

A group of young children, likely students, are smiling and waving. They are wearing bright yellow school uniforms with green ties. The background is slightly blurred, suggesting an outdoor setting.

Responsible Operating Principles

Updated August 2017

IOI Loders Croklaan

*Let's create
together*



IOI GROUP

Scope

As one of the world's leading producers of premium quality oils and fats, IOI Loders Croklaan Group uses its leadership to tackle the complex social, economic and environmental challenges in our supply chains.

We take responsibility by building traceable, transparent and sustainable raw material supply chains following our Responsible Operating Principles. The principles apply to all individual IOI Loders Croklaan entities globally and third party suppliers.

We expect all our business partners to comply with the provisions in this document and, when involved in the production of Palm and/or Shea to comply with our Sustainable Palm Oil Policy and/or Sustainable Shea Sourcing Practices.



Responsible Operating Principles

1. Code of Conduct
2. Sustainable Sourcing Practices
 - 2a. Sustainable Palm Oil Policy
 - 2b. Sustainable Shea Sourcing Practices
3. Responsible Use of Resources
4. Social Responsibility
5. Governance



1. Code of Business Conduct & Ethics

- o The IOI Loders Croklaan Global Code of Conduct can be found at: ioiloders.com
- o The IOI Loders Croklaan Global Code of Conduct is based on the IOI Group Code of Business Conduct & Ethics
- o The IOI Loders Croklaan Global Code of Conduct was first communicated and published in April 2014

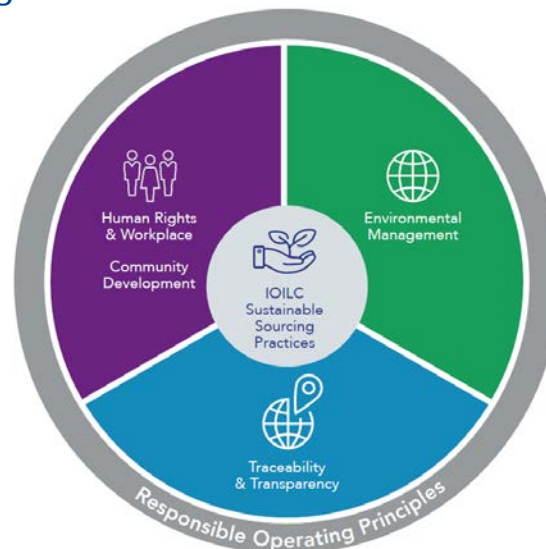


2. Sustainable Sourcing Practices

All our sustainable sourcing practices are guided by activities and commitments in the following areas:

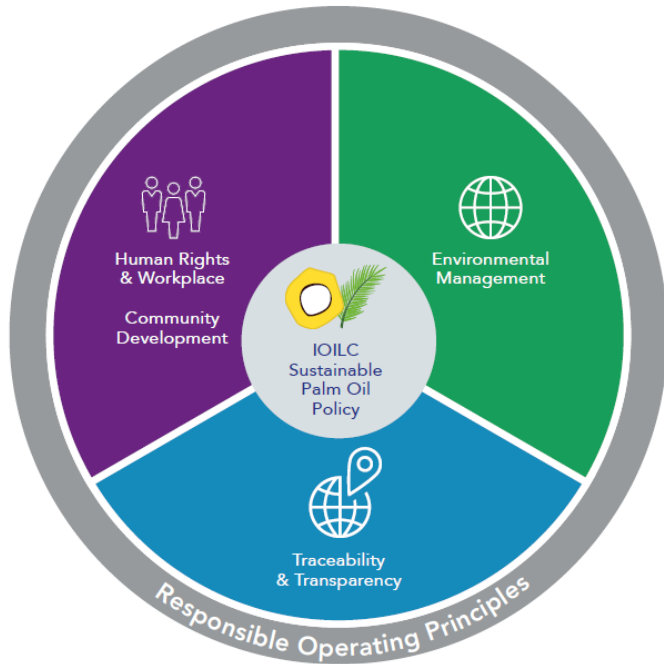
- ✓ Environmental Management
- ✓ Human Rights & Workplace and Community Development
- ✓ Traceability & Transparency

When involved in the sourcing and/or production of palm and shea we are guided by the commitments in our Sustainable Palm Oil Policy and Sustainable Shea Sourcing Practices.



2a. Sustainable Palm Oil Policy

Palm oil, the most widely used vegetable oil in the world, is an extremely important commodity. Because palm oil plantations are highly labor intensive, the crop production also provides a livelihood to millions of people in small, tropical agricultural communities around the world. Palm Oil is the most important part of our raw material portfolio.



We have an obligation to source, process, and sell palm oil in a sustainable manner. Moreover, we respect the environment, human rights, and labor conditions, always tending to the economic benefits and value that palm oil will bring to the people and companies who operate in this industry.

In our practices we are guided by our Sustainable Palm Oil Strategy.

2a. Sustainable Palm Oil Policy

The IOI Group Sustainable Palm Oil Policy applies to all IOI Group entities and Third Party suppliers. It was published in 2014 and last updated in 2017.

The Policy includes the following key commitments:

- ✓ To accelerate the journey to **no deforestation** through the conservation of High Carbon Stock (HCS) forests, High Conservation Value (HCV) areas and the protection of peat areas regardless of depth. HCS convergence methodology for new plantings.
- ✓ To build **a traceable and transparent supply chain**. Non-compliance supplier process for third party suppliers. Current traceability status: 100% palm oil to mill level.
- ✓ To **respect the rights** of employees in the palm oil industry, indigenous peoples and local communities.
- ✓ To increase the focus on driving beneficial economic change and to ensure a **positive social impact** on people and communities.
- ✓ Transparency on our performance and progress via our [Dashboard](#) and open and transparent [Grievance Procedure](#)
- ✓ Execute our **third party supplier compliance** process.
- ✓ Wider **stakeholder engagement** through active participation in industry initiatives.

The Sustainable Palm Oil Policy and Sustainability Implementation Plan (SIP) can be found [here](#)

2b. Sustainable Shea Sourcing Practices



Shea has been an important raw material for IOI Loders Croklaan for more than 50 years. Shea is a wild crop meaning the shea tree is very difficult to cultivate. The geographical area in which the shea tree grows stretches through numerous countries across West Africa. Millions of people in this part of the world depend on shea for their very livelihood. The collection of the shea nuts is done predominantly by women.

We respect the environment, human rights and labor conditions, always tending to the economic benefits and value that shea will bring. Both to the people and companies who operate in the industry. We are committed to building a fully traceable, transparent and sustainable shea supply chain.

The Sustainable Shea Sourcing Practices function as our guidance document. They were first published in April 2014 and updated in 2017. The practices can be found [here](#)

3. Reduce, Reuse, Recycle

In all that we do, we strive to **minimize** the use of natural resources and limit the amount of waste produced. Whatever waste is produced often has a value and can be **reused** or **recycled** in other processes. Our ambition is 'zero waste to landfill'. At the regional level, projects are in place or will be initiated to achieve the goals we have set for the resources we use.

We will measure our performance using the following indicators:

- o Electricity consumption in kWh per ton produced
- o Gas consumption in MJ per ton produced
- o Water consumption in m³ per ton produced
- o Waste going to landfill as the percentage of the total waste produced



4. Social Responsibility (1/3)

1. Human and Worker Rights

- o We support and respect the protection of human and worker rights in accordance with the *Universal Declaration of Human Rights* and the *International Labor Organization's fundamental conventions*. We uphold the freedom of association and the effective recognition of the right to collective bargaining. We eliminate all forms of forced and compulsory labor, we refrain from child labor and we eliminate discrimination in respect of employment and occupation.
- o We expect our business partners to do the same and, when involved in the production of palm oil, to comply with the RSPO Principles & Criteria and our 'Sustainable Palm Oil Policy'.



4. Social responsibility (2/3)

2. Talent Management

We are committed to the success and **development of our employees** and believe that our employees can and will make a difference. We provide an environment which fosters the collaborative development of responsible leaders.

Activities to support employee development:

- Selection and promotion processes supported by assessments
- Organizational and succession planning – regional and global
- Personal development plan for all employees
 - Open two-way dialogue between managers and employees
- Individual development planning
 - Coaching & Mentoring
 - Special projects – regional and global
 - Longer term global assignments
 - Job shadowing and rotation
 - Outside training courses
 - University tuition reimbursement



4. Social responsibility (3/3)

3. Safety

Safety First. At IOI Loders Croklaan we are committed to creating a safe and healthy work environment for all of our employees.

Actions:

- o At the global level, safety parameters are aligned and measured. Targets have been set for:
 - LTA (loss time accident)
 - TIR (total incident rate)
- o Best practices related to Safety management are shared and learnings implemented.



5. Governance

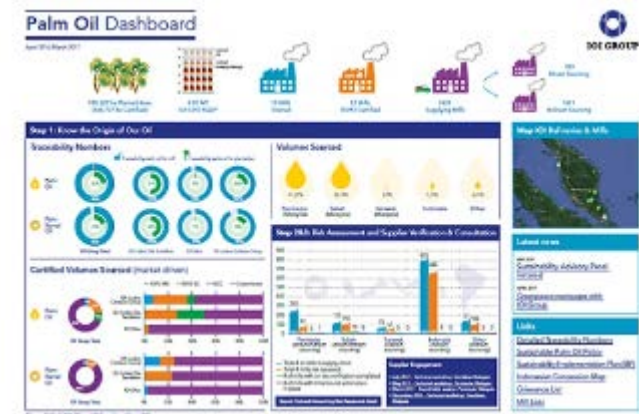
- o The Responsible Operating Principles are set by senior management including our Group CEO and confirmed by the Executive Committee. The Principles reflect the way we operate our business on a day to day basis.
- o To stay focused, we are committed to reporting progress on our Responsible Operating Principles. We have joined various certification programs and participate in the Carbon Disclosure Project (CDP). We submit ourselves to both internal and external audits to review if we adhere to the set of criteria linked to the various certification programs.
- o IOI Loders Croklaan will continue to consult external stakeholders to review our Responsible Operating Principles and to conduct an analysis of potential risks associated with the regions and mills from which we source palm oil.



5. Governance

Our progress is reported via:

- o Sustainability Newsletters (quarterly)
- o Sustainability Report (annually)
- o Sustainable Implementation Plan (quarterly)
- o Traceability updates (quarterly)
- o Carbon disclosure report (scope 1 & 2) (annually)



Monitoring is governed via:

- o Sustainable palm Oil Sourcing Committee (governance of sustainable sourcing practices) (quarterly meetings)
- o Talent management Review (Committee: CEO IOI and CEO IOI-LC, COOs & global HR) (annually)
- o Intercompany benchmarking of our plants and set targets for best practice (annually)
- o Employee engagement survey (HR) (annually)

5. Governance

Management standards, systems and certifications:

Management standards

- Quality ISO 9001
- Food Safety ISO 22001
- Environment ISO 14001:2004 (EU only)

Product quality and safety standard

- ISO 17025
- ISO 14001
- FSCC 22000

Food product certifications

- Kosher
- Halal

Sustainability

- RSPO
- ISCC EU
- ISCC PLUS

Other

- GMP+
- Hazard Analysis Critical Control Points (HACCP)
- SEDEX
- SQF Level 3 product quality and safety standards