

## AGROPALMA POSITION ON FINDINGS OF THE 2016 POIG AUDIT

From 18-22 July 2016, IBD carried out an audit to verify the level of compliance of Agropalma operations with the POIG Charter and Indicators (v. March 2016). The results presented in the [audit report](#), demonstrate that Agropalma comply with the [POIG Charter](#), since non-compliances with major indicators were not found.

The audit report addresses many issues and subjects. For some of them, Agropalma would like to provide additional information, as included in Table 1, below.

**Table 1 - Position on five specific requirements**

POIG requirement	Agropalma comment
1.5 Chemical fertiliser (reduction)	<p>In the last 18 months, Agropalma has implemented a new fertirrigation system to apply treated palm oil mill effluent (POME) as fertiliser in its plantations. The new system uses auto-propelled sprayers capable of applying precise amounts of POME (e.g. a layer of five millimeters). The new system spreads POME uniformly across the whole application area, without the need of drains, minimising the risk of run-off in watercourses, without interfering with the natural topography.</p> <p>The new POME application system covers an area of about 2.5 thousand hectares, supplying all nutrients the plantation needs. As consequence, the fertirrigation system reduced the need of chemical fertilisers by approximately 2 thousand tonnes.</p>
1.8 Protect and conserve wildlife	<p>Agropalma has 64 thousand hectares of forest reserves. A dedicated team of 37 forest guards patrol these forests daily to protect them against hunting, logging, burning activities and any other activities that could cause biodiversity damage.</p> <p>In 2007, Agropalma and Conservation International (CI) established a partnership to identify species and assess the role these forest reserves play in biodiversity conservation. Results have demonstrated that Agropalma's forests are very important in maintaining biodiversity—449 birds and 61 mammals were identified. Dozens of reptiles, amphibians, fishes and insect species were also found. Fifteen birds, nine mammals and one amphibian have been classified as endangered species. Two new species of marsupials and one rodent species were also identified.</p> <p>The partnership between Agropalma and CI completes 10 years in 2017 and the new goal is to use the conservation expertise developed within Agropalma farms to establish a <i>"Sustainable Landscape Management Strategy"</i>, with the engagement of other companies and farmers in the region of Belem Endemism Center, where Agropalma plantations and forest reserves are located.</p> <p>Of course, the protection efforts and the scientific research within Agropalma's forest reserves will continue, but we will also try to engage other key stakeholders to follow our example in order to contribute to the protection and survival of rare, threatened and endangered species in a broader landscape, beyond our own fences.</p>

POIG requirement	Agropalma comment
2.4 Social conditions	<p>Regarding Social Conditions, it is very important to note that, for Agropalma, the main and best strategy to promote local sustainable development is to integrate the local community in its business supply chain (e.g. family farmers, integrated outgrowers, transport suppliers, printing services, buildings and machinery maintenance, etc.). Agropalma does not have a philanthropic role in the communities it interacts with and rarely makes donations, to avoid creating a negative dependency relationship. Instead, the company prefers to support its stakeholders, especially communities and local service suppliers to achieve legal compliance and a better performance within their own activities.</p> <p>At present, we are consulting the citizens and community leaders of Palmares Village* about their willingness to implement the Sustainable Development Goals (SDG), to complement the Agenda 21 programme that was carried out in the same village from 2008 up to 2014. Agenda 21 has empowered the Palmares Community to independently achieve very important social improvements (community obtained water distribution system, a sports square was built, safety was improved through the addition of police officers, all nine brothels were closed, Village Association was structured, and a Strategic Planning developed, a small hospital was set up, etc.).</p> <p>Agropalma understands that investing in a SDG programme might consolidate the improvements achieved by the citizens and create the conditions for Palmares Village Community to develop new social improvements.</p> <p>* Palmares is the village with highest interaction with Agropalma and its activities.</p>
2.5 Workers' rights	<p>Among several improvements Agropalma has been implementing to improve working conditions beyond what is determined by the Brazilian labour laws (which are already very advanced), we would like to highlight our private health care system, which was implemented in 2015. Through this initiative, all Agropalma employees have access to the system, pay a very low monthly fee (from R\$ 26,50 up to R\$ 44,15), and choose any doctor from the set of four thousand for cases where a doctor is needed, according to the medical specialty required. The system also covers hospitalization and surgeries.</p>
3.2 Traceability	<p>One of Agropalma's key advantages is the fact that 100% of FFB delivered to our mill is traceable. Agropalma's own plantations supply around 80% of FFB and the remaining 20% are produced by 240 farmers (192 family farmers and 48 integrated outgrowers), who have contracts with the company.</p> <p>Our management system and the software that controls FFB flows and payments to FFB suppliers do not permit the entrance of any FFB that is not related to a specific contract. Our company also has a due diligence process to assess new potential suppliers. The aim of this process is to assure new FFB suppliers are complying with the main sustainability requirements established by the RSPO and POIG before the contract is signed and Agropalma receives the first FFB.</p> <p>The supply chain management system developed by Agropalma assures there is no middleman or unknown FFB supplier.</p>

The POIG audit report provides considerable evidence of Agropalma’s strong sustainability performance. However, two partial compliances and five non-compliances in minor indicators were identified. Below, Agropalma presents its position on each of these cases, which have been reviewed by the POIG Verification Working Group (VWG).

**Table 2 - Position on the indicators company is not complying with or have partial compliance**

Indicator	Audit Findings	Agropalma Statement
<p>1.1.6 A summary report of the HCS assessment including maps is made public.</p>	<p>Informed on the Agropalma website (<a href="http://www.agropalma.com.br/en/social-andenvironmentalresponsibility/policies/corporate-transparency">http://www.agropalma.com.br/en/social-andenvironmentalresponsibility/policies/corporate-transparency</a>) that documents related to socio-environmental studies, which also covers the study of HCS, are available to the public. However, this report is not public and freely accessible on the company's website.</p>	<p>Any person can consult any of Agropalma Group’s management documents, since they are not covered by a confidentiality agreement (e.g. invoices; trading contracts, etc.). Accessing the documents, including the one specified in this item is easy. Stakeholders can get in touch with the company by e-mail, phone or free phone line (Alo Agropalma) and book a visit to one of our sites (Tailandia; Belem; Limeira; Sao Paulo).</p> <p>It is important to note that Agropalma has a policy of not sharing copies of its internal documents, because they are very expensive, and we do not want competitors or consultants using our documents for their own interest. As explained to the POIG VWG, as all new developments of Agropalma integrated FFB suppliers will be established in areas occupied by non-native vegetation, there is no need for a specific HCS assessment as required by requirement 1.1. To address the issue, Agropalma will provide a summary of Carbon Assessments done in compliance with Principle 7 of the RSPO P&amp;C, including maps, to the POIG VWG leading up to the 2018 audit.</p>
<p>1.7.4 A water stewardship assessment is undertaken involving relevant stakeholders to address water equity issues.</p>	<p>Was not promoted by Agropalma a stewardship assessment to address water equity issues. Company argue that the region has a huge quantity of water available for all and has no historic conflict for use. It is important to register that no stakeholder interviewed mentioned any issue related to water conflict.</p>	<p>The region where Agropalma has its plantations and mills has a very low demographic density, around 10hab/km<sup>2</sup>, including people living in the urban areas of the municipalities. The average rainfall is 2500 mm/year and plantations are located between Acará and Moju rivers that are 100-200m wide in this location. This means that there is plenty of water for everyone. In addition, none of the surrounding communities or other stakeholders have ever claimed a lack of water supply due to the company’s operations. Therefore, we understand there is no need for a water stewardship assessment at present.</p> <p>As registered in the audit report, Agropalma has developed and implemented a robust water management system to assure water is used in an efficient and responsible way, despite the abundance of such an important natural resource in the company’s context. If in the future, water becomes an issue in the region, Agropalma will undertake a water stewardship assessment, accordingly with indicator 1.7.4.</p>

Indicator	Audit Findings	Agropalma Statement
<p>2.3.4 The system includes the options of a) access to independent legal and technical advice; b) support from representatives of local communities' own choosing, and c) third party mediation.</p>	<p>The system provides c) access to a third party mediation, but does not specify this possibility a) access to independent legal advice for conflict resolution and b) support from representatives of local community.</p>	<p>To comply with the RSPO P&amp;C, in 2011, Agropalma mobilised the surrounding community to collectively develop a procedure to deal with grievances and complaints. This procedure was developed on 03/02/2011 by 23 stakeholders and it is simple and effective. At the time, it was not required by RSPO to specify in the procedure that any complainant would have the right to access independent legal or technical advice, or to receive support from representatives of local communities' own choosing. Therefore, "a" and "b" were not included. In any case, this inclusion would not change the performance of the procedure.</p> <p>In Brazil, anyone is permitted to request independent legal or technical support, which in some cases, might be provided for free (NGOs, public defenders, attorneys, police, other specialised public authorities) – this kind of support happens very often. Representatives of the local communities' own choosing were involved in the development of the procedure. In addition, whenever Agropalma has something important to discuss with the communities or workers, the representatives chosen by the communities carry out the dialogue with Agropalma (e.g. Presidents of Smallholders Associations; Presidents of Outgrowers Association; Directors of Worker Unions, Presidents of Village Associations; local politicians elected by their own village people; community leaders, community representatives; etc.).</p> <p>Considering that the procedure is working well, Agropalma's position is that there is no reason to gather all of these stakeholders together again, to register something that already works in reality. Also, it would not be "polite" to ask for their time just to solve a POIG/Agropalma problem. So, to address the issue, Agropalma will deliver a formal communication to the stakeholders, to remind them of the complaints procedure and inform them that they all have the right to access independent legal and technical advice and to receive support from representatives of local communities' own choosing. This formal communication will be sent in the lead up to the 2018 POIG audit.</p>

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<p>2.5.2 A living wage assessment for all workers, whether employed directly by the company or indirectly by a private employment agency, is conducted based on a credible methodology.</p>	<p>A Living Wage Assessment like the methodology created by Global Living Wage Coalition was not conducted by Agropalma or private agency.</p> <p>All employees interviewed had confirmed the payment according with the law and previous agreement made with the company and considering their work contract.</p> <p>Standardized contracts are signed by employees, with support orientation of the Union and the company HR. Verified that all employees interviewed had signed documents.</p> <p>Permanent orientation is provided by the union and HR. legal requirement: DEL 5452, Art 442 and 443.</p>	<p>Wages are not an issue in the Agropalma context and the company is not considering running such an assessment at present. Currently, we understand the best use of our scarce resources is to keep investing them in some of the initiatives described in Table 1, above, (e.g. the SGD Program). To address the issue, Agropalma will carry out a living wage assessment using its internal team, in the lead up to the 2018 POIG audit.</p>
<p>3.1.2 The ethical policy covers: a) Bribery; b) Facilitation payments; c) Guidance and procedure for gifts and hospitality d) Disclosure of political contributions; and e) Guidelines for charitable donations and sponsorships, f) Respect for fair conduct of business; g) Proper disclosure of information in accordance with applicable regulations and accepted industry practices and h) Compliance with existing anticorruption legislation.</p>	<p>Agropalma policies does not cover items c) and e). For items a), d), g) and h), the company establishes in its Manual and Social Responsibility Directive.</p> <p>Agropalma is a signatory to the Business Pact for Integrity and Against Corruption (ETHOS) and clearly addresses items a), b) and h).</p>	<p>As Registered in the report, Agropalma is a signatory of Brazilian Companies Pact for Business Integrity and Anti-Corruption. This initiative was built by the Ethos Institute, Patri Government Relations and Public Policy, the United Nations Development Programme (UNDP), the United Nations Office on Drugs and Crime (UNODC), and the Global Compact Brazilian Committee, and took into consideration state of the art anti-corruption corporate policies. Every year, the signatory companies are monitored. Therefore, Agropalma believes that it is attending to stakeholder expectations related to corruption issues.</p> <p><a href="http://www3.ethos.org.br/conteudo/signatarios-do-pacto-empresarial-pela-integridade-e-contra-corupcao/#.WN5n2DvyvIU">http://www3.ethos.org.br/conteudo/signatarios-do-pacto-empresarial-pela-integridade-e-contra-corupcao/#.WN5n2DvyvIU</a></p> <p>To address the specific issue of items “c” and “e”, and as agreed with the POIG VWG, Agropalma will amend its Business integrity and Ethics Policy to include all items from indicator 3.1.2, in the lead up to the 2018 POIG audit.</p>

Indicator	Audit Findings	Agropalma Statement
<p>3.2.3. Within 24 months of commitment to the Charter the company will have a time-bound plan to bring all FFB sourced into compliance with the POIG indicators and efforts to bring non-compliant smallholders into compliance are documented.</p>	<p>Until now Agropalma demonstrated that most of all smallholders integrated are in compliance with POIG indicators. Amongst the integrated outgrowers, two of them failure in complying with RSPO requirements on SEIA/HCV studies before new plantings. So Agropalma decided remove them from RSPO certification and, as consequence, they are in conflict with POIG, which requires RSPO as a pre-requirement.</p> <p>Company already reported this case to RSPO complaints system and is running a Remediation and Compensation Procedures. A time-bound plan was not presented to bring both farmers in compliance with POIG indicators.</p>	<p>Agropalma will develop the required time-bound plan and present it in the next POIG Verification Audit (2017). The plan will consider the possibility of engaging new FFP suppliers at any time. These new FFB suppliers will require a certain period of time to comply with RSPO and POIG requirements.</p>
<p>3.4.4 A policy for purchasing 100% RSPO certified FFB within 24 months of signing the POIG Charter is developed, implemented and monitored for progress. Acceptable alternatives may be defined for independent smallholders.</p>	<p>This year Agropalma decided to withdraw two integrated farmers of their certification because they have not met all RSPO standard for new planting procedure. Facing the new situation, there was noted the absence of a policy to take back 100% of its FFB certificate.</p>	<p>Agropalma will develop the required policy and present it in the next POIG Verification Audit (2017). The policy will consider the possibility of engaging new FFP suppliers at any time. These new FFB suppliers will require a certain period of time to obtain RSPO certification.</p>