FACI CORPORATE S.p.A.
Via Privata Devoto, 36 - 16042 Carasco (Genova) Italy

PALM OIL POSITION PAPER

The FACI Group, operating in the oleochemical business for almost a century, fully recognises the responsibility implied in using natural feedstock and the consequent need to monitor and prevent any negative social and environmental impact. FACI produces value-added additives from fats and oils and does not use any vegetable or natural feedstock for any purpose other than producing non-commodity chemicals.

More in detail, FACI recognises the need to protect forests, peatlands and biodiversity from the adverse effects associated with unsustainable palm oil production, while recognising the role of the palm oil industry in employment and economic development in producing countries.

The sustainable development of the palm oil sector requires cooperation among the actors involved in the supply chain, transparency and the use of sourcing practices consistent with applicable law and recognised certification schemes, in line with SDG 17.

The purpose of this paper is to define the FACI Group position on sustainable palm oil and palm oil derivatives. It applies to FACI Group's own operations and to the whole palm oil supply chain insofar as that chain is relevant to FACI Group's purchases and can reasonably be addressed through the selection and qualification of direct suppliers. FACI Group does not own or manage palm plantations or other upstream production assets.

This Position Paper addresses the following areas and commitments:

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

NO DEFORESTATION, NO PEAT, NO EXPLOITATION (NDPE)

FACI Group supports the development of the palm oil industry while protecting forests and peatlands and respecting the rights of workers and communities involved.

Within the limits of its role as a purchaser of palm-derived raw materials, FACI Group commits to a no-conversion sourcing approach by giving preference, where commercially practicable, to suppliers and certified supply chains whose policies and practices are consistent with no deforestation, no conversion of natural ecosystems and no development on peat.

FACI Group commits to taking the High Carbon Stock Approach (HCSA), the HCSA Toolkit and the High Conservation Value (HCV) approach into account in supplier qualification and sourcing decisions, based on certifications and information reasonably made available by suppliers. Where relevant, FACI Group also takes into account the recommendations of the Accountability Framework initiative.

No Deforestation means avoiding the clearing of forests when land is developed for commodities or related projects. The HCSA focuses on the identification and protection of High Carbon Stock forests, while the HCV approach also considers ecosystems and environmental, social or cultural values. This objective also includes no burning and the progressive reduction of greenhouse gas emissions at plantation level.

While FACI Group does not own or manage palm plantations, it supports ecosystem restoration in palm-oil-producing regions, where commercially practicable, by giving preference to purchases from suppliers or certified supply chains that carry out credible conservation or restoration initiatives.

No Development on Peat means no new development on peatland, regardless of depth, and the use of appropriate management practices for existing plantations on peat. Restoration should be considered where feasible.

No Exploitation means avoiding the exploitation of workers, local communities and smallholders, with particular regard to the rights of indigenous peoples and local communities, workers and small-scale growers.

FACI Group is committed, through measures proportionate to its activities and influence, to supporting climate and biodiversity preservation, reducing direct and indirect impacts on biodiversity, and promoting the responsible

use and saving of water resources.

Within FACI Group activities and sourcing decisions, the principal objectives are:

- no development on High Carbon Stock forests and High Conservation Value areas;
- no burning and no new development on peat, regardless of depth;
- respect for internationally recognised human rights, taking into account the United Nations Guiding Principles on Business and Human Rights (UNGPs), the ILO fundamental conventions and principles, and the Universal Declaration of Human Rights;
- respect for the rights of workers, including contract, temporary and migrant workers, and prevention of forced labour and child labour;
- respect for legal and customary land tenure and resource rights, including the rights of indigenous peoples and local communities;
- respect for Free, Prior and Informed Consent (FPIC) of indigenous peoples and local communities;
- support for the inclusion of smallholders and, through responsible and traceable supply chains where commercially practicable, progress towards a living income for smallholders;
- resolution of complaints and conflicts through an open, transparent and consultative process; and
- cooperation, where appropriate and within FACI Group's role and available leverage, with the relevant supplier in the remediation of substantiated human rights grievances brought to FACI Group's attention.

FACI Group pursues these objectives, within its role and available leverage, through:

- the collection of traceability and sustainability information made available by direct suppliers and applicable certification schemes;
- the qualification of suppliers, taking into account NDPE principles, relevant public commitments and certification status;
- awareness and training of the relevant internal functions;
- membership of APAG and participation in sector discussions on sustainability schemes and clean supply chains; and
- environmental management systems conforming to ISO 14001:2015 and the application of RSPO supply chain certification schemes at the relevant FACI Group sites.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

The Roundtable on Sustainable Palm Oil (RSPO) promotes the production and use of sustainable palm oil products through global standards and stakeholder engagement. FACI Group refers to the RSPO Principles and Criteria 2024, as amended or replaced from time to time, and to the related RSPO supply chain certification requirements.

At the date of this Position Paper, the Italian, Spanish, Singaporean and Chinese FACI Group sites are RSPO Mass Balance Supply Chain certified. The Singapore and Italian sites also hold Segregated certification. Notwithstanding that certification activities are managed at site level, FACI Group remains committed to maintaining the RSPO Supply Chain Certifications currently held by the relevant Group sites, in accordance with applicable RSPO requirements.

FACI Group submits the Annual Communication of Progress (ACOP) in accordance with the applicable RSPO requirements.

For RSPO-certified products, FACI Group recognises the RSPO reference dates of November 2005 and 15 November 2018 for the protection of forests, HCV areas, HCS forests and peat, as applicable under the relevant RSPO framework. For non-RSPO-certified palm oil and palm derivatives falling within the scope of Regulation (EU) 2023/1115, FACI Group applies 31 December 2020 as the relevant deforestation cut-off date.

TRACEABILITY

FACI Group works with its direct suppliers to obtain traceability information for palm oil and palm derivatives to the extent reasonably available under supplier systems and applicable certification schemes. Such information supports legal compliance, no-conversion sourcing and supplier qualification.

FACI Group recognises that traceability, certification and scientific knowledge support good agricultural practices and the optimisation of yields on existing plantations while protecting forests and biodiversity.

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QUALIFICATION OF SUPPLIERS

FACI Group selects and qualifies suppliers, where commercially reasonable, by taking into account whether their public policies and available evidence are consistent with NDPE principles, no-conversion sourcing, HCSA and HCV protection, respect for human rights and responsible management of climate, biodiversity and water-related impacts. Supplier qualification may take into account RSPO certification, EUDR-related information where applicable, supplier statements, public reporting and other documentation reasonably available to FACI Group. Where material gaps are identified, FACI Group seeks, where appropriate, to obtain clarification from the relevant supplier and to encourage improvement.

FACI Group implements this Position Paper through its direct commercial relationships and does not assume operational control over its suppliers or their upstream supply chains.

AWARENESS OF WORKERS

FACI Group promotes awareness of sustainable palm sourcing within the relevant company functions. This Position Paper is made available to workers and, where appropriate, to direct suppliers. Training on RSPO principles and schemes is refreshed at least annually for the company functions involved.

HUMAN RIGHTS INCLUDING LABOUR RIGHTS

FACI Group supports human and labour rights standards in its own operations and, through supplier qualification and sourcing decisions, in relation to workers linked to suppliers in its palm oil supply chain. This commitment takes into account the UNGPs, the ILO fundamental conventions and principles, and the Universal Declaration of Human Rights.

FACI Group prohibits forced labour and child labour in its own operations and expects its direct suppliers to comply with applicable law and to respect workers, indigenous peoples and local communities.

FACI Group expects its direct suppliers to respect legal and customary land tenure and resource rights, uphold FPIC where applicable, and maintain appropriate grievance mechanisms. Where a substantiated adverse human rights impact linked to its palm oil supply chain is brought to its attention, FACI Group is committed, within the limits of its role and available leverage, to consider appropriate engagement with the relevant supplier and to cooperate, where appropriate, in remediation.

FACI Group supports the inclusion of smallholders and the objective of progress towards a living income for smallholders through responsible and traceable supply chains, where commercially practicable.

GOVERNANCE AND RESPONSIBILITY

This Position Paper is approved by the Board of Directors, which, through the Managing Director, assigns responsibility for its implementation to the relevant Group functions, each within its respective area of competence.

FACI Corporate S.p.A.

Massimo Bricarelli
Managing Director