

Sime Darby Oils (SDO) Responsible Sourcing Guidelines

Introduction

This document presents Sime Darby Oils (SDO) Responsible Sourcing Guidelines (RSG) for the sourcing of Fresh Fruit Bunches (FFB), palm oil, palm kernel and their derivatives, as well as, other agricultural commodity crops. The RSG enables SDO to engage with suppliers and obtain their commitment that all products supplied come from legally compliant, environmentally sustainable and socially responsible sources. It clearly outlines the expectations on our suppliers as expressed in Sime Darby Plantation's (SDP's) [Responsible Agriculture Charter \(RAC\)](#), [Human Rights Charter \(HRC\)](#), and [Code of Business Conduct \(COBC\)](#).

The RSG also complements SDP's [Policy Statement on Working with Suppliers to Draw the Line on Deforestation](#) (the Policy Statement). The RSG outlines our requirements for suppliers while the Policy Statement outlines the triggers that may cause a supplier's suspension and the actions required for us to re-engage with them. With the publication of this RSG, SDO aims to actively engage with suppliers to develop sustainable business solutions and collaboratively resolve grievances whenever they arise.

Scope

The RSG is applicable to third-party suppliers' operations that SDO sources directly from, as well as, Group¹ operations that SDO may not be sourcing directly from. SDO's suppliers commit to make their suppliers and sub-contractors fully aware of the RSG and ensure compliance to its requirements, all the way down to the plantation supply base.

1. Legal Compliance

Suppliers comply with all laws and regulations in the countries of operation. When faced with conflicts between local and international laws/SDO norms and/or standards, suppliers agree to uphold the higher standard, wherever possible:

- a) Suppliers are licensed by local authorities where applicable, as per local laws and regulations.
- b) Suppliers comply with all applicable laws and regulations that govern their operations, business, and industry.

¹ Group refers to parent companies, subsidiaries, related and/or associated entities.

- c) Suppliers ensure that they only source from farms/estates that can demonstrate legal, customary, and/or user rights to the land.

2. Commitment to Traceability

At SDO, we have long made a commitment towards creating a deforestation-free supply chain. We believe that traceability is an important element to assess deforestation risks in our supply chain. Suppliers commit to uphold this value by applying the following:

- a) Whenever requested, suppliers commit to provide traceability information² of the material along the upstream and downstream supply chain.
- b) Suppliers agree to allow SDO to publish the information provided for traceability purposes and also to share this with our customers whenever requested.

3. Respect and Uphold Human Rights

Suppliers respect the rights of workers by complying with labour legislations and requirements³. Suppliers shall also commit to provide fair and favourable working conditions, including but not limited to:

- a) Suppliers commit to eradicate any form of exploitation, forced or bonded labour, slavery, human trafficking and exploitation.
- b) Suppliers commit to provide decent and fair wages⁴, reasonable working hours with adequate rest, voluntary overtime and access to basic needs⁵.
- c) Suppliers provide a safe and healthy working environment including appropriate provision of protective equipment.
- d) Suppliers respect Freedom of Association by respecting the rights of employees to form and join unions and bargain collectively.
- e) Supplier do not tolerate any form of discrimination of ethnic origin, caste, national origin, religion, disability, gender, sexual orientation, gender identity, union membership, political affiliation or age.
- f) Suppliers eliminate all forms of sexual harassment and abuse where violence is never used to resolve issues or conflict.

² Information such as parent company name, mill/estate name, sustainability certification status, address, longitude and latitude coordinates, and others as requested.

³ Relevant National Labour Laws or International Law in the absence of local, state or national laws. When faced with conflicts between local and international norms and/or standards, to uphold the higher standard, where possible.

⁴ Wages (excluding overtime premiums) comply with minimum legal requirements and mandatory industry standards as defined by national law or collective bargaining, whichever takes priority in local regulations.

⁵ Clean water, sanitation and hygiene facilities, healthcare (minimum)

- g) Suppliers strictly prohibit child labour⁶.

4. Respect Local Communities

SDO respects the legal, customary or user rights of the local communities and the indigenous peoples including their right to land-use and the right to self-determination. Suppliers shall commit to an operating environment that is free from conflict by applying the following:

- a) Suppliers respect the rights of local communities and undertake Free, Prior and Informed Consent (FPIC) processes prior to any new development.

5. Respect for the Natural Environment

Suppliers commit to respect the natural environment and ensure that their business activities are guided by a no-deforestation objective:

- a) Suppliers comply with all relevant applicable laws and regulations relating to the protection of the environment.
- b) Suppliers have not cleared primary forests, High Conservation Value (HCV) areas, or High Carbon Stock (HCS) forests⁷.
- c) Suppliers commit to the conservation of biodiversity and the respect of HCV areas and HCS forests, as well as protected areas.
- **High Conservation Value Areas**
 - Areas as defined in High Conservation Value Resource Network Common Guidance for Identification of HCVs⁸.
 - **High Carbon Stock Forests**
 - HCS forests as defined by the global multi-stakeholder platform of expertise on HCS, the High Carbon Stock Approach⁹.
- d) Suppliers commit to no new development of peatland, regardless of depth.
- e) Suppliers prohibit the use of fire in land preparation including during planting and replanting.

⁶ Not all work done by children should be classified as child labour. The ILO refers “Child labour” to work that is mentally, physically, socially or morally dangerous and harmful to children; and interferes with their schooling. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. National minimum working age must be observed, children must not be exposed to hazardous working conditions and are not permitted to perform dangerous, hazardous or heavy work.

⁷ Acknowledging the challenges to independent smallholders in our supply chain that this RSG 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.

⁸ Full guidance at <https://hcvnetwork.org/>

⁹ More information at <http://highcarbonstock.org/the-high-carbon-stock-approach/>

- f) Suppliers commit to work towards protection of natural resources through optimisation of water extraction, robust water management initiatives and implementation of water quality improvement plans.

6. Grievance Management

Suppliers commit to establish grievance mechanisms for both their internal and external stakeholders to submit complaints anonymously:

- a) Suppliers ensure that their workers have access to grievance or complaint channel to report on working conditions, recruitment, safety and other issues that might affect them without fear of repercussions.
- b) Suppliers commit to establish a grievance mechanism for both internal and external stakeholders to report suspected wrongdoings anonymously without fear of repercussions.
- c) Suppliers ensure that there are internal policies and mechanisms to protect and prevent harm to complainants and Human Right Defenders (HRDs)¹⁰, as well as respond to complaints on any alleged threats made to them.

7. Implementation & Monitoring

Suppliers agree that SDO may ensure the implementation of this Guideline by conducting various means of verification:

- a) SDO reserves the rights to verify alignment to and implementation of the RSG's requirements through the use of supplier self-declaration and online assessments. For areas deemed high risk, SDO may conduct independent verification, including third-party audits, upon consultation and agreement with suppliers.
- b) Should there be any instance of non-compliance to the RSG, SDO reserves the right to request corrective measures and preventive action plans.
- c) In cases where breaches are repeated, SDO reserves the right to cease further business relationship with the supplier until they are able to demonstrate compliance to this RSG.

¹⁰ HRDs refer to individuals, groups and associations who promote and protect universally recognized human rights and contribute to the effective elimination of all forms of violations of human rights and fundamental freedoms of individuals and peoples. This definition includes Environmental Human Right Defenders.