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PALM OIL POSITION PAPER

The FACI Group identifies the urgent need to protect habitat for wildlife threatened by unsustainable palm oil production and believes that the palm oil industry plays an important role in employment and economic growth for developing countries.

Unsustainable palm oil production results in massive deforestation, rapid biodiversity loss in tropical ecosystems, and significant greenhouse gas emissions. Global consumption of palm oil and its derivatives is increasing, requiring strong conservation action to save species.

Additionally, the commitment of political and business leaders at the regional and local level could carry on to successful sustainable development plan for the palm oil industry.

It is critical that the actors involved in the palm oil supply chain shall collaborate and work in an environmentally sustainable responsible way.

The purpose of this paper is to define FACI Group position on those issues and to describe better the achievement through its own supply chain and through its business activities, regarding:

- NO DEFORESTATION, NO PEAT, NO EXPLOITATION (NDPE)
- ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)
- TRACEABILITY
- QUALIFICATION OF SUPPLIERS
- AWARENESS OF WORKERS
- HUMAN RIGHTS INCLUDING LABOR RIGHTS

NO DEFORESTATION, NO PEAT, NO EXPLOITATION (NDPE)

The FACI GROUP is committed to helping the palm oil industry develop while protecting forests and peatlands and respecting the rights of workers and communities involved.

No Deforestation refers to avoiding deforestation when developing land to produce commodities or associated projects. Tools such as the High Carbon Stock Approach (HCSA), which focuses on forests, and the High Conservation Value (HCV) approach (which includes also other ecosystems and social values) are commonly referenced in relation to implementation of this commitment. It also



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encompasses the regulation of burning practices and the reduction of greenhouse gas (GHG) emissions on existing plantations.

No Development on Peat refers to having no new developments on peatland and encouraging the use of Best Management Practices on existing plantations on peat. Where possible, peat restoration should also be implemented. No Peat means preventing the drainage of peatlands for agricultural purposes. Peatlands cover about 3% of the earth's surface and contain a third of the world's soil carbon. They benefit the quality of the water and therefore promote the livelihood of the fish population for local communities, as well as representing a suitable ecosystem for animals such as the orangutan.

No Exploitation refers to not exploiting workers, local communities or small-scale growers, in the production of an agricultural commodity. This is about respecting human rights: with a focus on the rights of indigenous and local communities, workers, and smallholders.

Below the summary of the main specific objectives pursued in this on-going process:

No Deforestation

- ✓ No development on High Carbon Stock (HCS) Forest
- ✓ No development on High Conservation Value (HCV) Areas
- ✓ No burning
- ✓ Progressively reduce greenhouse gas emissions (GHG) on existing plantations

No Development on Peat

- ✓ No Development on Peat regardless of depth
- ✓ Best Management Practices for existing plantations on peat
- ✓ Where feasible, explore options for peat restoration

No Exploitation of People and Local Communities

- ✓ Respect and support the Universal Declaration of Human Rights
- ✓ Respect and recognize the rights of all workers including contract, temporary and migrant workers
- ✓ Maintain decent working conditions, security of human right defenders, non-discriminatory practices and preventing child labor



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- ✓ Facilitate the inclusion of smallholders into the supply chain
- ✓ Respect the rights of Free Prior and Informed Consent (FPIC) of indigenous and local communities
- ✓ resolve all complaints and conflicts through an open, transparent and consultative process.

The FACI Group pursues the previously reported objectives through the implementation of the following actions:

- ✓ traceability of the entire supply chain;
- ✓ qualification of suppliers based also on NDPE principles;
- ✓ awareness of company internal workers about the NDPE principles;
- ✓ Membership to the APAG Association that is working with the European Commission to steadily improve sustainability schemes, monitoring frameworks and ensure clean supply chains;
- ✓ Application of environmental policies conforming to the ISO 14001:2015 standard, according to which the Italian, English and Chinese sites are certified, and application of schemes like RSPO are compulsory to ensure the environment protection.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

Currently the most well-known organization, involved in certifying palm oil as sustainable, is the RSPO. They promote the growth and use of sustainable palm oil products through credible global standards based on defined Principles and Criteria (P&C) and through the engagement of stakeholders.

Within the FACI Group, the Italian, Spanish, Singaporean and Chinese sites are RSPO MASS BALANCE SCCS certified starting by 2014. The plants in Singapore and Italy obtained also the SEGREGATED one, since 2014 and 2019 respectively.

Annually the FACI Group fills in the Annual Communication of Progress (ACOP) in order both to estimate the progress towards the increase of RSPO certified palm oil and to maintain its commitment to a continuous improvement process. The compliance to RSPO principles, enhancing the transparency of the supply chain, leads the company to the aim of no deforestation, no peat, no exploitation and local communities and human rights policies.



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TRACEABILITY

The commitment of the FACI Group is to work with our palm oil suppliers to source fully traceable palm oil to known and certified sources that are environmentally appropriate, socially beneficial and economically viable.

The FACI Group recognizes that traceability, certifications and scientific knowledge can guarantee good agricultural practices oriented to an optimization of the yield in existing plantations.

These objectives take part in the Sustainable Development Goals of the United Nations while respecting Human Rights, protecting forests and biodiversity.

QUALIFICATION OF SUPPLIERS

The commitment of FACI Group is to prioritize suppliers who have the same sustainable vision, i.e. embracing the NDPE principles and pursuing sustainability targets related both to palm oil supply chain and climate change actions. It is more important than ever to ensure that those resources are used fairly and sustainably, both for ourselves and future generations.

AWARENESS OF WORKERS

The FACI Group is committed to working oriented to increase the awareness and application of more sustainable models along with the whole supply chain. Policies are openly shared to our workers suppliers, contractors and visitors.

The training about RSPO principles and schemes are refreshed at least annually to all the company involved functions.

HUMAN RIGHTS INCLUDING LABOR RIGHTS

The FACI Group works supporting human and labor rights standards in its palm oil supply chain, as well as along its entire business.

The FACI Group prohibits not only the abusive use of vulnerable workers in the agricultural sector and palm oil plantations, but also illegal forced or child labor worldwide.

The FACI Group cooperates with the supply chain partners to help ensure that children and adults are not subject to abusive or forced labor practices.

Faci Corporate S.p.A.
Massimo Bricarelli
Managing Director

A handwritten signature in blue ink, appearing to read 'Massimo Bricarelli', with a horizontal line underneath.

27th July 2022