

## **FAQs**

### **General Questions related to Policy:**

#### **1) Does the Policy apply to suppliers and contractors?**

Yes, the Policy applies to all our suppliers and contractors. However, some commitments of the Policy are specific to Musim Mas' operations (commitments specific to Musim Mas are in *italics*).

#### **2) What will be Musim Mas' main challenges in implementing this new Policy?**

The most ambitious targets concern our supply chain beyond our operations. Our ambition is to transform the industry, meaning we must acknowledge the realities on the ground. Many suppliers or smallholders will never be able or want to achieve Roundtable of Sustainable on Roundtable of Sustainable Palm Oil (RSPO) certification. Excluding them entirely will mean that there will not be progress towards a sustainable supply chain. Balancing inclusiveness with rigorous, evidence-based compliance among suppliers will be a significant challenge en-route to a fully traceable, deforestation- and exploitation-free supply base.

#### **3) Are the United Nations Sustainable Development Goals (UN SDGs) included in our sustainability journey?**

We looked at using the SDGs for our sustainability policy but found that the palm industry has specific reporting frameworks best suited for showing progress. We have begun reporting against the UN SDGs since our 2020 Sustainability Report.

#### **4) How does Musim Mas support suppliers in addressing the traceability to independent smallholders?**

We have provided suppliers with guidance on how to carry out traceability assessments of their FFB suppliers. Additionally, we consistently follow up with them to ensure they reach 100% traceability to plantation (TTP) for their FFB supplies. We map smallholders' villages against a landscape map and prioritize risky areas for direct engagement. We encourage our suppliers to do the same, recognizing that some utilize other traceability approaches. We have since initiated landscape projects that are targeted at independent smallholders.

For more information:

- on our traceability approach: <https://www.musimmas.com/sustainability/traceability/>
- on our smallholder projects: <https://www.musimmas.com/sustainability/smallholders/>
- on our landscape projects: <https://www.musimmas.com/sustainability/landscape/>

#### **5) What is MM's approach to traceability to the plantation?**

In our operations, we map all independent smallholders to their supply base. We recognize that this approach, which is time- and resource-intensive, is only feasible for some suppliers. We expect the suppliers, at a minimum, to supply us with the village names where their independent smallholders are located. To accelerate third-party suppliers' traceability process, we map smallholders' villages against a landscape map and prioritize risk areas. For more information on our traceability approach, please visit here:

<https://www.musimmas.com/sustainability/traceability/>.

**6) Is the new Policy that applies to coconut applicable for only third party or Musim Mas operations?**

The new Policy applies to both the third-party and Musim Mas' operations, recognizing that we do not own coconut plantations.

**7) What does the sourcing of sustainable coconut encompass?**

Most of the world's coconuts are grown in small, independent farms in the Philippines and Indonesia. Additionally, unlike the context for palm oil, there is no sustainability scheme like the RSPO for coconuts. Many projects involving farmers and sustainability are small-scale and regional in outlook, with a limited proportion certified as Fair Trade.

While we aspire to achieve a similar standard as with Palm, we must understand our supply chain issues better. We are actively involved in multi-stakeholder discussions on sustainable coconuts and will consider working with other like-minded partners.

**8) Why do you include coconut oil in your revised policy, given that it wasn't included in the first one?**

While palm oil remains our core raw material, we have extended our policy to include other commodities with potential NDPE risks. Besides coconut oil, we have identified paper and packaging as additional commodities that will be our focus for the next five years. After all, a sustainability policy should be holistic and comprehensive.

**Pillar 1: Improve the Lives of Smallholders, Workers, and Communities**

**9) Why does Musim Mas focus more on livelihoods and people above NDPE and sustainability?**

It's not one above the other; rather, all pillars should be considered equal. Over the years, we learned that if we can focus our efforts on livelihoods and people, the sustainability journey will be easier to succeed. The new Policy will focus primarily on the suppliers of Musim Mas and aim to strengthen the progress of small and mid-sized supplier groups and the smallholders. We also recognize that NDPE and smallholders are linked if they attempt to expand onto forests or peatland or rely on child labour. Through our outreach programs tailored at small companies and smallholders, we will emphasize various aspects related to NDPE. Progress will be tracked through our Supplier NDPE Roadmap and other public platforms.

**10) What is the plan to ensure that workers' rights are being respected in your suppliers' mills and plantations?**

We expect our direct and indirect suppliers to adhere to our Policy and obtain such commitments in writing from our direct suppliers. If there is a reported violation, we will activate our internal grievance procedure and investigate the case. Depending upon the severity, we will stop business or invoke our Controlled Purchase Protocol (CPP). Additionally, we are working with labour experts and will utilize them to carry out pilot supplier assessments in regions to prioritize material labour issues for further engagement.

**11) What is the incentive for independent smallholders to join sustainability projects?**

Through our proven experience working with the International Finance Corporation (IFC) on independent smallholders, we are geared with the expertise to work with the independent smallholders.

There are many potential incentives, including greater yields, cost savings by using appropriate fertilizer or optimum pesticide applications, a better quality of fruit, improved seedlings, and in some cases, premiums linked to RSPO membership for Independent Smallholder Associations, if cooperatives have achieved RSPO certification. For more information, please visit here:

<https://www.musimmas.com/sustainability/smallholders/>

**12) Does the Policy commit Musim Mas and our suppliers to respect legal and customary land rights?**

Yes, Pillar 1, clause 2, stipulates that Musim Mas and our suppliers respect indigenous people's formal and customary rights and local communities. By formal rights, we also refer to legal rights given to an individual(s), entities, and others through applicable local, national, or ratified international laws and regulations.

**13) Does the Policy commit Musim Mas and our suppliers to eliminate gender-related discrimination with regards to employment?**

Yes, Pillar 1, clause 6 stipulates that Musim Mas and our suppliers commit ourselves to respect diversity and to promote gender equity. By gender equity, we also refer to the equal rights, responsibilities, and opportunities of women, men, and girls and boys.

**Pillar 2: Deliver Positive Environmental Impacts**

**14) Does the Policy commit Musim Mas and our suppliers to best management practices for all soil types?**

Yes, Pillar 2, clause 5 stipulates that Musim Mas and our suppliers manage peatlands and other fragile soils according to best practices determined by the legal obligations (where we operate) and RSPO requirements. By 'fragile soils,' we mean soils susceptible to degradation (reduction in fertility) when disturbed. This tenet also includes marginal soils (following RSPO P&C 2018), which we mean to be soils that are unlikely to produce acceptable economic returns for the proposed crop at reasonable projections of crop value and costs amelioration.

**15) Does the Policy commit Musim Mas and our suppliers to minimize the use of chemicals, including pesticides and chemical fertilizers?**

Yes, pillar 2, clause 7 stipulates that Musim Mas and our suppliers implement Integrated Pest Management, including reducing pesticides.

According to the RSPO, IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage pest populations' development. IPM also includes keeping pesticides and other interventions to economically justified levels and reducing or minimizing risks to human health and the environment. IPM emphasizes the growth of a healthy crop with the least possible disruption to agro-ecosystems

and encourages natural pest control mechanisms. For our operations, we commit to complying with the more rigorous requirements of RSPO and POIG.

The Policy also requires our suppliers and us to optimize the use of inorganic fertilizer and rely on organic residues where feasible (Pillar 2, clause 8).

**16) Does the Policy commit Musim Mas and our suppliers not to use harmful pesticides or chemicals?**

Partially, Pillar 2, clause 7, states that the use of paraquat has been prohibited since 2011 in all Musim Mas operations. Paraquat has been banned by RSPO, except in particular situations, and has to be validated by due diligence. We encourage suppliers outside the RSPO to use alternatives to paraquat and are happy to share our experiences. We also encourage suppliers outside the RSPO to use alternatives to the World Health Organisation (WHO) Class 1A and 1B pesticides and the chemicals listed in Stockholm & Rotterdam convention.

**17) How does Musim Mas prevent the yearly fires from happening?**

We adopt a holistic and robust approach to managing the risk in our operations and the surrounding neighbourhood. Please find more information here:

<https://www.musimmas.com/now-more-than-ever-our-fire-prevention-efforts/>

**Pillar 3: Maintain Responsible and Enduring Relationships with Suppliers, Customers, and Stakeholders**

**18) How will Musim Mas' stakeholders in the supply chain follow and implement sustainability commitments?**

We expect our suppliers and their suppliers to adhere to our Policy, and we obtain such commitments in writing from our suppliers. We also share our experiences during supplier workshops. If there is a reported violation, we will activate our internal grievance procedure, i.e., the Controlled Purchase Protocol.

**19) How do you ensure that your operations are frequently assessed for risk?**

As a member of the Palm Oil Innovation Group (POIG), our procedures and processes for our entire operations are subjected to an annual verification against the POIG [standard](#). POIG is seen as the leading standard for responsible palm oil. The verification is carried out by an independent third-party, and can be found on the POIG website.

**20) How do you prioritize high-risk mills for engagement in your roadmap?**

All our suppliers are assessed for deforestation and social issues risk to identify high-risk mills. New suppliers are subject to our due diligence procedures before being allowed in our supply chain. We also assess existing supplier mills.

We recognize the need for a better-defined procedure to quantify and mitigate NDPE risks at our independent mills and those of our third-party supplying mills. In September 2021, we released a No Deforestation, No Peat (NDP) Risk Management Framework (RMF). More information can be found here: <https://www.musimmas.com/wp-content/uploads/2021/09/NDPE-Risk-Management-Framework-Report-2021.pdf>

The RMF clearly outlines our approaches to risk identification, assessment, mitigation, and monitoring. Through the RMF, we identify high, medium, and low-risk mills. We will develop collaborative time-bound action plans with high-risk mills to mitigate risk in the near term and plan for medium-risk mills in the future. Mutually agreed activities include detailed mapping of identified risk areas and exclusion of smallholders, outgrowers and agents, which are non-compliant with NDPE requirements.

**21) How do we ensure that suppliers who were previously certified maintain the standards?**

We monitor each mill's certification status periodically, and if we detect changes, we raise the issue with the supplier group.

**Pillar 4: Drive Innovation in Sustainable Practices**

**22) What are the systems we use to monitor and report on NDPE compliance at mill level? How are traceability and monitoring of concessions included in such systems? How will Musim Mas verify deforestation and exploitation-free supply chains?**

We quantify and mitigate our NDPE risks of our suppliers through the No Deforestation, No Peat (NDP) Risk Management Framework (RMF), which was launched in September 2021. Link to RMF: <https://www.musimmas.com/wp-content/uploads/2021/09/NDPE-Risk-Management-Framework-Report-2021.pdf>

As we source more than 85% from third-party mills, knowing the exact composition of their FFB supply sheds is key to assessing the risk of deforestation and peat development. Using Traceability to Plantation (TTP) data and overlaying supply shed maps with conservation and peat areas, we categorize all the mills in our supply chain as high, medium, or low risk.

We expect suppliers to review and update their TTP data annually. Based on these annual updates, we will independently verify TTP data and re-assess risk levels, prioritizing previously medium and high-risk mills (low-risk mills will be re-assessed every three years, even if there has been no change in their TTP data). We will also prioritize mills or outgrowers subject to grievances or shown in our internal processes to be non-compliant in their operations or sourcing from non-compliant plantations, outgrowers or smallholders.

Annually, we will report the percentage of mills classified under high, medium or low risk, and we contracted Ernst & Young LLP (EY) to provide limited assurance regarding these percentages.

**23) What is the difference between RSPO and NDPE oil? Why is there a need for both systems?**

RSPO-certified oil refers to the production from the mills and accompanying plantations that are certified by RSPO. The new 2018 version of the RSPO standard covers many elements of NDPE, hence POIG verification is considered to be NDPE compliant.

However, strictly speaking, there is no NDPE-certification currently. There is an initiative by the industry to report on progress on delivering on NDPE commitments. See question 24 for more information.

**24) Which organization certifies NDPE oil? Are there any certifications for NDPE?**

There is no certification scheme for NDPE oil. Still, the industry is working towards a consensus on how to report on the myriad activities to ensure NDPE compliance of the supply base.

We use the No Deforestation and No Peat (NDPE) Implementation Reporting Framework (IRF) which is a reporting tool designed to systematically understand and track progress in delivering NDPE commitments in their palm oil supply chains, classifying refineries into six categories of NDPE progress. It was initiated through the Palm Oil Collaboration Group, which PepsiCo and Cargill convened. For more info of the NDPE-IRF, please click <https://ndpe-irf.net/>

In 2022, we launched a revised NDPE Roadmap, which can be viewed [here](#). Through this Roadmap, all our refineries have completed their No Deforestation and No Peat (NDPE) Implementation Reporting Framework (IRF) profiles.

We also committed all palm oil volumes to be in the “Delivering” category, the most progressive category of the six categories of the NDPE-IRF by 2025. This commitment is through the Agricultural Sector Roadmap to 1.5°C to reduce emissions from land use change at COP 27 in 2022, which we signed.

The NDPE-IRF refinery profiles can be viewed in our supply chain map via this [link](#). Annually, we will contract Control Union (Malaysia) Sdn. Bhd. to carry out independent verification of our reporting.