



# Sector Policy

## Palm Oil

### Introduction

Palm oil is the most widely used vegetable oil in the world and is found in a large range of food products, as well as home and personal care products. It is also extensively used as a biofuel and animal feed. Oil palm is recognised as one of the most efficient crops with five to nine times higher yield per hectare than other crops used for vegetable oil production. Palm oil production is also a major contributor to employment growth and income generation for developing countries such as Indonesia and Malaysia.

However, unsustainable palm oil production involving practices such as clearing land and forests through slash-and-burn techniques may result in loss of biodiversity, as well as air pollution and haze. Excessive use of fertilisers or agrochemicals and irresponsible management of waste may also cause soil and water contamination. Deforestation and drainage of peatlands to make way for palm oil plantations release large amounts of greenhouse gases into the atmosphere which contribute to climate change. Negative social impact can also arise from poor labour conditions and infringement of the rights of local communities.

### Scope

UOB's Palm Oil Policy applies across the palm oil value chain which includes plantations, mills, refineries, processors, manufacturers, distributors and traders of palm oil products.

### Principles

UOB will not knowingly provide financing to companies:

- for the development of greenfield palm oil plantation projects and immature palm oil plantations;
- for corporate financing, where immature plantations account for more than 30 per cent of their total planted area;
- involved in the use of open burning in new or ongoing operations for land clearance, land preparation, land management and waste management (on their own plantations and/or associated smallholder land);
- where their operations or projects threaten the outstanding universal value or special characteristics of UNESCO World Heritage Sites, Ramsar Wetlands, forests of high conservation value or sites with critical natural habitats;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution;
- involved in the exploitation of labour (including forced labour and child labour);

- in violation of the rights of local communities or without measures in place to avoid or to manage adverse impact on local communities; and
- without measures in place to manage material occupational health and safety risks.

We require that our customers:

- comply fully with local environmental, social and governance regulations, including regulations governing the planting on peat or new peat;
- certify mature palm oil plantations or milling operations financed by the Bank with locally or internationally recognised sustainability programmes, minimally Malaysian Sustainable Palm Oil (MSPO) in Malaysia, Indonesian Sustainable Palm Oil (ISPO) in Indonesia or Roundtable on Sustainable Palm Oil (RSPO) in other countries;
- engage local communities around concession boundaries to build capacity on fire prevention and control, and to assist in responsibly clearing land in their supply base without the use of fire;
- adopt adequate measures to prevent, to monitor and to combat fire, such as by predicting areas at risk, constructing fire look-out towers, having adequate fire combatting equipment in place (e.g., fire extinguishers and water trucks), as well as adequate measures related to fire recovery;
- put in place measures to safeguard the rights of local communities, minimally in compliance with local regulations, and which can be achieved through a Free, Prior and Informed Consent (FPIC) process;
- commit to implement a sustainable sourcing policy and/or processes to exclude purchases from sources that generate significant negative environmental and social impact; and
- implement policies and/or procedures to address key environmental risks (such as by mitigating air, soil and water pollution, and managing hazardous waste) as well as social risks in their operations and/or projects.

We also recommend that our borrowers:

- adopt relevant established industry standards in respect of environmental, health and safety (EHS) guidelines specified by organisations such as the International Finance Corporation (IFC) or the World Bank Group EHS Guidelines pertaining Agribusiness/Food Production;
- obtain internationally-recognised certifications such as RSPO or equivalent;
- commit publicly to No Deforestation, No Peat, No Exploitation (NDPE), with verification by credible assessors;
- manage existing plantations on peat in accordance with the standard set out in the RSPO Manual on Best Management Practices (BMPs) for Existing Oil Palm Cultivation on Peat, or other equivalent standards;
- improve traceability in their supply chains by purchasing sustainably produced palm oil;
- adopt relevant established industry standards such as those set by the Global Good Agricultural Practices;
- adapt to and manage climate-related risks which may include developing a strategy to assess the potential financial impact of climate-related risks through climate scenario analysis and adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); and
- adopt best agricultural practices, including setting targets, in relation to:
  - reducing greenhouse gas emissions;
  - proper waste management; and
  - water management and stewardship.

Where we deem that our customers are unable or unwilling to manage the potential adverse impact of their operations, the Bank may choose to exit the relationship.