | 100% |
| Mill 15 | 100% | 50% | 67% | 86% | 100% | 82% | 100% | 50% |
| Mill 16 | 100% | 50% | 44% | 57% | 100% | 82% | 67% | 100% |
| **Average % | *100% | 41% | 37% | 52% | *86% | 48% | *67% | *79% |

Note:

*The findings shown in percentage of non-compliance against total number of criteria in each principle.

**The average is calculated from the criteria assessed for mill in consideration only.

Figure 2. Overall findings of non-compliance, in percentage, at the mills and respective supply bases.



Conclusion

The findings from the assessments at the mills and FFB suppliers have formed the basis of action plans (for those mills already assessed) designed to close the gaps in areas where issues have been identified. Wilmar and IOILC, with support from TFT and Proforest, have re-engaged with the mills to discuss and agree approaches for ensuring that the issues identified are addressed in an effective and timely manner.

The approach used to close out gaps with the mills is intended to include:

- i. Follow up and close gaps found in individual entity reports
- ii. Encourage and monitor their FFB suppliers' efforts to close gaps found in their assessment reports
- iii. Implement the recommended guidance for transformation (recommendations and proposed actions)
- iv. Provide quarterly updates on progress

Wilmar and IOILC should continue to follow up with suppliers to provide assistance to improve their supplier's practices. The common instances of specific findings identified across assessments provide an indication that other suppliers in the Sabah may be facing similar issues.

Based on this determination, Wilmar and IOILC should make use of the common findings to introduce and drive action plans with other suppliers (remaining suppliers who were not assessed) in Wilmar and IOILC supply bases. This should be done in parallel, while re-engaging with the assessed mills on their plans of action.

Appendix 1

An indicator is a quantitative or qualitative measure of how close we are to achieving a set goal (policy outcome). They help us analyze and compare performance across population groups or geographic areas, and can be useful for determining policy priorities.

List of Criterion and indicators using by TFT

| Criterion | Requirement |
|-----------|---|
| 1.1 | The company is in compliance with all applicable local, national and ratified international regulations and laws. |
| 1.2 | Illegal or unauthorized activities by third parties taking place within the estate area are minimized. |
| 1.3 | The company is not responsible, directly or indirectly, of any kind of corruption. |
| 2.1 | No new plantations are established on forest areas with High Carbon Stocks. |
| 2.2 | HCS forest areas under company management are adequately protected and managed for on-going ecosystem health. |
| 2.3 | HCV assessments are completed prior to any new land development undertaken by the Company and areas are identified and protected from clearing. |
| 2.4 | HCV areas under company management are adequately protected and managed. |
| 2.5 | No new plantations are established on peatland, where the peat soil contains more than 65% organic matter. |
| 2.6 | Management minimizes degradation of peatland either within or surrounding the plantation areas. The Company shall work with experts to ensure that Best Management Practices for peat are implemented and shall engage with surrounding landowners to achieve Best Management Practices, e.g. peat fire, water table management, etc. |
| 2.7 | Management shall ensure the effectiveness of peatland management activities through adequate periodic monitoring and evaluation. |
| 2.8 | Environmentally sensitive peat areas restored close to its former function. |
| 3.1 | The company's operations are conducted in a manner to avoid, reduce and minimize the negative environmental impacts such as but not limited to GHG and pollutants emissions, fire, wildlife disturbance, biodiversity loss, water and soil pollution, soil degradation, etc. |
| 3.2 | Chemical management is conducted in an environmentally and socially responsible manner. |
| 3.3 | Waste Management is conducted in an environmentally and socially responsible manner. |
| 3.4 | There is no use of fire in land preparation for new plantings, re-plantings or any other developments. |
| 3.5 | No use of pesticides that are categorized as World Health Organization Class 1A or 1B, listed by the Stockholm or Rotterdam Conventions, except in specific and urgent situations. The Company prohibits the use of paraquat. |
| 4.1 | The company's operations are conducted in a way that communities': <ul style="list-style-type: none"> • Access, customary and use rights; • Economic livelihoods (e.g. paid employment) and working conditions; • Subsistence activities - food security; • Cultural and religious values; • Health and education facilities; • Other community values, resulting from changes such as improved |

| | |
|------|---|
| | transport /communication or arrival of substantial migrant labour force, etc.; are not neglected, reduced or negatively impacted. |
| 4.2 | The Company commits to upholding and promoting the Universal Declaration of Human Rights for all workers, contractors, indigenous people, local communities and any affected parties. |
| 4.3 | There are clear statements from the Company to ensure legal Workers' rights are respected and recognized according to local, regional, national and ratified international law (ILO fundamental Conventions No. 87, 98, 29, 105, 138, 182, 131, 100, 111, and 184). |
| 4.4 | Freedom to all workers to form and join trade unions and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, parallel means of independent and free association and bargaining are made available for all such personnel. |
| 4.5 | The company and its suppliers/sub-contractors shall not use or knowingly promote the use of child labour and shall take appropriate measures to prevent the use of such labour in connection with their activities, and shall employ remedial actions, in the case that child labour is uncovered, to ensure appropriate follow-up and assistance for protection of the children's welfare. |
| 4.6 | The Company and its suppliers/sub-contractors shall not use or promote the use of forced or bonded labour or human trafficking and shall take appropriate measures to prevent the use of such labour in connection with their activities. The Company shall also employ remedial actions in the case that such labour or trafficking is uncovered in order to ensure that victims are referred to the existing services for support and assistance. |
| 4.7 | The company and its suppliers/sub-contractors shall strive to ensure that migrant workers are not subject to the unlawful withholding of wages, identification cards, passports or other travel documents, or other personal belongings without their consent. |
| 4.8 | The company and its suppliers/sub-contractors shall ensure that no fees or costs have been charged, directly or indirectly, in whole or in part, to jobseekers and workers for the services directly related to recruitment for temporary or permanent job placement, including when using the services of Private Recruitment or Employment Agents or performing recruitment activities directly. |
| 4.9 | The company and its suppliers/sub-contractors shall ensure that workers are given in writing, in a language that they understand, the details of their working conditions, including but not limited to the nature of the work to be undertaken, rates of pay and pay arrangements, working hours, vacation and other leave, and all other benefits of employment. |
| 4.10 | The company and its suppliers / sub-contractors shall ensure all workers are paid a wage equal to or exceeding the legal minimum wage. |
| 4.11 | The company and its suppliers / sub-contractors shall ensure that workers are not working more than 60 hours per week, including overtime; that overtime hours are worked on a voluntary basis; and that workers have at least one day off in seven. |
| 4.12 | The company and its suppliers/sub-contractors shall provide accident insurance to all workers covering medical treatment for work-related illnesses and injuries, and compensation for work-related illness and injury causing death or permanent disability. |
| 4.13 | The company and its suppliers / sub-contractors shall maintain a transparent and reliable record of working hours and wages for all workers. |

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| 4.14 | The company and its suppliers / sub-contractors shall ensure that workers are protected from any discrimination that will constitute a violation of their human rights in regards to recruitment, contracts & compensation, training, promotion, dismissal or retirement. The company and its suppliers / sub-contractors shall establish working practices that safeguard against any unlawful or unethical discrimination; and shall endeavor to ensure that migrant workers are treated no less favorably than other workers performing similar tasks. |
| 4.15 | The company and its suppliers/sub-contractors shall ensure the implementation of policies to prevent and remediate harassment and abuse, including sexual harassment and abuse. |
| 4.16 | The company and its suppliers/sub-contractors shall ensure workers have access to judicial remedy and to credible grievance mechanisms, without fear of recrimination or dismissal. |
| 4.17 | The company and its suppliers/sub-contractors shall ensure confidentiality in all of their dealings and ensure that permission has been given and documented before disclosing, displaying, submitting or seeking confidential or personal information or data obtained in connection with the recruitment or employment of workers. |
| 4.18 | There is a system in place to implement Occupational Health and Safety (OHS) Management. |
| 4.19 | Management protects workers from exposure to occupational health and safety hazards that are likely to pose an immediate risk of permanent injury, illness or death. |
| 4.20 | Monitoring the effectiveness of Occupational Health and Safety Management Systems. |
| 4.21 | When housing accommodations are provided, the company and its suppliers/sub-contractors with whom they are engaged in long term contracts shall ensure that <ul style="list-style-type: none"> a. they are adequate and safe; b. separate and segregated accommodations are provided for single men and women; c. there are no restrictions imposed which interfere with workers' rights to leave the housing facility during their free time; d. the average living space is not less than 3.8m² per individual; e. sleeping quarters are possible to lock from both outside and inside; and f. each worker has a locker to secure his or her belongings. |
| 4.22 | Respect tenure rights, and recognize duties and responsibilities associated with tenure rights, such as respect for the long-term protection and sustainable use of land, forests, and fisheries. |
| 4.23 | Monitoring to ensure minimum negative impacts on indigenous people and local communities. |
| 4.24 | No new plantings are established without the free, prior and informed consent (FPIC) of indigenous and local peoples. |
| 4.25 | All complaints and grievances related to land acquisition are effectively and fairly handled. |
| 5.1 | Ensure that smallholders are maintained in the supply chain and not marginalized due to difficulty in assessing them for compliance with this Policy. |
| 5.2 | Ensure that smallholders are given a fair and transparent price for the FFB. |
| 5.3 | Mitigation of conflict. |
| 5.4 | All documents, records and policies are available for consultation. |

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| 5.5 | There is an implemented management plan that aims to achieve long-term economic and financial viability. |
| 6.1 | All FFB sources are known. |
| 6.2 | The traceability into the facility is ensured. |
| 6.3 | Segregation inside the line production ensures that the produced material is made of the FFB sources assessed. |

List of Criterion and indicators using by Proforest for IOILC

| Criterion | Indicator |
|---|---|
| 1 Land tenure and legislation | |
| 1.1 Commitment to comply with sustainability standards consistent with these requirements | 1.1.1 There is a documented policy commitment that current operations and future new plantings comply with these requirements, which is understood by all relevant departments. The policy should explicitly include a commitment to no new plantings on High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas, peat lands regardless of depth, or which cause harm to local communities |
| | 1.1.2 There is a documented time-bound plan with targets for meeting the requirements outlined in this document |
| 1.2 Compliance with applicable and relevant laws and legislation | <i>1.2.1 There is compliance with all applicable local and national laws and regulations</i> |
| | 1.2.2 There is compliance with all ratified international laws and regulations. |
| | 1.2.2 There is a mechanism for monitoring changes to law |
| 1.3 Land tenure rights held (production only on legally held land) | 1.3.1 The right (of the mill and its suppliers) to use the land is demonstrated and is not legitimately contested (by local people or recent local residents who can demonstrate that they have legal, customary or user rights). |
| | 1.3.2 There are no significant land conflicts, unless conflict resolution processes are being implemented that are accepted by all of the parties involved. |
| 2 Deforestation | |
| 2.1 No development of High Carbon | 2.1.1 High Carbon Stock (HCS) areas are identified, prior to establishing new plantations or expanding existing ones. |
| | 2.1.2 Any new plantings are consistent with the results of the HCS assessment, such that no new plantings take place on identified HCS areas. |

| Criterion | Indicator |
|---|--|
| Stock (HCS ⁸) forest areas | |
| 2.2 No conversion of HCVs since November 2005 | 2.2.1 There is evidence that no new plantings have replaced primary forest, or any area required to maintain or enhance one or more High Conservation Values (HCVs), since August 2016 (date of IOI Group policy update) |
| | 2.2.2 A comprehensive HCV assessment, including stakeholder consultation, is conducted prior to any conversion or new planting. |
| 2.3 Maintenance and/or enhancement of HCVs and rare, threatened and endangered species (RTEs) | 2.3.1 There is an effective management with effective measures to maintain and/or enhance HCVs and protect RTEs affected by mill or plantation operations. |
| 3 Development on peat lands | |
| 3.1 No new development on peat lands, regardless of depth | 3.1.1 There are no new plantation developments on any peat land (regardless of depth). |
| 3.2 Application of best management practices in existing plantations on peat land areas | 3.2.1 Where there are existing plantations on peat, subsidence of peat soils shall be minimised by best management practices, including a water management and ground cover programme ⁹ |
| 4 Use of fire | |
| 4.1 Implementation of a no-burning commitment | 4.1.1 There is no land preparation by burning for any new plantings or re-plantings, or uncontrolled/ large scale burning of waste. |
| 4.2 Implementation of a fire prevention plan | 4.2.1 A fire prevention plan must be established which should include a communication plan, fire prevention procedures and fire preventive equipment. |
| 5 Management of environmental impacts | |

⁸ HCS assessments should follow the HCS Approach (toolkit developed by Greenpeace and partners), and may also reference the HCS+ methodology developed by the Sustainable Palm Oil Manifesto (SPOM) study. The objective during 2016 is to achieve convergence on a single recognised HCS tool.

⁹ Best available management practices should be utilised – e.g. RSPO Manual on Best Management Practices

| Criterion | Indicator |
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| 5.1 Environmental impacts are identified and mitigated | 5.1.1 An assessment of the environmental impacts of existing operations and any new plantings is undertaken. |
| | 5.1.2 Where significant negative impacts are identified, measures to mitigate these impacts are implemented. |
| | 5.1.3 Waste is managed responsibly, including the disposal, reuse and recycling of hazardous and non-hazardous wastes. |
| 5.2 No use of WHO Class 1A or 1B pesticides | 5.2.1 Use of chemicals is consistent with best agriculture practices |
| | 5.2.2 There is no evidence of use of Paraquat or other pesticides categorised in Classes 1A or 1B by the World Health Organisation. [CRITICAL] |
| 5.3. Best management practices of soils and riparian zones | 5.3.1 Best management practices are applied for all soil types |
| | 5.3.2 Best management practices must be implemented in riparian areas around natural rivers, near natural forests and near bordering communities. |
| 6 Greenhouse gas (GHG) emissions | |
| 6.1 Progressively reduce GHG emissions on existing plantations and operations | 6.1.1 All sources of GHG emissions are identified. |
| | 6.1.2. There are records and/or action plans to demonstrate reductions in net GHG emissions for plantations and operations in relation to amount produced (per/ unit efficiency). |
| 7 Social compliance | |
| 7.1 Respect and support for the Universal Declaration of Human Rights or similar statement | 7.1.1 A documented policy to respect human rights is communicated to all levels of the workforce and implemented. The policy commits the supplier to protect human rights and ensure that there is no complicity in any abuses. |
| 7.2 Social impacts are identified and mitigated | 7.2.1 An assessment of the social impacts of existing operations and any new plantings is undertaken through a consultative process. |
| | 7.2.2 Where significant negative impacts are identified, measures to mitigate these impacts are implemented and monitored. |
| 7.3 Respect the rights of indigenous and local communities | 7.3.1 Evidence shall be available that affected local peoples understand they have the right to say 'no' to operations planned on their lands, up until an agreement has been signed and ratified by these local peoples. |

| Criterion | Indicator |
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| to give their free, prior and informed consent (FPIC) to operations on lands over which they hold legal, communal or customary rights | 7.3.2 The process and outcome of any negotiated agreements and/or compensation claims is documented, with evidence of the participation of affected parties (including women), and complies with FPIC principles. |
| 7.4 No use of illegal, forced or child labour | 7.4.1 There is no use of illegal, forced, bonded or compulsory labour as per ILO Conventions 29 and 105. (Separate illegal workers' indicator from others) |
| | 7.4.2 There is no use of child labour. Child labour refers to work that is mentally, physically, socially, morally dangerous or harmful to children or that improperly interferes with schooling needs as per ILO Conventions 138 and 182. (Where it occurs that children work on smallholder family farms in the supply base, evidence is available that steps have been taken to avoid or eliminate harmful child labour). |
| 7.5 Recognition of workers' ¹⁰ rights | 7.5.1 Workers' pay, hours of work, benefits and working conditions comply with minimum legal requirements or mandatory industry standards (including any applicable collective agreements), and are understood by workers. |
| | 7.5.2 The rights of workers to freedom of association and collective bargaining are respected, consistent with applicable ILO Conventions 87 and 98 and those identified by the United Nations Universal Declaration of Human Rights. |
| | 7.5.3 Adequate health and safety equipment and training is provided, and its use enforced and monitored, in order to ensure a safe working environment as per ILO Convention 184. |
| | 7.5.4 Employment (and hiring) practices do not discriminate on the ground of criteria such as race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age. |
| | 7.5.5 A working environment that is free from sexual and other forms of harassment is promoted. |
| 7.6 Recruitment of foreign migrant workers | 7.6.1 The employment contract shall be presented to the foreign migrant in their native language, and explained to the foreign migrant workers in the sending country prior to accepting the job. A signed copy of both versions will be given to the foreign migrant workers. |

¹⁰ This includes contract, temporary and migrant workers, **AND** illegal/ undocumented workers.

| Criterion | Indicator |
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| | 7.6.2 Foreign migrant workers shall not be required to pay for their employment. Costs and fees associated with recruitment, travel and processing of foreign migrant workers shall be covered by the Company. |
| | 7.6.3 Passports shall not be withheld from workers unless consent is given for safekeeping purposes, and the worker can freely access if requested. Freedom of movement must not be restricted. |
| 7.7 Open, transparent and effective grievance mechanism, which is accepted by all affected parties | 7.7.1 A grievance mechanism, open to all affected parties, is in place and which resolves grievances in an effective, timely and appropriate manner. |
| 8.1 Traceable and controlled supply chains | 8.1.1 The mill has a documented system to ensure that all FFB supplied are fully traceable to either company plantations, associated smallholders and/or out-growers and independent suppliers. |
| | 8.1.2 Measures are implemented to ensure that FFB is not sourced from any illegally occupied land or from any legally protected areas, based on known levels of risk. |
| 8.2 Inclusion of smallholders into supply chains (where the mill sources from smallholders) ¹¹ | 8.2.1 Measures are in place to support smallholders in working towards complying with these requirements. |
| | 8.2.2 Efforts and/or resources have been allocated to address smallholders' livelihood needs, such as measures to improve productivity. |
| | 8.2.3 The mill and any intermediaries deal fairly and transparently with smallholders on FFB pricing mechanisms, payments and deductions, loans or advances. |

¹¹ SHARP's Responsible Sourcing from Smallholders (RSS) can be used as a framework for constructive engagement with smallholders on risk management and improved production practices.