

PALM SUSTAINABILITY POLICY.

As the most widely used vegetable oil in the world, with the highest oil yield per hectare, palm oil is an important commodity and palm plantations provide a livelihood to millions of people in tropical agricultural communities around the world. Palm oil is therefore well placed to remain a crucial part of the food production process in the future as the global population continues to grow, and an important means to support economic development and livelihood of rural communities in producing countries.

Accordingly, sourcing palm oil in a responsible way, minimizing social and environmental impacts, and preserving natural resources and biodiversity, is the subject of increasing concern - within the industry and beyond.

As stipulated in our [Group Code of Conduct](#), we hold ourselves accountable for adhering to high environmental, social and ethics standards, and expect our suppliers to uphold the same principles in their operations.

With this in mind, we published LDC's first dedicated Palm Sustainability Policy in 2016, setting out specific sustainability principles, aims and ambitions for all palm oil-related activities. We have since worked diligently to drive implementation of this policy's requirements throughout our supply chain.

Building on progress so far, we updated this policy in 2022 to reflect refreshed commitments, principles and expectations. In line with our collaborative approach to implementation, we will engage with our suppliers and other stakeholders, explaining the updates to our Palm Sustainability Policy, requesting their acknowledgement and feedback, and reporting regularly and transparently on progress.

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LDC does not own oil palm plantations or mills. Instead, we source palm oil products for processing at our own refineries or for our commercial customers.

This Palm Sustainability Policy applies to all physical palm oil, palm kernel oil and derivatives that LDC sources and trades. The reference date for implementation of this Policy is November 2016, in line with the publication of our first Palm Sustainability Policy.

We commit to a transparent and sustainable palm supply chain that upholds the following principles:

- Comply with all applicable laws and regulations, and uphold business ethics;
- Conserve forests and biodiversity - safeguard all high conservation value (HCV) lands and high carbon stock (HCS) areas;
- Leave all peat untouched, regardless of depth;
- Apply good agricultural practices;
- Uphold the rights of workers, local communities and indigenous peoples;
- Support smallholder inclusion and adoption of sustainable practices;
- Ensure supply chain traceability and transparency; and
- Manage grievances effectively.

We will work with our suppliers to ensure adherence to the principles above, with the following specific requirements:

Comply with all applicable laws and regulations, and uphold business ethics

These includes local, national and international laws and regulations related to environmental, social and corporate governance, including anti-bribery, corruption and money laundering.

Comply with a 'No Deforestation' principle, while preserving biodiversity and natural ecosystems

- Safeguard all HCV and HCS areas;
- Conduct HCV-HCS¹ assessments with accredited experts² to identify conservation areas prior to any land clearance activities;
- Conduct environmental and social risk assessments prior to new development in ecologically and socially sensitive regions, to protect valuable forests, habitats, ecosystems and biological diversity; and
- Refrain from hunting any species, unless for sustainable hunting by local communities for sustenance purposes, which does not cause species population decline.

Leave all peat untouched, regardless of depth

No development on peat, regardless of depth. Plantations already developed on peat shall follow the Roundtable on Sustainable Palm Oil's (RSPO) [Manual on Best Management Practices](#) for Existing Oil Palm Cultivation on Peat to ensure responsible management of peat. Where appropriate, peat restoration should be considered and attempted.

¹ HCV definition by RSPO P&C 5.2 and 7.3; HCS definition and methodology defined by the [HCS Approach](#)

² Includes [Assessor Licensing Scheme](#) assessors and [HCSA registered practitioners](#)

Apply good agricultural practices

- Adopt agricultural practices that enhance soil fertility, prevent erosion and use inputs responsibly. This excludes use of hazardous pesticides (classes 1A & 1B under [World Health Organization guidelines](#), as well as those under the [Stockholm](#) and [Rotterdam](#) conventions) and prohibits use of paraquat. Wherever possible, explore alternative pest control strategies to reduce the use of pesticides.
- Adopt a no-burning policy for preparation of new plantings, replanting or other development.
- Pursue continuous improvements in measuring and reducing water use and greenhouse gas emissions.

Uphold the rights of workers, local communities and indigenous peoples

- Respect human rights in line with the United Nations' [Guiding Principles on Business and Human Rights](#), including conducting human rights due diligence in own operations and supply chains, as well as taking responsibility to provide for, or cooperate in, fair and just remedy, in case of having caused or contributed to adverse human rights impacts.
- Respect the rights of all workers, including permanent, temporary, seasonal, migrant and contract workers, as defined in the Universal Declaration of Human Rights and the International Labour Organization's [eight Fundamental Conventions](#).
- Prohibit any form of child labor, bonded labor, slavery, forced labor or human trafficking; prohibit contract substitution and punitive fines, or any restrictions on workers' freedom of movement during their free time.
- Uphold workers' rights to free association, peaceful assemble and collective bargaining in accordance with applicable laws and regulations.
- Prohibit any form of harassment, violence or discrimination with regard to race, religion, sex, age, physical ability, political opinion, marital status, ethnicity, gender identity and expression or sexual orientation, while promoting gender equality.
- Uphold ethical and transparent recruitment process and prohibit any form of unlawful retention of identity documents, wages or personal belongings; no fees shall be charged to job applicants for recruitment.
- Clearly communicate employment terms and conditions to workers before work starts.
- Provide all workers' pay (including at least legal minimum salary, overtime payment, social security and welfare benefits), and adhere to maximum work hours and work conditions, in compliance with applicable laws and regulations, with coverage for work-related illness or injuries.
- Ensure a safe and healthy work environment to protect workers from potential occupational health and safety hazards, including provision of proper training, equipment, sanitation conditions and portable water. In case accommodation is provided, a safe and healthy living environment shall be provided with appropriate sanitary conditions.
- Respect the [rights of local communities and indigenous peoples](#), which includes land tenure, and the right to give or withhold free, prior and informed consent to acquisition and development of land on which they hold legal, communal or customary rights.

Support smallholder inclusion and adoption of sustainable practices

Support smallholders to address existing gaps with this policy, if any, by providing tools, capacity-building and incentives to work toward more sustainable production.

Ensure supply chain traceability and transparency

Promote supply chain transparency and provide traceability of palm oil and derivatives to mill level as a minimum, and eventually to plantation level.

Manage grievances effectively

- Establish an open, accessible and transparent process for addressing grievances and conflicts with workers, communities and other stakeholders, including the provision of fair and just remedy.
- Uphold the principle of no retaliation with whistle-blowers, including human rights defenders and environmental conservationists.

LDC will develop a plan to guide the implementation of this policy. We will collaborate with our suppliers and technical partners to further develop our traceability systems and apply various tools for assessing and monitoring supplier compliance. These may include supplier self-assessments, onsite and offsite audits, satellite monitoring, etc. We will also continue to support the production and trading of certified sustainable palm oil, as well as key sectoral and landscape initiatives, as additional means to deliver on our NDPE commitment and promote sectoral transformation. LDC will publicly report on policy implementation on regular basis.

We reserve the right to request corrective actions by suppliers in case of confirmed non-compliance. Corrective action for non-compliance after the November 2016 reference date may include compensation, restoration or conservation of peatland or forest by working with expert stakeholders and communities. We also reserve the right to disengage from suppliers in case of failure or unwillingness to implement such actions. In order to resume commercial relations with LDC, suspended suppliers shall comply with [LDC's Palm Supply Chain Re-entry Criteria](#).

LDC offers public channels for stakeholders to report potential non-compliance, including our [Ethics Line](#) hosted by a third-party service provider and our specific palm-related grievance channel³.

LDC will work to resolve received grievances in a timely and structured manner, following our [Palm Grievance Protocol](#). LDC does not tolerate retaliation against anyone who, in good faith, raises a concern or participates in a non-compliance investigation.

³ Please email grievance reports to global-palm-sustainability@ldc.com