



SIPEF
RESPONSIBLE PURCHASING
POLICY 2024

REVISION HISTORY

Revision number	Revision date	Description	Sections affected	Reviewed by	Approved by
0	21 Sep 2020	Date of approval	Original version	Executive committee	Board of directors
1	16 Nov 2022	Version No. 01	Inclusion of smallholders engagement framework	Executive committee	Board of directors
2	13 Aug 2024	Version No. 02	Inclusion of commitment to the UN Declaration on the Rights of Indigenous Peoples Cut-off date of no deforestation adjusted to align with cut-off date of RPP (updated to 31 December 2015). Section on Smallholder support programme added.	Executive committee	Board of directors

Purpose and scope

SIPEF's Responsible Purchasing Policy (RPuP) guides the Group's responsible sourcing requirements for engaging with third-party fresh fruit bunch (FFB) suppliers (restricted to smallholder suppliers), and sets out criteria for working with them on their journey toward sustainability certification. It also provides the framework for the procedures utilised to select, monitor and, if necessary, suspend, exclude, or expel smallholders in the Company's supply base.

All smallholders must comply with SIPEF's RPuP along with other relevant SIPEF policies, including the [Responsible Plantations Policy](#) (RPP) which encompasses principles the Group upholds, as outlined below, where applicable.

Smallholder Engagement Framework

1. Screening criteria

SIPEF engages in a screening process to determine whether the land and practices of any new smallholders, with whom the Group is planning to engage, are compliant with SIPEF policies and applicable laws in the Group's countries of production and sales.

Smallholders that enter an engagement with SIPEF to supply FFB must comply with the following criteria:

1.1 Legal ownership is verified

- The smallholder can prove that the use of the land for oil palm does not diminish the legal, customary, or user rights of other users without their Free, Prior, and Informed Consent (FPIC), including as set out in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).
- The smallholder can prove that the right to use the land for agricultural purposes is demonstrated and is not legitimately contested by local people, who can demonstrate that they have legal, customary or user rights.

1.2 Production location is known and mapped

1.3 Smallholder is already RSPO certified or has the potential to become certified within the Group's RSPO Time Bound Plan

1.4 Compliance with SIPEF's RPP¹ and other relevant policies in all operations of the supply base:

1.4.1 Ethical business conduct

Smallholders shall comply with all applicable international, national and local laws and regulations in the country of their operation. Smallholders are expected to conduct their business as outlined in SIPEF's Ethics Policy.

¹ All of SIPEF's corporate sustainability policies, including the RPP, are available on SIPEF's website: [SIPEF Corporate Policies](#)

1.4.2 Human rights and labour standards

Smallholders shall confirm that they adhere to the human rights² and labour standards as defined by applicable national labour laws and regulations, as well as by SIPEF policies.

- The smallholder confirms that child labour is prohibited in all operations of the supply base and that no forms of forced or trafficked labour are used.³
- The smallholder can prove that pay and employment conditions for workers or contract workers always meet at least legal or industry minimum standards.
- The smallholder confirms that any form of discrimination is prohibited and there is no gender-related discrimination with regards to employment or pay.⁴
- The smallholder ensures that the working environment under its control is safe and without undue risk to health.⁵

1.4.3 Environmentally responsible production⁶

Suppliers shall conduct business in environmentally responsible and efficient ways, which minimise adverse impacts and protect the environment. These include, but are not limited to, meeting all applicable environmental laws and regulations, and conserving natural resources as outlined in SIPEF's Environmental Policy and RPP.

- The smallholder can prove that there has been no new planting on peat, regardless of depth, after 31 December 2015, and all existing developments on peatlands are managed as per RSPO Best Management Practices (BMPs).
- The smallholder confirms that land clearing after 31 December 2015 did not and does not cause deforestation or damage any area required to protect or enhance High Conservation Values (HCVs) or High Carbon Stock (HCS) forest. HCV areas and HCS forests in the managed area are identified and protected, and, where possible, enhanced.
- The smallholder confirms that fire is not used for preparing land, and that measures are taken to prevent fire in the managed area.

2. Smallholder support programme

SIPEF actively supports existing and new smallholders as a means to contribute to the Group's target of providing 100% RSPO-certified identity-preserved or segregated palm products. For other certification schemes, such as International Sustainability and Carbon Certification (ISCC) and Indonesia Sustainable Palm Oil (ISPO), it will be

² Reference document: *SIPEF Human Rights Policy*

³ Reference documents: *SIPEF Child Labour Policy* and *SIPEF Forced or Trafficked Labour Policy*

⁴ Reference documents: *SIPEF Sexual Harassment Policy*, *SIPEF Equal Employment Opportunity Policy*

⁵ Reference document: *SIPEF Occupational Health & Safety Policy*

⁶ Reference document: *SIPEF Responsible Plantations Policy*

based on a case-by-case basis, depending on legal or marketing requirements. The RSPO certification, being the highest benchmark, provides the baseline requirement, and is therefore, the primary reference in this policy. This means that existing and potential new smallholders must comply with all the relevant criteria defined by RSPO for scheme and independent smallholders.

SIPEF will work with all potential smallholders through a step-wise approach that enables them to become RSPO certified. The step-wise approach consists of the following elements: the expression of interest, GIS screening criteria, awareness and commitment, technical requirements, and internal control systems. The internal control systems are composed of training and awareness, inspections, and internal audits and procedures to address non-conformances and suspensions. An overview of the approach is described below, and further details are available in the SIPEF Smallholder Support Procedure.⁷

2.1 The expression of interest

As a starting principle of Free and Prior Informed Consent (FPIC), SIPEF does not solicit its interests for expansion through smallholder plantations or otherwise. Instead, SIPEF uses its long-term local presence and plantation offices to receive, through verbal or written communication, any interest by smallholders to join SIPEF's supply chain. To proceed to the next step in the step-wise approach, a written expression of interest is required. Note that meeting minutes of formal meetings can serve as a written expression of interest. All formal meetings should be minuted and have attendance records.

2.2 GIS screening criteria.

All potential smallholders need to have their locations assessed against critical (deal-breaking) geographic criteria. These include, among others, criteria related to SIPEF's no deforestation and no new planting on peat commitments, as well as critical criteria of certification standards. If the assessment of the criteria finds that the plantation or future plantation is uncertifiable, then it is communicated that SIPEF is not able to engage further.

2.3 Awareness and commitment

An important step needed to progress toward certification is awareness and commitment. All potential smallholders or their representatives, i.e. legal representatives of their choosing and/or associations, will need to sign a checklist of commitments and requirements to work with SIPEF towards certification.

2.4 Technical requirements

After the potential smallholder supplier has passed the GIS screening and signed a commitment to work with SIPEF, a series of technical assessments is required to be carried out over the areas they are located in. The following assessments apply:

⁷ The SIPEF Smallholder Support Procedure will be made available on the SIPEF website as of October 2024.

- HCV-HCSA Assessment
- Social Impact Assessment
- Land Use Change Assessment
- Green House Gas Assessment
- Soil Suitability Study
- Remediation and Compensation Procedure, where there is liability for post-2005 clearing without HCV.

2.5 Internal Control System

SIPEF manages the certification standards compliance of its scheme and independent smallholders through the implementation of an Internal Control System. Central to the Internal Control System are the provision of training / awareness, inspections and internal audits, all of which are conducted by the Smallholder Department and the Sustainability Department.

a. Training and awareness

Training and awareness are conducted on key requirements, including the understanding of SIPEF Policies, best management practices, health and safety, legal compliance and arising issues (e.g. price formula and community concerns).

b. Inspections

Depending on the management arrangement (i.e. passive versus active smallholders), regular inspections are carried out to ensure the agronomic standards are satisfactorily implemented.

c. Internal Audits

Regular audits against the certification standard are carried out to ensure compliance. The frequency of audits conforms with the requirements of the certification standards. Required corrective actions for non-conformances are communicated through written notice to the relevant parties. In the case of independent smallholders, this communication is sent directly to each smallholder. For scheme smallholders, this can be either to the smallholder or the manager in charge of the division or sub-division. For non-conformances against critical criteria, smallholders can be suspended. These critical criteria include, but are not limited to, SIPEF's commitment to no deforestation and no new planting on peat. Suspensions are lifted only after the non-conformances have been closed out. Smallholders are provided the necessary support needed to address the non-conformances, and lift the suspension.

3. Progress Reporting Guidelines

All SIPEF operations are to maintain records detailing the number and hectares of independent and scheme smallholders engaged, and the number and hectares of their management areas in progress towards becoming

RSPO certified. All smallholder supply bases are mapped and can be viewed on SIPEF's web-based traceability application, Geo SIPEF (www.geosipef.com).

SIPEF's progress towards achieving a 100% RSPO-certified supply base is made available in SIPEF's RSPO Annual Communications of Progress (ACOP) submission,⁸ which is accessible to all stakeholders.

⁸ SIPEF's time-bound commitment to achieve 100% RSPO certification can be found in the Company's RSPO Annual Communications of Progress (ACOP) submission, accessible at: www.rspo.org/members/156/SIPEF%20Group