

A close-up, artistic photograph of a wheat stalk, showing the golden grains and long awns, set against a blurred background of more wheat. The image is partially obscured by a green overlay on the right and bottom.

OUR APPROACH TO
SUSTAINABILITY
AND DEFORESTATION
POLICY

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Introduction

As a family-owned business that has grown and evolved over eight decades, HSA Group is a firm advocate of purpose-led and responsible business. In every decision we make, across our global operations, we act on the philosophy set out by our founders: doing well by doing good. Our values instil a commitment to positive socioeconomic impact, sustainable development, transparency and accountability at the heart of our organisation.

With the world facing uncertain times and unprecedented challenges, the private sector has a critical role to play in responding to the environmental, economic and humanitarian crises that are gripping many countries across the globe: tackling immediate challenges to support vulnerable communities; and innovating and investing to foster a sustainable, resilient and stable future for all.

At HSA Group, we embrace our responsibility to step up and respond to this imperative for action – for today, for tomorrow and for generations to come.

Drawing on this commitment, HSA Group's strategic approach to supporting sustainable development in our operating environment is unified across three key pillars – People, Planet and Prosperity – reflecting the holistic and integrated way in which we engage and contribute to the world around us – and in alignment with the UN Sustainable Development Goals (SDGs).

As part of our sustainability strategy, we are investing and innovating to minimise HSA Group's environmental impact. This includes initiatives to adapt our manufacturing facilities to use renewable energy to power our operations and physical infrastructure, and pursuing R&D strategies which enable us to eliminate excess material and increase recyclability in our product packaging and achieve a more sustainable and circular business.

HSA Group is one of the Middle East region's largest FMCG, industrials and manufacturing businesses. By virtue of our edible oils and packaging operations in particular, we are engaged in the trading and use of a number of commodities derived from natural sources, including palm oil, soybean oil, paper and pulp. We are acutely aware of the potential environmental impact attached to the sourcing, manufacturing and distribution of these products, their potential exposure to illegal deforestation and associated impact on the livelihoods, wellbeing and human rights of communities.

As such, leveraging our extensive expertise in the trading of commodities and their use in manufacturing, we prioritise sustainable, responsible sourcing, and implement initiatives across our organisation that enable us to reduce the impact of our commercial activities on the natural world. All HSA Group companies trading or manufacturing products containing commodities derived from natural sources adhere to a range of international best-practice policies that

prioritise sustainable, responsible and traceable sourcing of commodities. These policies are designed to ensure that HSA Group and its companies are not exposed to practices that harm the natural environment – deforestation, in particular – and the communities we work in, preserving and protecting their human and labour rights.

In line with our commitment to accountability, governance and transparency, we have outlined in this document the policies that HSA Group and its companies have in place to safeguard our supply chains from any activity which contributes to illegal deforestation, which complement our broader supplier code of conduct and associated policies which also ensure all employment standards are met.

We are constantly evolving, growing and transforming to build a legacy for the organisation which will endure long into the future, shaped by our values-led approach to doing business, commitment to good governance and compliance throughout our operations and supply chains and longstanding relationship with the communities we serve. We welcome dialogue and discussion with all stakeholders and interested parties in respect of our environmental footprint, as we continue our sustainability journey, driven by continuous improvement and innovation to support, protect and drive long-term positive social and economic impact in the world in which we operate.

OUR APPROACH TO SUSTAINABILITY



Our belief in doing well by doing good underpins HSA Group's strategic approach to supporting sustainable development and delivering a positive social and economic impact, everywhere we operate.

Our four priority areas of action on sustainability, as outlined in the table below, span the three key pillars of our approach: People, Planet and Prosperity. By taking steps to protect our operating environment, unlock the long-term potential of the next generation, deliver safe, high-quality and innovative products for our communities through times of prosperity and crisis, and act responsibly, ethically and with accountability, we are advancing on our journey to support a more sustainable future for all.

The strategies we have adopted are purpose-driven, prioritising long-term growth whilst also providing the immediate assistance that vulnerable communities need. We are immensely proud of the bold philanthropic actions we have taken to support the communities in the markets in which we operate, particularly in our home market of Yemen, as well as our contributions to the achievement of the UN Sustainable Development Goals (SDGs). In working towards these common objectives, in collaboration with local, regional and international public and private sector organisations, we are harnessing the power of partnership and collective action to effect tangible change for the good of communities everywhere.

Protecting our operating environment

At HSA Group, we take action to minimise our environmental impact across our global operations and contribute to the preservation of resources throughout our supply chain. From responsibly sourcing raw materials through to reducing waste and improving product packaging recyclability, we apply our Code of Conduct rigorously and work closely with our suppliers to ensure that sustainable business practices are being followed.

We have identified innovative ways to protect and conserve our natural environment, including by adapting our operations to use renewable energy sources where possible. Across three major facilities in Yemen, Kenya and the United Kingdom, we have invested in solar energy to power our operations and physical infrastructure and we are currently exploring other sources of renewable power, such as geothermal energy, to maintain base power at our plants and provide heat for production processes. We also work closely with our Research & Development team to integrate circular business processes and practices, implementing innovative waste management technology throughout our operations.

The consequences of climate change are nonetheless evident. HSA Group's operating markets have experienced some of the harshest climate-related impacts, such as recent severe weather events in our home market of Yemen, which pose an immediate threat to the lives and livelihoods of local communities. As

an extremely arid country which imports 90% of its food, Yemen's food security is particularly affected by torrential rain and flooding, which prevents the creation of resilient food systems. To support vulnerable communities in our home market and beyond, we take bold action outside the scope of our own operations to help mitigate the effects of climate change and to prevent environmental disaster.

In Yemen, through a water trucking project, HSA Group has delivered almost two billion litres of clean water to those in need. We have also installed solar-powered pumps for irrigation and the first large-scale desalination plant in the country, amongst other resilient water infrastructure, which supports sustainable domestic agricultural activity, a key component of building resilient food systems in Yemen.

Finally, when the FSO Safer oil tanker was poised to spill 1.1 million barrels of oil into the Red Sea, which would have had far-reaching effects on maritime activity, we were the first private sector organisation globally to donate to the UN's emergency salvage operation.

We recognise that the investments we are making today will be crucial to the future of our planet, and we remain committed to doing all we can to address these most pressing challenges.

Unlocking the long-term potential of the next generation

The story of HSA Group's growth is one of entrepreneurship, courage, resilience and a commitment to excellence and impact. This story has been written by the people that have dedicated their energy and talent to the Group's journey: our employees.

HSA Group's 35,000-strong global workforce is united by the philosophy of our founders: a belief in doing well by doing good. From pursuing innovation to serving the needs of vulnerable communities, our people live and breathe our values and put our philosophy into action every day.

We keenly understand our responsibility to not only continue to support these jobs – as Yemen's largest employer and one of the only certified Top Employers in the region – but also to empower our people, encourage them to succeed, and foster the development of the wider business community.

To do so, we invest significant time and resources in nurturing our talent and unlocking the long-term potential of the next generation, through a range of learning and development programmes designed to impart both technical and soft skills that enable students and employees alike to thrive both personally and professionally.

This includes our Ta'heel programme which offers employees the chance to work alongside experts for six months to increase their technical skills, and the Entilaqa programme, whereby recent Yemeni graduates rotate through different business segments in

HSA Group companies for two years to give them first-hand professional experience. We have also established training programmes for both current and prospective employees in partnership with leading global businesses, including technology giants SAP and Cisco.

To provide opportunities for growth and progression for our communities more broadly, HSA Group also funds thousands of scholarships for Yemeni students to study at world-class universities and manages the Al Saeed University in Taiz, which was established by the Group to teach practical courses including technology, medicine and engineering to talented students in Yemen.

We are also investing in projects which enable and encourage school attendance. The International Modern Arabic School, a rapidly expanding project from the Hayel Saeed Anam Charitable Foundation, provides high-quality, free and equitable education to extremely underprivileged children across Yemen. To improve both educational and nutritional outcomes for young Yemeni pupils, HSA Group and Tetra Pak are collaborating to deliver a School Feeding Programme to 10,000 children across Yemen.

We know that our future as an organisation lies in the hands of the next generation of leaders and we are committed to ensuring that they have the skills and experience they need to unlock their collective potential.

Delivering innovative products that meet high standards of quality and safety

Businesses operating in fragile and conflict-affected states exemplify how to innovate, adapt swiftly and respond effectively to changing circumstances to meet the fluctuating needs of consumers and support local communities.

Over eight decades, HSA Group and our operating companies have built a portfolio of trusted brands that are a part of daily life for millions of households in over 80 markets. Our proactive approach to purpose-led innovation and research and development (R&D) has underpinned our progress, ensuring that we can offer products and solutions that match the shifting needs of local populations whilst maintaining high standards of quality and safety.

In our home market of Yemen, we regularly commission market research to forecast how product innovation can provide support to vulnerable communities. By maintaining a deep understanding of the challenges faced by a population experiencing the effects of the world's worst humanitarian crisis, we are able to identify opportunities for investment and take action to maintain food security and access to basic essentials and commodities in rural and last-mile communities.

Recent insights from a study in Yemen show that decreased purchasing power among consumers has coincided with the following changes in purchasing behaviour: turning to lower cost, unbranded products which are often loose or unpacked; re-categorising products previously considered essential as luxuries; and increasingly purchasing products sold in smaller quantities for the sake of affordability.

Each of these changes risks compromising product quality and safety. As such, our R&D team has worked hard to adapt our products accordingly. We have introduced smaller sizes of packaging for staple products to protect consumers from short-term price hikes, fortified products with minerals and vitamins to ensure consumers receive maximum nutritional value from limited supply, and worked alongside humanitarian organisations to provide high-energy biscuits for School Feeding Programmes.

Many HSA Group products travel long distances to reach their final destination, exposed to harsh weather conditions and rough terrain. In conflict-affected markets, household consumption is determined by the food made available by private sector distributors and retailers, particularly in rural and hard-to-access areas. We therefore take our responsibility to provide safe and unspoiled products seriously.

We have also established a mobile money platform in Yemen and the wider MENA region to improve financial inclusion and introduced innovative packaging to boost the shelf-life of our products and protect their contents during transit, such as deploying opaque packaging to limit exposure of our ghee and oil products to sunlight, thereby preserving nutritional quality.

We understand that HSA Group's products are a lifeline for many in Yemen, which is why, despite the many challenges we face, our relentless commitment to quality and safety in our products remains undiminished.

Acting responsibly, ethically and with accountability

Since HSA Group was founded in 1938, we have had a clear purpose: to courageously bring happiness to the lives of those we touch, from our employees to our consumers, the communities we serve and the wider world in which we operate.

To deliver against this purpose, we must act responsibly, ethically and with accountability, championing a strategy which empowers our people, protects the planet and helps drive prosperity for all.

As both a family business and a multinational conglomerate, HSA Group is a global citizen that operates according to family values and often exceeds the requirements and expectations of regional and international regulatory frameworks.

Across all our operations, we maintain an unwavering focus on compliance and accountability and the highest standards of corporate governance.

Our employees adhere strictly to a suite of internal policies which have been developed in collaboration with international compliance experts, including our Code of Conduct, Anti-Bribery and Anti-Corruption and Whistleblowing Policies. These are supplemented by Internal and External Grievance Policies to ensure that all regulations and policies are observed.

These policies support the principles stipulated in global compliance and governance frameworks, from anti-bribery and anti-money laundering to social responsibility and the protection of human rights. To ensure they are in line with international best practice, our policies

are reviewed regularly, and our HR and compliance teams ensure that all employees receive the required training, delivered by qualified professionals.

Our deeply rooted values guide the way in which we look after our employees, prizing compassion, care for others and a community spirit. Their health and wellbeing is a priority, and as such we conduct regular and thorough Health & Safety assessments across our operations and ensure that all employees are certified and up to date in their respective qualifications. We also work towards additional international certifications, such as the EDGE Plus Certification, for workplace diversity, equity and inclusion, to ensure that our operations not only meet but exceed national and international standards.

Recognising that stringent compliance and governance processes and platforms are needed to engage effectively with international organisations and markets, we also look outward, working with other private sector organisations and associations in Yemen to help equip them accordingly. In the long-term, this will help to unlock Yemen's potential and encourage sustainable development and economic growth in our home market.

The Saeed Anam family name merits trust, on the basis of 85 years of doing well by doing good. As we continue to advance on our journey to create a more sustainable future for all, we will remain true to our values and our purpose and continue to pool our resources and expertise to bring others with us along the way.

ANTI-DEFORESTATION POLICY APPROACH

HSA Group is committed to minimising the impact of its operations on the local environment. In line with this commitment, HSA Group has invested significantly in establishing world-class compliance and governance mechanisms for all its operating companies, including its commodity processing and trading businesses. In addition to complying with all applicable local and international laws wherever it operates, the Group also implements specific policies to ensure that there is no risk of deforestation in its supply chains. The following policies are drawn from two HSA Group companies that are members of the Roundtable on Sustainable Palm Oil, as well as the Group's Yemen region, and are regularly reviewed in line with international best practice."



Yemen Region > Deforestation

Our commitment

We place a strong focus on environmental protection as per our Health, Safety, and Environment (HSE) policy, which applies to all industrial companies. Our Environmental Protection and Sustainability Agenda covers aspects related to climate change, responsible sourcing, waste management, resources efficiency and others, delivering positively on deforestation and conversion-free (DCF) supply chains.

We dedicate a Regional Environmental Compliance Organisation and set specific environmental objectives and KPIs allocated annually by the region HSE, which is monitored quarterly. Procurement processes ensure the compliance/commitment of key suppliers to deforestation and conversion-free requirements.

Additionally, we are committed to identifying DCF and human rights abuses within our supply chains. Environmental and Social Impact Assessments (ESIAs) are conducted on existing and new operations to identify direct and indirect impacts related to deforestation. These are a requirement of the ISO 14001 which all HSA Group – Yemen region companies are certified.

National and International Studies for Social Responsibility, Labour & Stakeholders Rights are applied across the region and are governed by HSA Group – Yemen region Code of Conduct and the Grievance Policy. Independent audits and verifications are conducted by qualified external organisations, such as the International Finance Corporation (IFC) to ensure compliance with human rights and other ESG factors.

The HSA Group – Yemen region Head of Health Safety and Environment is an executive level position (Chief Officer) and sits on the Regional Steering Committee. The CHSEO is responsible for the development of the Environmental/Sustainability Strategy and Road Map committed by the business. The Steering Committee meets on a regular basis and discusses environmental compliance when necessary, particularly relating to the areas of climate, efficiency and waste management.

Forest ecosystems

We are committed to protecting all ecosystems and our rigorous approach to environmental protection is set out in our Health, Safety and Environment Policy. HSA Group has developed robust Environmental and Social Standards that adhere to both local regulations and international benchmarks, including those set by the IFC and World Bank Group (WBG).

Climate targets

We monitor greenhouse gas emissions (GHG) for operations (scope 1) and have conducted a Carbon Footprint Assessment, undertaken by a subject matter expert (FTI Consulting). Based on the assessment results, the region HSE is developing a Low Carbon Road Map tailored to each industrial facility, due for implementation by the end 2023. The roadmap is being developed in collaboration with field experts from The Regional Center for Renewable Energy and Energy Efficiency (RECREE) who are applying internationally recognised methodologies to ensure we have a comprehensive road map towards net-zero emissions.

Regarding disclosure, GHG footprint scope 1 was conducted for 2021 across 10 HSA Group – Yemen region strategic companies, and the results are shared with relevant authorities when appropriate. Results were benchmarked on the industrial peer reported results and demonstrated much lower GHG emissions for all industries.

Since 2021, companies have been deploying internationally recognised Air Quality Standards assessments with rigorous emissions measurement and monitoring protocols.

Yemen Region > Deforestation

Responsible sourcing of forest-risk commodities

At HSA Group – Yemen Region, we have a commodity-specific commitment to eliminate deforestation from our supply chain for both palm oil and paper products. As downstream companies, we continue to meet international environmental protection standards on deforestation elimination and the conversion of natural ecosystems.

Our supplier selection process requires that all suppliers hold a credible certification for deforestation/conversion of natural ecosystems. Procurement process and supplier selection involves the submission of Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) certifications (for paper), and Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) standards (for palm oil) prior to supplier approval/registration and through business contracts, including renewals.

Remediation

We conduct remediation to address non-compliance associated with all identified environmental aspects/impacts identified in Environmental and Social Impact Assessments (ESIAs). In keeping with relevant standards, all open cases are monitored and reported by the region HSE and represent one of the 2 environmental Key Performance Indicators (KPIs) for the function. Companies are annually evaluated against these in terms of performance.

Traceability

As downstream companies, our first port of call is to trace products to their source. Yemen region companies apply a traceability system through the SAP ERP software implemented in 2020, enabling full traceability of raw materials (e.g. edible oils or paper).

Targets and milestones

Our first committed target dates for GHG footprint improvements will be determined through the Low Carbon Road Map Strategy by end of 2023. Expected target commitment date for tangible improvement is 2028-2030.

Energy efficiency in leading food companies against identified targets is assessed by the International Finance Corporation.

Yemen Region > Human Rights

Our commitment

Respect of human and labour rights is one of our core values. Our Code of Conduct clearly states that all employees, contractors, and suppliers must comply with all international and local laws, regulations, and legislation related to labour rights and employment standards. (Clause 5 “Employment Standards” page 21)

Our Code of Conduct (Item 3, page 12) specifies that decisions are made without regard for race, gender, age, religion, nationality, or ethnicity. We have a DEI task-force in place with a focus on female representation and employees with disabilities. Moreover, employees can freely use our whistleblowing tool to report violations related to workers’ rights, sexual and gender-based harassment, and/or gender-based discrimination.

HSA Group – Yemen Region has anonymous reporting mechanisms for reporting any suspected violations of its Code of Conduct or local/international laws.

Remediation

HSA Group – Yemen Region companies provide remediation in cases where it has caused or contributed to social or environmental harm. To ensure responsible environmental and social practices, we mandate an Environmental and Social Impact Assessment (ESIA) for each project. This assessment comprehensively addresses environmental and social impacts associated with the project. Additionally, the ESIA includes a well-structured mitigation/remediation action plan. ESIA identifies emissions, solid waste and spills among other impacts directly related to climate change and ultimately deforestation. These impacts are managed and addressed by the respective international standards deployed and monitored for compliance by the regional HSE.

Indigenous people

The social element of our ESIA conducted prior to new projects address potentially affected indigenous peoples and/or local communities.

Land rights

Our land acquisitions are carried out by our Legal & Compliance team and adhere to local regulatory requirements.

Yemen Region > Reporting and monitoring

Our commitment	Risk-assessments	Traceability
<p>HSA Group – Yemen Region suppliers for specified commodities are required to be certified by a credible Deforestation and Conversion-Free (DCF) certification. DCF volumes are not tracked or disclosed at this time.</p>	<p>EIAs and ESIA's are provided to relevant authorities, where appropriate.</p>	<p>Our companies apply traceability systems through SAP ERP for 100% of raw materials/packing materials, allowing determination of the DCF status of the commodity.</p> <p>Partial traceable volumes reported are verified through ISO 22000 independent audits to food manufacturing companies that utilise specified commodities.</p> <p>While specified commodity volumes are tracked, traceability is not reported publicly.</p>
<h3>Compliance monitoring</h3>		
<p>We commit to ensuring the rights of all people working in our operations are respected according to local, national and ratified international laws. We also commit to ensuring international best practice where legal frameworks are not yet in place. Other areas of monitoring include:</p> <ul style="list-style-type: none"> Labour rights – Our Code of Conduct clearly states all employees, contractors, and suppliers must comply with all international and local laws, regulations, and legislation related to labour rights and employment standards. Tools are provided for communication and secured reporting with robust and transparent mechanisms to ensure fair and effective resolution of issues reported. In the past three years, key food manufacturing companies have been audited by the IFC as part of the Corporation's Due Diligence protocols and have found to be compliant. Monitoring and active grievance mechanisms are managed by the regional HSE. 	<ul style="list-style-type: none"> Gender equality and inclusion – According to the HSA Group – Yemen Region Code of Conduct, decisions are made without regard for race, gender, age, religion, nationality, or ethnicity. Monitoring and active grievance mechanisms are managed by the regional HSE. Environmental compliance – HSA Group leadership team is responsible for reviewing environmental compliance performance on an ongoing basis, developing plans for improving and maintaining standards in line with international best practice. 	<h3>Grievance mechanisms</h3> <p>A grievance mechanism is in place for internal and external stakeholders, featuring a dedicated reporting platform on the HSA Yemen website. This mechanism is compliant with standards outlined by the International Finance Corporation (IFC).</p> <h3>Reporting</h3> <p>Compliance with all relevant local and international standards is available upon request by an auditing body.</p>

PIL Group > Deforestation

Our commitment

PIL Group has a company-wide commitment to achieve DCF (deforestation and conversion-free) production and/or procurement for all high-risk commodity supply chains. This is highlighted in our Sustainable Palm Oil Sourcing Policy.

PIL Group is a member of the Palm Oil Collaboration Group (POCG) which brings together companies from every stage of the palm oil supply chain to accelerate effective implementation of No Deforestation, No Peat & No Exploitation (NDPE) commitments. Within in the POCG, PIL Group is a member of the Implementation Reporting Framework Active Working Group (IRF AWG), which consists of peer companies and stakeholders responsible for establishing and refining a reporting tool to track and analyse supplier's progress in implementing NDPE policy commitments across their supply chain.

PIL is also member of the Roundtable on Sustainable Palm Oil (RSPO) under the group membership of Commodities House Investments Limited. As a member of RSPO, we strongly promote sustainable production of palm oil products and prohibit deforestation in our supply chain.

We identify deforestation, conversion, and associated human rights abuses as a serious business risk. Transparency is an integral part of our journey towards responsible practices. In 2018, we launched a Palm Oil Sustainability Dashboard on our website - incorporating key features such as traceability to mills, supplier profiles, and links to relevant sustainability pages. The dashboard provides updates to stakeholders on the progress of our current sustainability commitments as per our sustainability charter.

We also have a committee formally focused on deforestation-related issues, and in our Sustainability Report under Sustainability Governance, the company addresses NDPE non-compliant issues such as deforestation, peat clearance and human rights violation and works towards resolution as per the PIL Group Grievance Procedure.

PIL Group's Sustainability Steering Committee is made up of senior leadership across the business and meets once per quarter (or as necessary) to monitor and discuss the Group's performance.

Forest ecosystems

We place significant importance on protecting forest ecosystems. In our Sustainability Report under Sustainability Governance, the company addresses NDPE non-compliant issues such as deforestation, peat clearance & human rights violations and works towards resolution as per the PIL Group Grievance Procedure.

Climate targets and disclosure

PIL Group has a time-bound target to reduce GHG emission intensity as set out in our Sustainability Charter.

We are committed to disclosing our total GHG emissions arising from land use. PIL Group is also committed to reducing its carbon footprint gradually by implementing best management practices and monitoring its emission intensity. The key operations at our refineries that contributes to GHG emission are refining, fractionation, wastewater treatment, electricity, chemical, and fuel consumption.

Our refineries and oleochemical are committed to reduce GHG emission for both scope 1 and 2 by 2030 from 2022 baseline. Further details are available on the PIL Group website.

PIL Group > Deforestation

Responsible palm oil sourcing and processing

PIL Group has a commodity-specific commitment to eliminate deforestation. We are committed to ensuring a responsible palm oil supply chain by adopting no deforestation, no peatland planting and no exploitation of local communities and workers in our operations. Additionally, PIL Group is committed to a transparent and traceable supply chain, ensuring that our palm oil mills are 100% traceable to mill.

PIL Group will not knowingly source palm oil from plantations established on areas of significant environmental or cultural importance as of 1 July 2018. We support the conservation of High Conservation Value (HCV) areas and Carbon Stock (HCS) forests.

- High Conservation Value (HCV) areas which we recognize that in some circumstances, non-forest areas particularly those with significant cultural or historical value may also be considered as HCV land and such areas would fall within the scope of the responsible sourcing policy.
- Carbon Stock (HCS) forests such as primary forests, high, medium and low density and young regenerating forests.

We expect our third-party suppliers to identify areas of conservation and protection through High Conservation Values (HCV) and High Carbon Stock (HCS) assessments. These assessments must be led by licensed HCV assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (HCVRN-ALS) and HCSA registered practitioners. HCS areas are protected using Carbon Stock Approach as defined by the HCS Approach Toolkit

Traceability systems

We have a commitment to develop and implement supply chain traceability systems, enabling the determination of DCF status of the commodity produced – tracing to the point of production. For 2022, PIL Group, which comprises of our sister refineries and oleo chemical facility, is 34.98% traceable to plantation and 100% traceable to mill. These volumes are self-reported and verified internally.

This commitment applies to PIL Group covering all facilities that source palm products and our "Traceability to Plantation" data is published individually for all entities.

Targets and milestones

We have a commitment to achieve full "Traceability to Plantation" by 2025.

Interim milestones are set out in our Sustainability Charter.

PIL Group > Human Rights

Commitment

We commit to respect internationally-recognised labour rights in our operations and supply chain. PIL Group supports the Universal Declaration of Human Rights (UDHR) to respect and protect human rights of all workers, including permanent, temporary, contract, and migrant workers. We also constantly ensure that our suppliers' operations are not complicit in human rights abuses.

We offer support to small scale producers to assist them in entering responsible supply chains, and comply with commitments to deforestation. We are committed to supporting the inclusion of schemes and independent smallholders in our supply base and improving their livelihoods through good agricultural practices, certification, and initiating yield improvement programs.

PIL Group is committed to ensure that the rights of all workers covered under this policy are according to local and national law, and aligned to the five fundamental conventions of International Labour Organization (ILO). We also commit to ensure international best practices in place, where legal frameworks are not yet in place. The following principles are part of our policy (full list in our Sustainable Palm Oil Sourcing Policy pg. 5-6):

Child labour – shall not knowingly use or promote the use of child labour, and shall take appropriate measures to prevent the use of such labour in connection with their operations.

Forced labour – shall not knowingly 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 operations.

No discrimination – shall ensure that workers are protected from any form of harassment, abuse and discrimination including gender discrimination related to employment that would constitute a violation of their human rights. All our employees receive the same remuneration and benefits regardless of gender, operation and location. We provide trainings to our employees on workers' rights and to equip them with the knowledge to prevent inequity or harassment in the workplace, which includes gender discrimination with regards to employment which is clearly stated in our policy. The ratio of basic salary and remuneration of male and female employees is also publicly available.

Remediation

PIL Group's grievance policy includes the creation of an action plan to resolve and remediate grievance issues. In cases where the supply chain actor / suppliers do not show signs of improvement, engagement or other non-satisfactory actions, then the Sustainability Steering Committee will advise on the next course of action - i.e. further engagement, imposition of purchase controls, or supplier suspension/termination. PIL Group monitors all grievances and considers ceasing operations with/sourcing from those operations on a case-by-case basis.

Indigenous people and land rights

PIL Group recognises and respects the rights of indigenous and local communities in line with Universal Declaration on the Rights of Indigenous Peoples (UNDRIP) to give or withhold their Free, Prior, and Informed Consent (FPIC) to operations on lands to which they hold legal, communal or customary rights. We strongly encourage engagement with local stakeholder communities to ensure the FPIC process is correctly implemented and continuously improved in line with our membership of the RSPO.

PIL Group is guided by and complies with the RSPO FPIC Consent Guide, conforming to the protocol set out in the document.

PIL Group > Reporting

Commitment

We report the proportion of total commodity volume produced, sourced, or used in the past year that is demonstrated to be deforestation and/or conversion free – and our deforestation and/or conversion-free volume is 100%. These volumes are reported in our Sustainability Report and are verified internally.

We have a cut-off date for deforestation, conversion and other actions of 2020 or earlier for all sourcing regions/operations – after this date, any activities are considered non-compliant.

We require our suppliers to be fully aligned with or committed to DCF standards across their operations – not just those volumes supplying PIL Group. Commitment is applicable to all our suppliers across all palm oil operations.

PIL Group is committed to safeguarding the environment, ensuring economic viability and supporting social elevation of communities living and working in palm oil plantations. Being a leading global actor in palm oil processing, PIL Group is committed to playing an active role in supporting sustainable practices in the palm oil industry.

PIL Group has also adopted sustainability standards in its own business operations that are continuously reviewed and updated in line with international best practice. We expect all our third-party suppliers of palm oil, palm kernel oil and its derivatives to adhere to the commitments in our Responsible Palm Oil Sourcing Policy and supplier Code of Conduct in their operations. PIL Group also works to ensure that our third-party suppliers comply with our policy and will only source our supply through transparent and traceable network.

Traceability	Risk-assessments	Grievance mechanism
<p>PIL Group discloses all traceable commodity volumes (both direct and indirect). All traceable volumes are verified internally.</p>	<p>We conduct commodity specific risk assessments related to forest risk and require our third-party suppliers to conduct relevant HCV & HCS assessments.</p> <p>Our Code of Conduct and Approach to Ethics is set out in our Sustainability Report.</p>	<p>We engage with our key suppliers to uphold our commitments and policies. This includes the verification and monitoring of grievances, policy compliance and supplier progress towards meeting our responsible sourcing policy. Suppliers who do not comply, or whose compliance cannot be confirmed with our Sustainable Palm Oil Sourcing Policy as of July 2018 will be subjected to our Grievance Procedure and activation of Control Purchase Plan (CPC). We will work with them to develop a time bound action plan, where necessary. Failure to respond to our Grievance Procedure and remedial action may result in suspension or termination from PIL Group’s supply chain.</p>

PIL Group > Reporting

Reporting

PIL Group report on participation in collaborative actions to advance sustainability in their agricultural practices – we are a member of the Palm Oil Collaboration Group (POCG) and are active participants in the NDPE IRF Active Working Group (AWG).

These initiatives are also mentioned in the Supplier Assessment & Monitoring as a part of RSPO membership. Two of PIL Group’s facilities, Pacific Oils & Fats Industries (Pacoil) & PT. Pacific Indopalm Industries (Indopalm) are certified under the International Sustainability and Carbon Certification (ISCC).

We publicly report/publish direct and indirect suppliers up to mill and plantation. The supplier information on

production area is provided in terms of percentage of traceability.

We also report on how many hectares of deforestation and/or conversion have occurred within our supply chains for all sourcing. This information is contained in the summary section of our [grievance case tracker](#) which is regularly updated and includes detailed of suspended suppliers.

We engage with non-compliant suppliers with a time-bound threat of exclusion and prepare an action plan with the advice of the Sustainability Steering Committee.

Compliance monitoring

We monitor compliance on a rolling basis through the Sustainability Department and Sustainability Steering Committee. Compliance with our Supplier Code of Conduct, certification requirements and responsible sourcing policy is verified on a regular basis and with any new engagements.

We are also committed to ensuring the rights of all people working in our operations are respected according to local, national and ratified international frameworks.

Full details of the requirements may be found in the policies that are publicly available on our website.

Arma Group › Environment

Commitment / NDPE policy

Arma Group first announced its 'No Deforestation, No Peat, No Exploitation'(NDPE) policy on 5 May 2020, which has been in effect ever since.

The Group has since invested substantial resources to undertake numerous initiatives to drive the implementation of this policy's requirement across our supply chain and especially in the wider palm oil sector. We continue to work closely with a wide range of industry stakeholders to implement our sustainability commitments related to

the protection of forests, peatlands, human and community rights.

This updated policy reflects our continuous commitment as we strive towards a supply chain free of deforestation and conflict. Consistent with our original NDPE policy statement, and as clarified in December 2018, Group recognises 31 December 2015 as the cut-off date for supplier compliance with all provisions of the NDPE policy.

The NDPE policy applies to all Arma Group operations and all third-party suppliers.

We identify deforestation, conversion, and/or associated human rights abuses as a business risk and are a member of the Roundtable on Sustainable Palm Oil (RSPO).

Our commitment to NDPE applies to all our sourcing regions and operations.

Climate targets

Arma Group is committed to reducing our greenhouse gas (GHG) emissions and mitigating our impact on the environment. We recognise that climate change is a global challenge that requires immediate action, and we are committed to doing our part to reduce emissions and promote sustainability in our operations.

- Arma Group has established the following GHG science-based reduction targets:
- Reduce our Scope 1 and Scope 2 GHG emissions by 70% by 2030, compared to our 2021 baseline.
- Reduce our Scope 3 GHG emissions by 70% by 2030, compared to our 2021 baseline.

GHG Reduction Strategies

To achieve these targets, Arma Group will implement the following GHG reduction strategies:

- Increase energy efficiency in our facilities by implementing energy-saving measures and upgrading equipment.
- Increase the use of renewable energy in our operations, such as solar and wind power.
- Reduce waste and increase recycling and reuse of materials.
- Optimize our logistics operations to reduce emissions from transportation.
- Encourage our suppliers and partners to also reduce their GHG emissions.
- Encourage the usage of clean energy such as natural gas and electricity
- Increase green areas to reduce CO2

Arma Group recognises that reducing GHG emissions requires the engagement and participation of our employees and stakeholders. We have launched awareness campaigns to increase understanding of our GHG reduction goals and engage our employees and stakeholders to participate in our efforts to reduce emissions.

Arma Group will monitor and report on our progress towards achieving our GHG reduction targets annually, including the total amount of GHG emissions in metric tons of CO2-equivalent, arising from land use change. We will use this information to identify areas for improvement and adjust our strategies as needed to achieve our goals.

Arma Group › Environment

Responsible palm oil sourcing and processing

We have a commitment to responsible palm oil manufacturing. The following principles remain the core of our responsible palm oil policy.

No deforestation:

No Development on High Carbon Stock (HCS) Forests or High Conservation Value (HCV) Areas: Arma Group requires the protection of HCS forests and HCV areas in all estates within our global supply chain under the full scope of its NDPE policy. Any plantation development activity must identify HCV areas and HCS forests for protection utilising international best practice guidance from the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria, High Conservation Value Resource Network (HCVRN) and the High Carbon Stock (HCS) Approach.

In Arma Group-owned operations, we have more specific commitments that include best management practices for environment and sustainable management of natural resources:

- We will support the conservation and restoration of HCS forests, HCV areas, peatlands, and other ecologically and culturally important lands within the landscapes in which we operate, through Integrated Conservation and Land Use Plans (ICLUPs). This is done in cooperation with a wide range of stakeholders, including governments and civil society organisations (CSOs).
- Areas identified as containing community and culturally significant HCVs will be managed to maintain these values.
- We will work with relevant authorities and take strong measures to protect forest ecosystems, native animals and plants, especially rare, threatened and endangered species. Poaching of wildlife in plantations or forests is prohibited. Hunting, capturing, extracting, and trafficking of wild animals on plantations is strictly prohibited.
- We will undertake enrichment planting of HCV areas, riparian areas, areas along major roads within plantation complexes, and available vacant space not suitable for crops based on a landscape approach

No burning:

We do not allow the use of fire in the preparation of new planting, or re-planting or any other development, in accordance with the full scope of this policy. Any deliberate burning activities for land clearing by our suppliers will not be tolerated.

No New Development on Peat

- Arma Group will not accept new development on peatland, regardless of the depth of peat in accordance with the full scope of this policy
- Where plantations have been established on peat in the past, Arma Group will work with expert stakeholders to ensure that Best Management Practices for peat, as defined by the RSPO and peat experts, are adopted.
- Where Feasible, Explore Options for Peat Restoration by Working with Expert Stakeholders and Communities: as crops planted on peat come to the end of their current rotation and as per outcomes of peat drainability assessments required under the 2018 RSPO Principles and Criteria, Arma Group will explore options for the long-term restoration of peatland and peat forest.

Arma Group › Environment

Traceability systems	Supplier compliance	Targets and milestones
<p>As a downstream company, we have implemented a supply chain traceability system to determine Deforestation and Conversion-Free (DCF) status to the processing facility and we regularly check compliance.</p> <p>Arma Group's traceability protocol was verified by TUV Austria in 2022 and certified to be "low risk".</p>	<p>To ensure our supplier's continued compliance, we have put in place several means of checks and reporting so that we can identify non-compliance or areas where improvement is needed. This will enable Arma Group to provide support and know-how to help our customers with compliance.</p> <p>These are:</p> <ul style="list-style-type: none"> • Annual supplier self-reporting via NDPE IRF and traceability reports • Supplier 3rd party verification assessments • Corrective action and remediation process • Supplier support • Trainings • Supplier 2nd party audits (e.g. carried out by Arma Group supplier qualification team) 	<p>Our target date for full implementation of our commitments to DCF operations is 2028-2030.</p> <p>Consistent with our original NDPE policy statement, and as clarified in December 2018, Arma Group recognises 31 December 2015 as the cut-off date for supplier compliance with all provisions of the NDPE policy.</p>

Arma Group > Human Rights

Commitment

Arma Group respects and supports the Universal Declaration of Human Rights and the rights of all workers including contract, temporary and migrant workers. This document is based on the United Nations (UN) guiding principles on business and human rights framework, which encompasses the three pillars of “protect, respect, and remedy,” plus promotion of human rights. We use this framework to guide the development and implementation of our policies, action plans, and mechanisms.

We have a commitment to address the inclusion of women and ensure equality in commodity supply chains.

We commit to ensuring that the rights of all people working in any of our operations are respected according to local, national and ratified international laws. We also commit to ensuring international best practices where legal frameworks are not yet in place. Arma Group and its suppliers and sub-contractors shall not knowingly 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 employ remedial actions in the case that such labour or trafficking is uncovered to ensure that victims are referred to the existing services for support and assistance. We respect the rights of personnel to form and join trade unions of their choice, 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 should be made available to all such personnel.

We are committed to providing equal opportunity to all employees, we will not discriminate in hiring, promotion or retirement, and we ensure a diverse and representative workforce profile through the promotion of employment equality. Policies on sexual harassment, violence and abuse, and respect for reproductive rights:

- To provide conducive working environment that is characterised by equality and mutual respect
- To take all reasonable measures to prevent such incidents and deal promptly and fairly with any report of sexual harassment in a confidential and discreet manner.

Arma Group is also actively participating in joint partnerships and various multi-stakeholder platforms to promote, respect and provide support for human rights. This includes involvement in certification standards such as the round-table for sustainable palm oil (RSPO) where we are in active leadership positions within the human rights working group and labour task force, Malaysian Palm Oil Certification Council (MPOCC), and private sector led initiatives such as Decent Rural Living Initiatives (DRLI), and business for Social Responsibility (BSR) labour workshop series for the palm oil industry. Through our own sustainability commitments, we are also committed to promote and ensure protection of human rights within our supply chain.

Finally, we consult and engage with human rights experts and civil society organisations to help provide oversight and to help ensure feedback is received for the continuous improvement of our human rights initiatives.

Arma Group policies on human rights include:

- NDPE
- Human rights policy
- Equal opportunity policy
- Sexual harassment, violence and abuse, and reproductive rights policy
- Child protection policy
- Women’s charter
- Grievance procedure
- Whistleblowing policy

Arma Group > Human Rights

Remediation	Indigenous people	Land rights
<p>We are committed to identifying reporting and investigating all environmental incidents and nonconformities and take action to prevent reoccurrence.</p> <p>We regularly report to senior management our environmental performance and issues, including infringement and regulatory non-conformance and consult with various stakeholders on environmental issues. We also educate and train employee on environmental and related issues; and encourage their participation and cooperation to minimise adverse impact on and protect the environment.</p>	<p>Arma Group respects tenure rights and recognizes the long-term customary and individual rights of indigenous and local communities. The engagement of international stakeholders and local communities is critical to ensuring that free, prior and informed consent (FPIC) processes are correctly implemented and continuously improved.</p> <p>The development of local communities, particularly smallholders, is important to ensure that there are shared benefits and value in the area in which we operate, whilst ensuring sustainability. As members of the RSPO, Arma Group is also committed to the protection of human rights defenders. We recognise that we need to work on supporting compliance for smallholders outside of meeting certification requirements. We are currently formulating new approaches in consultation with stakeholders.</p> <p>We respect the traditional rights of indigenous groups and communities to hunt. We will work together with these groups to ensure that hunting occurs in a controlled manner and in areas designated for those purposes provided that their hunting activities are legal, non-commercial, do not involve rare, threatened, or endangered species, do not threaten the long-term viability of the species, and do not have negative impacts on ecological processes important for agriculture and local ecosystem sustainability.</p>	<p>We commit to respect, and refrain from land acquisition or development until any existing conflicts linked to customary rights to land, resources, and territory have been resolved in our own operations and/or supply chains.</p>

Arma Group > Reporting

Commitment	Traceability
<p>We report the proportion of total commodity produced, sourced, and used in the past year – and our deforestation and/or conversion-free volume is 100%. This information is self-reported and internally verified.</p> <p>Our commitment specifies a deforestation cut-off date of 2015 or earlier for all sourcing after which activities would be considered non-compliant.</p> <p>We require all our suppliers to be aligned with our commitments to DCF standards across their entire operations. To ensure our suppliers adhere to our No Deforestation, No Peat and No Exploitation (NDPE) commitments, we monitor our entire supply chain through:</p> <ul style="list-style-type: none"> • Using satellite imagery to proactively monitor our own conservation areas as well as our suppliers • We first published our Grievance Procedure in January 2015 to provide an avenue for stakeholders to raise concerns against our third-party suppliers 	<p>Monitoring and reporting our progress transparently and regularly are essential as we work towards transforming our supply chain. We disclose the total proportion of commodity volume traceable in line with best practice. As part of our commitment to transparency, we provide our stakeholders with access to timely and public updates on our progress so that they understand how we are performing against our goals. Aside from our Annual Reports and Sustainability Reports, our Sustainability Dashboard is consistently updated with information related to certification, conservation, supply chain monitoring and NDPE compliance, grievances, traceability and more. We have expanded the scope of the NDPE IRF reporting to cover our entire global palm oil supply chain in 2021. We also encourage third-party suppliers, refiners, traders, and bulkers to report on progress for indirect mills that are part of our supply chain using the NDPE IRF.</p> <p>All our progress reporting on traceability is verified and we fully report on our participation in collaborative actions to advance sustainability in agriculture commodity production with multiple stakeholders or jurisdictional partners. To provide stakeholders with confidence in the data and information we disclose, traceability to mill data and NDPE IRF disclosures for palm oil operations globally have been assured by TUV Austria.</p> <p>We actively participate in landscape or jurisdictional initiatives in our sourcing areas, as outlined in Arma Group’s ACOP provided under its RSPO membership.</p> <p>We request traceability information for volumes received from third party refiners, traders and bulkers. Our sustainability team then continually monitors the lists obtained from suppliers to ensure that there is no breach concerning our NDPE Policy. Our procurement practices now also involve buying largely from sources that can provide visibility of origin. As of December 2021, we are on track to meet our target, with 99.0% of palm oil and associated derivatives traceable to mill level. This translates to about 473,700 tonnes of palm oil products traceable to mills across our global operations</p>

Arma Group > Reporting

Risk-assessments	Grievancemechanism	Compliance monitoring
<p>We report on the proportion of commodity volume that has had deforestation/conversion risk assessed.</p> <p>Through cooperation with our suppliers, we conduct risk assessments of mills, involving an analysis of SRT data in combination with mills' certification status, grievances and the Global Forest Watch (GFW) commodity risk geospatial analysis. Mills are scored and ranked for individual indicators of risk and for their overall risk based on combined indicators. Environmental risks, certification status and grievances are considered for an overall mill-based risk score. The overall mill-based risk scores are then integrated with the SRT results to determine an overall risk level. For mills that are categorised with higher levels of risk or 'high-priority' mills, they undergo site assessments and direct engagement as part of our NDPE policy implementation programmes.</p>	<p>Arma Group of companies believes in the application of administrative regulations, ministerial decisions, and effective communication between all levels of the factory workers and the top management through the grievance and suggestions box, which is allocated in all departments in the factories. We have also published details of any grievances within the last two years (2021-2023).</p> <p>This Grievance Policy is open to all stakeholders (top management, all levels of employees, suppliers, customers, legal entities and all interested parties. This Grievance policy has been designed to align with the United Nations Guiding Principles on Business and Human Rights criteria for effective grievance mechanisms, which has set out criteria designed to underpin an effective non-judicial grievance mechanism: legitimacy, accessibility, predictability, equitability, transparency, rights-compatible, a source of continuous learning, and based on engagement and dialogue.</p> <p>The grievance policy covers activities related to the handling of stakeholders' grievances with respect to the implementation of NDPE Instructions. This includes logging grievances, taking actions to verify claims, rectifying any confirmed issues, reporting the verification results and actions on the ground, delivering responses to stakeholders and top management and monitoring any follow-up actions.</p> <p>All grievances logged under the Grievance Policy shall be dealt with in a timely manner (1 week).</p>	<p>We commit to ensuring the rights of all people working in our operations are respected according to local, national and ratified international laws. We also commit to ensuring international best practice where legal frameworks are not yet in place. We monitor the compliance of production or primary processing operations that we own, manage or otherwise control as well as our supply chains with our commitment on:</p> <ul style="list-style-type: none"> • Labour rights • FPIC • Customary rights to land, resources and territory • Zero tolerance of threats and violence against Forest, Land and Human Rights Defenders • Gender equality and inclusion • Smallholder, small scale farmer, and small producer inclusion.

Arma Group > Reporting

Reporting

We report the total volume of commodity production and usage.

We publicly report our direct and indirect suppliers, and disclose the location of suppliers' production areas or primary processing sites. To ensure our direct and indirect supplier's continued compliance, we have put in place several means of monitoring and reporting so that we can identify when non-compliance occurs with commitments on deforestation and conversion or areas where improvement is needed. This will enable Arma Group to provide support and know-how to our suppliers to help our customers with compliance. These are:

- Annual supplier self-reporting via NDPE IRF & traceability reports
- Supplier 3rd party verification assessments
- Corrective action and remediation process
- Supplier support
- Trainings
- Supplier 2nd party audits (e.g. carried out by Arma Group supplier qualification team)

We report on how many hectares of deforestation and/or conversion have occurred within our supply chains for partial sourcing.

We engage with non-compliant suppliers with a time-bound threat of exclusion, and disclose how many of these suppliers are engaged in our supply chain.

Arma Group values stakeholder input and commits to proactive and constructive engagement with all stakeholders, including communities, governments, customers and CSOs at the local, national and international level. This includes a commitment to make information regarding the impacts of Arma Group's operations publicly available in formats and languages relevant to the affected stakeholders.

Arma Group's aim is to constantly improve implementation. As new information and knowledge comes to light, either through our experience or through external research, we will adjust and improve our policy implementation in ways that are consistent with our goals of protecting forests, peatlands, local communities and human rights.

Concluding remarks

HSA Group takes the responsibility toward the environment in which it operates extremely seriously. This document is intended to act as reference point for stakeholders, articulating HSA Group's approach to sustainability and acting as a consolidated source of information on the Group's deforestation policy for selected companies. The document should be considered as a guide on HSA Group's approach to deforestation, though it may also be necessary to consult existing public domain information on operating company websites, the addresses for which are listed below.

