

Smothong group

Sustainable

Palm oil Policy

1. Introduction

Palm oil is an important commodity it is the most widely used vegetable oil in the world, since oil palm plantations are labor intensive, crop production provide a livelihood to millions of people in tropical agriculture communities around the world of all vegetable oils, palm oil has the highest oil yield per hectare by far. Palm oil is well positioned to remain a crucial part of the food production process in the future as the global population increase. This opportunity come with the responsibility to implement palm oil production practices that are environmentally sound, protect forests and biodiversity, reduce greenhouse gas ('GHG') emission and respect the rights of indigenous people, worker and local communities.

Smothong group Co., Ltd. ('SMG') is one of the leading palm oil mills manufacturing manufacturers with Crude palm oil and palm kernel located in Thailand. We are on a journey to build a traceable, transparent, sustainable palm oil supply chain. Our actions are guided by this Sustainable Palm Oil Policy ('SMG SPOP'), which based on current best practice informed by stakeholder input. Moving forward, in consultation with our stakeholder, we will review, adjust and improve our policy and its implementation. We will publicly disclose all implementation progress documents on regular basis.

We have persistently taken steps to ensure that our raw materials are sourced responsibly in line with our No Deforestation, No Peat, and No Exploitation (NDPE) commitments. We are committed to supporting industry-accepted sustainable palm oil certification schemes including the Roundtable on Sustainable Palm Oil (RSPO) and committed to communicating transparently to our stakeholders and upholding high ethical standards and corporate governance by our suppliers, partners, and all our stakeholders.

2. Scope

This policy applies to all the physical palm oil product that SMG products, trades and processes.

3 Commitment to NDPE Policy

SMG is committed to building a traceable and sustainable palm oil supply chain and is actively working with our suppliers to ensure all palm products are sourced responsibly. We are committed to responsible sourcing in line with our No Deforestation, No Peat, and No Exploitation (NDPE) commitments as follows:

3.1 No Deforestation and No Peat

SMG is committed to the conservation of a healthy environment. We work to avoid and/or minimize any adverse impacts our operations and supply chain may have on natural resources and the environment through the following:

- Identifying High Conservation Value (HCV) and High Carbon Stock (HCS) areas following international best practice guidance including:
 - Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria
 - High Carbon Stock (HCS) Approach
- Enforce the protection and management of HCVs in existing plantations and all other aspects of production and processing in their supply chain, including:
 - Identification, mapping, and reporting on biodiversity hotspot areas to promote biodiversity conservation and management.
 - Prohibit hunting activities and only promote the sustainable hunting of species.

- No new development on peat land regardless of depth and promotion of:
 - Identification, mapping, and reporting on peat areas.
 - The use of best management practices for existing oil palm plantations on peat soils.
 - Exploring options for peat restoration where possible by working with expert stakeholders and communities.
- No use of fire in land preparation including planting and replanting and no burning of waste.
- Commensurate remediation or corrective action plan for any non-compliance (e.g. the conversion or development of HCV or HCS) areas is required as a criterion to re-enter ISF's supply chain.

3.2 No Exploitation

SMG is committed to respecting human rights as protected under the International Bill of Human Rights, the International Labor Organization (ILO) eight Core Conventions, and Declaration on Fundamental Principles and Rights at Work. We also pledge to respect the formal and customary rights of indigenous and local communities in accordance with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). In doing so, we are further guided by the United Nations Guiding Principles (UNGPs) For Business and Human Rights. We expect compliance with all applicable laws and regulations and where differences occur, to uphold the principles of internationally recognized human rights.

- Workers
 - Respect the rights of all workers, including temporary, contractual, and migrant workers.
 - Eliminate all forms of child labor, forced labor, and human trafficking.
 - Respect workers' right to the freedom of association and collective bargaining.
 - Follow responsible recruitment practices including no payment of recruitment fees by workers and no retention of passports or other identity documents of workers by employers.
 - Pay wages that meet or exceed the legal minimum wage, taking into account reasonable production targets and working hours.
 - Limit working hours according to national law and overtime shall always be on a voluntary basis and remunerated according to national requirements.
 - Provide a safe and healthy working environment as well as covering medical treatment for any work-related incidents.
 - Provide adequate and decent housing accommodation with a suitable living environment and access to sanitation and basic amenities.
 - Eliminate harassment, intimidation, criminalization, and the use of violence from all forms of activities within the supply chain.
 - Provide equal treatment and opportunity to all workers including equal pay to men and women for work of equal value.
 - Prohibit all forms of discrimination on sexual orientation, gender, religion, race, disability, age, political affiliation, marital status, or national origin.

- **Indigenous peoples and local communities**

- Any new development for palm oil production must demonstrate respect for the statutory and customary rights of indigenous people and local communities.
- Respect the right of indigenous peoples and local communities to grant or withhold Free, Prior and Informed Consent (FPIC) for all new developments, expansions, acquisitions, and operations that affect their rights, land, resources, territories, livelihoods, and food security.
- Engage regularly with stakeholders to ensure effective implementation and participation in FPIC processes.
- Conduct a Social and Environmental Impact Assessment (SEIA) or a local equivalent before undertaking any new developments.

- **Human rights defenders, complainants, whistleblowers, and community spokespersons**

- Prohibit the use of threats, harassment, intimidation, violence, or any form of retaliation against or interference with the activities of human rights defenders (including environmental and land defenders), complainants, whistleblowers, and community spokespersons.
- SMG also operates a Whistleblowing Policy that sets out avenues for legitimate concerns made in good faith to be objectively investigated and addressed, whilst ensuring adequate retaliation protection to the Whistleblower.

4 Traceability

- We commit to building a traceability and sustainable palm oil supply chain. Traceability is defined as traceable to defined list of plantations.
- We will strive to increase traceability a plantation for our supply chain.

5 Smallholder inclusiveness and supporting collaborations

SMG is committed to supporting the inclusion of smallholders into the supply chain through appropriate strategies including capacity building, productivity improvement, and the adoption of sustainable practices. SMG also recognizes the importance of multi-stakeholder collaborations and is committed to supporting such efforts through multi-stakeholder landscape approaches, aiming to address systemic risks to sustainability in high-risk supply sheds.

6 Certification schemes

SMG supports the Roundtable on Sustainable Palm Oil (RSPO) as a certification scheme that is widely accepted as an assurance system for sustainable palm oil. SMG also supports the introduction of country specific and mandated certification systems that are gaining wider acceptance. All our facilities are RSPO Supply Chain Certified. We actively encourage our customers to source certified palm oil through our fully segregated capability that ensures full traceability to origin.

7 Use of chemicals

SMG aims to reduce the use of chemicals and fertilizers within the supply chain and promote the best farming and agricultural practices in line with its food safety requirements and sustainability commitments. Prohibited chemicals are listed as follows unless in exceptional pest outbreak situations:

- Pesticides that are categorized as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, unless in exceptional circumstances, as validated by a due diligence process, or when authorized by government

8 Greenhouse Gas (GHG) Emissions Reduction

SMG is committed to reducing our GHG emissions and reports our progress towards the established time-bound targets for progressive reductions. Our continuous efforts toward this goal include embedding sustainability practices across our operations and activities, including:

- Identify and reduce emissions across all elements within our supply chain such as energy, water, waste, and social aspects.
- Collaboration with suppliers and stakeholders to adopt emissions reduction initiatives.

9 Transparency

SMG is committed to communicating transparently and continually with all its stakeholders on its progress towards a fully sustainable supply chain for palm products. In line with this, SMG has published this Policy publicly on its website and will communicate action plans for policy implementation to its stakeholders. We will also report periodically on our progress and seek to establish methods for efficient communication on our supply chain and related commitments via our website.

10 Grievance management

SMG takes complaints and grievances against its operations and those of its suppliers seriously. SMG has established a complaint handling and grievance management mechanism which is accessible to stakeholders and allows SMG to resolve grievances in a fair, timely, and transparent manner, with relevant stakeholder input where appropriate. As members of RSPO, we will follow the RSPO grievance process for relevant grievances. We will communicate transparently on outstanding grievances in line with our grievance management procedures. SMG prioritizes the protection of confidentiality and anonymity of human rights defenders, whistleblowers, complainants, and community spokespersons when raising grievances.

11 Ethics and Code of Conduct

SMG is committed to upholding ethical conduct in how it does business with its customers, suppliers, government, civil society, and other stakeholders. We do not condone corruption in all its forms and expect our suppliers to adhere to our anti-corruption and bribery requirements. All our suppliers shall comply with our Code of Conduct which incorporates all elements of this Policy.

Our full Code of Conduct will be made available publicly on our website. We will ensure that all palm products that SMG sources, processes, and trades are in line with these commitments through the implementation of suppliers' Code of Conduct, supplier engagement, and third-party verification. SMG continues to communicate and engage with its suppliers on the progress and work together to resolve any challenges.