Palm Sustainability

Progress Implementation Report: Objectives, Traceability, Certification, Engagements

Updated January 2020
Sustainability Workstreams

**Impact (Policy implementation)**

- **Supplier engagements**: ✓
  - Technical training
  - Influencing policy upgrade
  - Grievance management
  - Specific programs/Supplier audits
- **Traceability to Plantation**: ✓
  - Progress for “directs”
- **Transparency**: ✓
  - Online posting of: grievances, protocols, mill lists, profile, traceability

**Traceability to Mill** – 97% 2019 ✓
- **Certification** of assets, trading sites & flows ✓
- **Embedding of NDPE** into contracts ✓

**Planned / Desired** ✌ **In place** ✓

**Transformation (Outcome across industry)**

- **Smallholder project**: improving yields, quality, cooperative structure, certification, for better livelihoods
  Pilot w/ 1000 smallholders ✓ => drive scale

- **Implementation Reporting Framework** for 2x refineries

- **Working with industry**: re-entry approach

- **More accurate GIS monitoring** – using additional external platform

- **Landscape program with EF regarding casual labor rights in East Kali**: ✓

- **Certification of assets, trading sites & flows** ✓
- **Embedding of NDPE** into contracts ✓
### Palm Sustainability Objectives

**Reviewed and Refined Periodically** - updated December 2019

<table>
<thead>
<tr>
<th></th>
<th>Currently in place - end of year 2019</th>
<th>2020 Target</th>
<th>2025 Target</th>
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<tbody>
<tr>
<td><strong>Traceability</strong></td>
<td>100% traceability to mill for direct sourcing to 2 LDC refineries</td>
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<td>100% traceability to mill for direct sourcing to 2 LDC refineries</td>
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<tr>
<td></td>
<td>93% traceability to mill for indirect sourcing (traded oil not going through the LDC refineries)</td>
<td>94% traceability to mill for indirect sourcing (traded oil not going through the LDC refineries)</td>
<td>Near 100% traceability to mill for indirect sourcing</td>
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<td>For direct sourcing from refineries, attain 60% traceability to plantation to 1st tier FFB</td>
<td>For direct sourcing from refineries, attain 90% traceability to 1st tier FFB</td>
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<tr>
<td><strong>Sourcing contracts</strong></td>
<td>approx 80% of direct sourcing volumes has commitment to NDPE / agreement to LDC sustainability policy; approx 80% of indirect sourcing volumes have commitment to NDPE/agreement to LDC sustainability policy</td>
<td>95% of direct and indirect sourcing volumes has commitment to NDPE / agreement to LDC sustainability policy</td>
<td>&gt;95% of direct &amp; indirect sourcing has commitment to NDPE / agreement to LDC sustainability policy</td>
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<td>40% of mills for direct sourcing to 2 LDC refineries participated in engagement workshops and self-declaration tool</td>
<td>50% of mills for direct sourcing to 2 LDC refineries participate in self-declaration tool or equivalent</td>
<td>100% of mills for direct sourcing to 2 LDC refineries participate in self-declaration tool or equivalent</td>
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<td>Active grievance protocol and process; Engagement of higher risk supplier groups, where LDC has leverage; Management of approved supplier list</td>
<td>Active grievance protocol and process; Engagement of higher risk supplier groups, where LDC has leverage; Management of approved supplier list; Segmentation of direct volumes using Implementation Reporting Framework</td>
<td>Ongoing grievance management; &gt;95% of direct sourcing volumes under &quot;commitment&quot;, &quot;progressing&quot; or &quot;delivering&quot; with &gt;75% of indirect volumes either &quot;commitment&quot;, &quot;progressing&quot; or &quot;delivering&quot; for NDP*</td>
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<td>Field verification of NDPE implementation for direct supplier mill; Use of Global Forest Watch Pro for direct mills</td>
<td>Additional satellite monitoring for direct/indirect sourcing in SEAsia; Target for 90% of direct supplier mills have undergone field verification</td>
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<td><strong>Engagement</strong></td>
<td>34% of direct suppliers attended training on Environmental / Social themes, as part of technical assistance to implement NDPE</td>
<td>Additional 33% of direct suppliers attended training on Environmental / Social themes, as part of technical assistance to implement NDPE</td>
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<td><strong>Monitoring</strong></td>
<td>250 smallholders trained in good agricultural practices with focus on quality, cooperative structure, yield improvement</td>
<td>Additional 750 smallholders trained in good agricultural practices with focus on quality, cooperative structure, yield improvement, with view to certification</td>
<td>Ambitious plan to scale up this workstream being defined</td>
</tr>
<tr>
<td><strong>Smallholders</strong></td>
<td>Monthly engagement with supplier (indirect) with documented social concerns (LATAM region)</td>
<td>Ongoing targeted support of supplier (indirect) through specific workstreams</td>
<td>Continuation of landscape project in East Kali: engaging with local governments to draft casual labour guidelines</td>
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<tbody>
<tr>
<td>Indonesia Refineries</td>
<td>100%</td>
<td>100%</td>
<td>66%</td>
<td>79%</td>
<td>86%</td>
<td>87%</td>
<td>89%</td>
<td>96%</td>
<td>100%</td>
</tr>
<tr>
<td>Singapore Commercial</td>
<td>100%</td>
<td>100%</td>
<td>75%</td>
<td>79%</td>
<td>90%</td>
<td>93%</td>
<td>81%</td>
<td>91%</td>
<td>92%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100%</td>
<td>100%</td>
<td>92%</td>
<td>93%</td>
<td>94%</td>
<td>95%</td>
<td>97%</td>
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Traceability Break Down by Origin Load Ports – H2 2019

- **Latin America**: 11% of LDCA traded oil comes from Latin American ports, with a total volume of 393,530.59 Mt.
- **Malaysia**: 28% of LDCA traded oil comes from Malaysian ports, with a total volume of 93,530.59 Mt.
- **Indonesia**: 60% of LDCA traded oil comes from Indonesian ports & LDC Indonesia refineries, with a total volume of 858,836.29 Mt.
- **Other**: 1% of LDCA traded oil comes from Cambodia, with a total volume of 17,364.34 Mt.
Traceability Breakdown by Product – H2 2019
Verified by Earthworm Foundation

- **Total LDC Palm traceability**: 97.45%
- **Palm Kernel Oil Traceability**: 86.43%
- **Palm Oil Traceability**: 97.71%
Volume Breakdown – H2 2019

Volume breakdown by Singapore Commercial and LDC Indonesia Refineries – H2 2019

- 58% LDC Indonesia Refineries
- 42% Singapore Commercial

For additional information on LDC’s 2 refinery assets in Indonesia, please refer to the below link:
https://www.ldc.com/id/en/
Certification: Steady Increase in Volumes Handled by LDC

ISCC and RSPO certified volumes KMT

Certified volumes KMT

- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019

Volumes:
- 2012: 30
- 2013: 180
- 2014: 210
- 2015: 266
- 2016: 375
- 2017: 410
- 2018: 478
- 2019: 726
Traceability to Plantation for Direct Sourcing by Asset Work in Progress

Balikpapan: 69%
Lampung: 31%

H1 2019
Palm Supplier Engagements - Examples

- Training on NDPE policy carried out with internal suppliers; analysis to identify gaps in NDPE implementation
- July 2019 - technical training workshop on HCV and HCS – 34% of internal suppliers attended
- Feb 2020 - Fire prevention & Peat workshop – internal suppliers to attend
- Smallholder training to promote best practice management (yield improvement, eventual goal of certification) – 1000 smallholders targeted; plans to expand
- Working with suppliers to upgrade and implement their Sustainability policy
- Onsite audits regarding Human rights processes and implementation