

Sustainable Palm Oil

For Godrej Industries (Chemicals)
July, 2017



Our approach to Sustainable Palm Oil

At Godrej, we recognize the challenges facing the palm oil industry and that sustainable cultivation and procurement of palm oil is imperative to our businesses. This ‘Sustainable Palm Oil Policy’ will be our first step in this regard, and will delineate the principles we stand by and our action plan for the same.

With this policy we endeavour to positively impact sustainable production (through our suppliers) and procurement of palm oil. This policy will be applicable to our own operations - Godrej Industries Limited (GIL) as well as our palm oil suppliers. The policy covers 100% of the palm oil procured including crude palm oil, palm kernel oil, palm kernel cake as well as the processing operations in house and at the supplier’s end.

Godrej Industries Limited (GIL), is one of India’s leading manufacturers of oleo chemicals and surfactants (fatty acids, fatty alcohol, glycerine), which act as feed stock to various industries such as personal care, rubber, polymer and pharmaceuticals.

Our approach to sustainable palm oil cultivation and procurement

Sustainable Palm Oil Policy – Imbibing sustainable palm oil cultivation and procurement practices, leading to last mile transparency

Godrej is committed to source sustainable palm oil by creating a sustainable palm oil programme which will be applicable and extended to its own and supplier’s operations. We strive to remain updated on the sustainable palm oil concepts and usage of state of the art agricultural practices, enhanced labour and employee welfare programs, improved biodiversity and natural resources conservation activities meeting Indian and global standards, which will help us support our suppliers in their cultivation programs.

This policy has been developed based on a comprehensive series of activities including an extensive literature review, evaluation of current Godrej palm oil procurement practices against relevant international standards and local laws, and discussion with select internal and external stakeholders.

We endeavour to use 100% sustainable palm oil by 2022, by means of sustainable palm oil certificates and mass balance approach. We are also committed to zero deforestation and no cultivation on peat land. We encourage our suppliers to adhere to sustainable cultivation of palm oil, while also extending it to their supply chain.

Principles

The principles set out in the policy are based on the Roundtable Sustainable Palm Oil (RSPO) criteria, national laws on agriculture, pest management, biodiversity, labour, employee welfare and relevant other national and international standards.

Principle 1: Compliance

We expect our suppliers to comply with all applicable local, national and international laws and regulations relevant to palm oil cultivation and supply. This is especially applicable to oil palm growers and millers who need to ensure that cultivation of oil palm happens with the free and informed consent of the land owners and does not affect their rights. In addition, the labour laws, employee health and safety, grievance mechanisms is as per the Indian Factories Act.

Principle 2: Economic and Financial viability

While profitability over the long term is a function of multiple factors, we expect the management of the mills and refineries have a plan in place to achieve long term economic sustainability of its own operations as well as the oil palm plantations associated with it.

Principle 3: Sustainable agricultural practices

The oil palm growers, with support from the millers, are expected to adopt best practices to improve soil fertility and control degradation and erosion of soil. It is encouraged to optimize utilisation of water to ensure quality and availability of surface and ground water is maintained. Relevant Integrated Pest Management (IPM) techniques are encouraged to be adopted to decrease the usage of chemical pesticides. Agrochemicals are to be used in a manner that they do not affect the health of humans or cause environmental disturbances.

It is expected that fire will not be used for pest control or preparing land for replanting and no new plantings on peat land is carried out, regardless of the depth. For existing plantations on peat, the water table is to be maintained as per RSPO Manual of Best Management Practices for Existing Oil Palm Cultivation on Peat. Oil palm growers are expected to ensure a robust fire prevention and response program, in addition to a peat land management program.

Principle 4: Biodiversity and natural resources conservation

Oil palm growers and millers are expected to identify the environmental impacts of their operations, including risk to rare or endangered species, and ensure appropriate mitigation plans are developed and implemented. As far as possible, the need for waste disposal is expected to be minimized by reusing/recycling the waste that is being generated. It is expected that plans to reduce the energy and emissions intensity are developed and implemented, while simultaneously adopting renewable energy. Strict adherence to protection of High Value Carbon (HVC) areas and High Carbon Stock (HCS) is expected and cultivation on these areas is unacceptable.

Principle 5: Human rights and employee welfare

We strive to ensure that individuals working in the plantations and the mills are properly trained on occupational health and safety. We expect that the mills have a well-documented occupational health and safety plan that is communicated to all the employees. Wages and working conditions for employees is, at the least, meeting the legal or industry minimum standards. Any form of exploitation, including forced labour or child labour, is not tolerated. Discrimination based on gender, caste, religion, race, political affiliation or age is prohibited. The employer does not restrict its employees' right to freedom of association and collective bargaining. An open communication channel exists between the growers and the millers. The Godrej Human Rights Policy (<http://www.godrejindustries.com/chemicals/policies-compliance.aspx>) and its elements is applicable for this Principle and its action plan. Free, Prior and Informed Consent (FPIC) of the indigenous and local communities over their right on land, according to United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Social Requirements for Conserving High Carbon Stock Forests, is respected and adhered to. In addition, all disputes and conflicts are resolved in a consultative and transparent manner in consultation with key stakeholders.

Principle 6: Transparency and disclosure

We expect that all oil palm growers and millers provide adequate information to other stakeholders on relevant environmental, social and legal issues. This enables stakeholder participation in the decision making process. However, care is taken that this information does not lead to loss of commercial advantage or negative environmental or social outcomes. Steps are taken to include small holders into the supply chain and adequate support is provided to them to adopt the sustainable palm oil cultivation practices.

Principle 7: Community welfare

Oil palm growers and millers are expected to contribute to local sustainable development. Grievances of the local community are addressed by the mills or refineries in a fair manner and any negotiations regarding compensation for the local community include the views of all the relevant stakeholders. This activity is a part of their CSR initiatives, where appropriate and feasible.

Improvement in sustainable palm oil cultivation and procurement

We aim to work with our suppliers to ensure palm oil cultivation will include sustainable agricultural, environmental and social practices for farmer betterment, enhanced biodiversity and natural resource conservation. An undertaking from our suppliers on sustainable palm oil cultivation practices, aligned with the Principles stated above for their operations as well their supply chain, will be sought.

For palm oil procurement, environment and social sustainability initiatives such as operational efficiency, increased transparency and traceability of their palm oil supply will be critical. We mandate adherence to relevant and most recent state and central government regulations. This includes promotion of fair labour practices and zero tolerance towards employment of child

labour (covered in detail in our Human Rights Policy, available at <http://www.godrejindustries.com/chemicals/policies-compliance.aspx>).

Governance and Oversight

- A. Our palm oil sustainability initiatives are the responsibility of the Head – Procurement. They will be overseen by the Executive Committee comprising of representatives from Sustainability, Finance, Marketing, and R&D. Board level oversight is provided by Board Management Committee.
- B. A Code of Conduct (CoC) for working with suppliers for sustainable palm oil cultivators, milling and refining will be developed. Environmental and social compliance requirements and good practices will be assessed. Based on the evaluations, suppliers will be rated. Vendor rating will be used as a qualification criteria for engaging suppliers across businesses.
- C. Adherence to Policy and Code of Conduct will be evaluated through periodic audits. The responsibility of the audits will lie with the Audit team and overseen by the Executive Committee.
- D. The key findings of these audits shall be shared with the Board Management Committee for review and monitoring.

Reporting on breaches

We support and encourage those who report actual or suspected breaches without any fear of retaliation. Any failure to comply with this Policy (including any failure by a team member of, GIL or anyone acting on behalf of GIL to so comply), of which the supplier is aware, should be immediately reported through our anonymous whistle-blower process. The failure to do so will be a breach of this Policy.