



Palm Oil Sustainability Policy

Updated December 2023

Introduction

Palm oil is a vegetable oil obtained from palm fruits. It is the most widely produced and used vegetable oil in the world. Palm oil is an important component of many food products, detergents, cosmetics, animal feed and biofuels.

The use of palm oil as it is does not cause harm, but its irresponsible production leads to such global problems as:

- environmental damage (destruction of tropical forests, deforestation of territories, destruction of virgin forests, forests with a high carbon stock and high conservation value, destruction of habitat for endangered animal species, and accelerated climate change);
- social problems (illegal activities, lack of corporate ethics, violation of human rights, the use of child/ forced labor, conflicts of landowners and users, as well as difficult relationships between smallholders).

As one of the largest processors in the Russian Federation, we are aware of our role in implementing measures ensuring absolute sustainability in the area of palm oil production.

The first steps to improve this situation were taken back in 2012, when GC “EFKO” was one of the first Russian companies to start operating in accordance with the requirements of the RSPO Supply Chain Certification Standard (hereinafter – [RSPO SCCS](#)).

RSPO certification has allowed the company to purchase raw materials for the production of RSPO-certified products not only under the Mass Balance (MB) supply model, but also, since 2014, under the more stringent Segregated (SG) model, which ensures that all palm oil products delivered to the end user originate only from RSPO certified sources, are not mixed during the production, storage and sale of palm oil, as well as provides 100% traceability not only to the mill, but also to the plantation.

RSPO organization provides a sufficiently wide approach to the development and enforcement of standards for sustainable palm oil production on the one hand, and is limited by them on the other hand. Thus, we operate and draw up long-term development plans that are beyond the current activities of RSPO organization.

Area of Distribution

This Policy applies to all palm oil products that GC “EFKO” purchases, produces, sells and processes, as well as to all current and potential suppliers and other stakeholders.

All current and potential suppliers, as well as other stakeholders, are required to comply with all requirements set forth in this Policy.

The Principles of Sustainable Palm Oil

GC “EFKO” is committed to increase the volume of sourced RSPO certified raw materials, with the ultimate purpose of achieving RSPO certification for all purchased palm oil and its derivatives.

In its activities, GC “EFKO” seeks to purchase raw materials only from those suppliers whose activities and production are consistent with this Policy and the [Supplier Code](#) of GC “EFKO”.

The Supplier Code of GC “EFKO” sets out our minimum requirements and expectations for all our current and potential suppliers. Supplementing or clarifying the requirements of the Supplier Code, below are some of the key principles of sustainable palm oil production.

Forest Protection:

- absence of plantation and production capacities within high carbon stock (HCS) areas and within high conservation value (HCV) areas;
- absence of burning during the preparation of new plantations, transplantations or any other developments;
- gradual reduction of greenhouse gas emissions (hereinafter – GHG);
- applying the “suspend and involve” approach to suppliers engaging in deforestation activities

Peatland Protection:

- applying the best management practices for existing peatland plantations;
- gradual reduction of GHG emissions (where applicable);
- applying the “suspend and involve” approach to suppliers working in peatlands regardless of their depth.

Compliance with the Law:

- compliance with all applicable national and local laws.

Protection of Human and Labor Rights and Communities:

- support and commitment to the principles of the [Universal Declaration of Human Rights](#);
- respecting and protecting the rights of all workers, including contract, temporary and migrant workers, in accordance with the [United Nations Universal Declaration of Human Rights](#) and the principles and labor standards of the International Labor Organization, [Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework \(UNGPs\)](#), [United Nations Declaration on the Rights of Indigenous Peoples \(UNDRIP\)](#), [International Bill of Human Rights](#);
- support for the right to freedom of association and recognition of the right to collective bargaining;
- ensuring that all employees have access to grievance mechanisms that ensure the anonymity of complainants and whistleblowers;
- respect for land tenure rights under the [Free Prior and Informed Consent \(FPIC\)](#) process, including the rights of indigenous and local communities to grant or refuse new development or operations on lands to which they have legal, communal, or customary rights;
- promoting the inclusion of the smallholder in the supply chain;
- eliminating all forms of illegal, forced, child labor and, in particular, following responsible hiring practices decided on the basis of job-related factors regardless of race, color, age, sex or gender identity, religion, creed, nationality, ethnicity, citizenship, ancestry, or any other characteristic, and not charging recruitment-related fees at any stage of the hiring process;
- prohibition on withholding passports/IDs or withholding wages from employees, except as required by law;
- providing all employees with the statutory monthly minimum wage and overtime compensation in accordance with applicable labor standards;
- providing all employees with a safe work environment free of discrimination;
- providing all employees with all written documentation in their native language on working conditions, including the regular payment of wages, etc.

Traceability

The goal of GC "EFKO" is to comply with the principles, including ensuring traceability and transparency in its supply chains of palm oil, namely, to achieve 100% traceability to the level of mills and plantations.

Participation in Smallholder Development Programs

Smallholders are the part of the global supply base. However, the company admits that the inclusion of smallholders in its own palm oil supply chain is an issue. The policy of the GC "EFKO" is also to support projects that encourage and support smallholders to make practical, step-by-step changes in best practices to achieve certification levels, such as ISPO, RSPO certification, and to perform further work to improve the access for smallholders to the certification and increase their number.

Methods of Implementation

GC “EFKO” performs overall activities with suppliers to comply with the Policy and the Supplier Code, to implement supply chain management programs and reduce risks, including by requiring:

- RSPO membership;
- adoption, implementation and reporting within [NDPE](#) policies and actions;
- implementing traceability of palm oil to mills and plantations that can be verified and meets the above principles;
- official publication of the list of mills and plantations, as well as the [NDPE IRF](#);
- setting by suppliers a deadline after which it will be necessary to suspend deforestation and peat destruction and resume the planting process (with restoration) (but no later than December 31, 2015);
- reduce GHG emissions and report on operational GHG emissions and reduction activities as part of the annual supplier evaluation;
- absence in the supply chain of companies included in the [No Buy List](#) of GC “EFKO”;
- providing complete and accurate information in the supplier questionnaire as part of the annual evaluation of existing suppliers of GC “EFKO”;
- implementation of activities to achieve the UN Sustainable Development Goals (hereinafter – [UN SDGs](#)).

The UN Sustainable Development Goals

In addition to these methods of interaction, GC “EFKO” requests that suppliers facilitate requests for cooperation, information or activities related to sustainable production and the achievement of the highest priority UN SDGs..



Methods of Control

The methods of control over the fulfillment of the above obligations include interaction with suppliers at various levels. GC “EFKO” conducts on-site assessment of suppliers and the supply chain by its own means, and, if necessary, with the involvement of third-party assessment experts.

Together with its clients, GC “EFKO” cooperates with the [Earthworm Foundation](#) company to be sure that the purchased raw materials meet the requirements of this Policy and the Supplier Code.

GC “EFKO” also maintains communication with various stakeholders, government organizations of the Russian Federation and civil society regarding palm oil.

Furthermore the Company holds a personal account on the Global Forest Watch ([GFW](#)) website. This resource is one of the measures for annual supplier assessment, processing of complaints and provides real-time tracking of information on critical areas of palm oil cultivation and production.

Monitoring Incoming Information

In order to identify/prevent risks in the GC “EFKO” supply chain and the general list of shippers of suppliers, reports from some non-governmental organizations ([Mighty Earth](#), [Friends of the Earth](#), [AidEnvironment](#), etc.) are monitored on a regular basis.



Responsibilities

If GC “EFKO” becomes aware of suppliers’ violation of the principles specified above by our company, we will take appropriate measures to investigate the problem within the [company’s complaints procedure](#) and will aim at operating with the supplier to return back to strict compliance with commitments by them.

GC “EFKO”, if necessary, will provide the supplier with all kinds of support and assistance to resolve the faced issues. If the supplier refuses to take corrective measures or an acceptable solution to the situation is not found, GC “EFKO” will terminate commercial relationships with this supplier.

GC “EFKO” aims to resolve all valid complaints and conflicts through an open, transparent and consultative process. [The procedure for managing complaints](#) related to sustainable production applies to plantations, processing plants (mills), smallholders, producers, suppliers and consumers

Action Plan

The action plan for sustainable palm oil production is time-bound and includes (in general terms) five areas that are represented in our Policy: sustainable production; demonstration of meeting NDPE and UN SDG requirements; environmental protection, including forests and peatlands; human rights, including programs for smallholders; supply chain traceability.

Name of Action	Plan of Implementation
▪ Updating Supplier Code requirements	December 2023
▪ Updating the supplier evaluation questionnaire	March 2024
▪ Implementation of Rules for Assessing Suppliers as Part of Compliance with the Requirements of the Supplier Code, Sustainable Production Policy and Achievement of the UN SDGs	April 2024
▪ Ensuring 100% traceability to the plantation level	2025
▪ Updating the results of reviews and suggestions (Grievance Log)	Monthly
▪ Updating No Buy List	Upon changes
▪ Updating the list of mills involved in the supply chain on the company's website, and also in MyRSPO profile	Every 6 months
▪ Updating supply chain traceability information on the company's website	Every 6 months
▪ Updating the information on the amount of raw materials received from companies, dealers, small and independent landowners	Every 6 months
▪ Updating the information on the number of mills connected to UML ID	Every 6 months
▪ Updating MyRSPO Shared Responsibility (SR) Profile Information	Annually
▪ Reporting (management review and Annual Communication of Progress (ACOP) form) on performance and development as part of the audit for RSPO certification	Annually
▪ Update on TDD on the company's website	Annually
▪ Increasing purchase volumes of RSPO certified palm oil	Annually



On a Regular Basis:

- provide annual reports;
- collaborate closely with the key stakeholders, including our direct and indirect suppliers, customers, communities, governments, non-governmental organizations, scientific communities and others, to fulfill our commitments;
- participate in industry forums and multi-stakeholder forums, as well as cooperate with governments to achieve long-term sustainability results across the sector;
- perform annual supplier assessment with the respect to the requirements of our policy as well as report annually on progress within the implementation of this action plan (report) on the company's website.

GC "EFKO" incorporates the above sustainability requirements into the procurement process to give preference in volume allocation to suppliers who take steps to implement our action plan, and to exclude those who do not.

A handwritten signature in blue ink, appearing to be "OK", is positioned above the name of the signatory.

Mr. Oleg Kharlanov

Director of Fat&Oil Division