CIMB Group

Palm Oil

Sector Position Statement

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CIMB Group Palm Oil Sector Position Statement

The palm oil industry is an important contributor to economic development, rural livelihoods and food security across ASEAN, supporting millions of people throughout the value chain. As one of the region's leading financial institutions, CIMB recognises the sector's strategic importance while acknowledging the environmental and social challenges associated with unsustainable production, including deforestation, biodiversity loss, peatland conversion, greenhouse gas emissions, and labour and human rights concerns.

CIMB believes that the long-term resilience of the industry depends on responsible land management, sustainable production practices, and respect for people and the environment. Through our Palm Oil Sector Guide and Group Sustainable Financing Policy, we require clients to strengthen environmental and social risk management by adopting recognised sustainability certification schemes such as MSPO, ISPO, RSPO and ISCC, implementing effective traceability systems, and embedding No Deforestation, No Peat and No Exploitation (NDPE) commitments across their operations and supply chains. We also expect clients to adhere to applicable deforestation cut-off dates and land-use requirements under CIMB's sector guidance and recognised certification standards. Financing will not be provided to clients involved in prohibited activities, including illegal land conversion, use of fire for land clearing, or developments that breach CIMB's NDPE requirements and applicable certification standards. commitments across their operations and supply chains.

Our financing approach combines clear minimum expectations with active client engagement. While we do not finance activities prohibited under our Exclusion List, we work collaboratively with clients to address identified gaps through constructive engagement and, where appropriate, time-bound action plans. By supporting continuous improvement, CIMB aims to contribute to a more resilient, competitive and sustainable palm oil sector across the region.

Sector Scope: This Position Statement applies to clients whose activities include:

- Planting of palm: The cultivation and harvesting of oil palm, including the development, ownership, management and operation of oil palm plantations, as well as associated activities directly supporting plantation operations.
- Manufacture of palm and its products: The processing, refining and manufacturing of crude palm oil (CPO), crude palm kernel oil (CPKO) and downstream palm-derived products, including palm oil mills, refineries, oleochemical facilities, biodiesel production and food ingredient manufacturing operations.
- Trading of Palm and its products: The sourcing, purchasing, aggregation, storage, transport, marketing, distribution and trading of palm oil and palm-derived products, including supply chain intermediaries and exporters.

Sector Criteria

Prohibition - *Activities We Will Not Finance* CIMB will **not knowingly provide/ prohibits** financing, investment or capital market services to clients engaged in:	• Illegal activities • Illegal land conversion/ land use • Use of fire for land clearing • Activities impacting World Heritage Sites • Breaches of national labour laws and human trafficking laws, including engaging with clients directly involved in child labour, human trafficking, or breaches of labour laws and related regulations • Any activities as described in the CIMB Exclusion List
Requirements – *Minimum Expectations for Clients* CIMB **seeks to provide** financing and related services to clients that demonstrate commitment to responsible and sustainable palm oil production. We expect clients, where relevant to their operations, to have in place the following:	• Demonstrate progress towards certification under recognised sustainability standards such as MSPO, ISPO, RSPO or ISCC, where applicable. • Have a No Deforestation, No Peat and No Exploitation (NDPE) policy or commitment covering their own operations and, where applicable, their supply chain. • Do not undertake new development involving deforestation of High Conservation Value (HCV) areas after 15 July 2022 or, after an earlier cut-off date prescribed by an applicable certification standard and comply with all applicable requirements for peatland development and management. • Apply zero-burning practices for land preparation and plantation development. • Assess, manage and mitigate material environmental and social risks associated with their operations. • Respect the rights of workers, local communities and Indigenous Peoples, including the application of Free, Prior and Informed Consent (FPIC) where relevant. • Comply with applicable labour, occupational health and safety, and anti-human trafficking laws and regulations. • Monitor and manage greenhouse gas emissions and other material environmental impacts arising from their operations.

	• Implement methane capture or avoidance measures at palm oil mills where required by applicable regulations and sector standards.[1] • Maintain appropriate systems to support the traceability and transparency of palm oil products and supply chains, where relevant. • Establish grievance mechanisms or equivalent processes for workers, communities and other affected stakeholders.
Encourage/Support – *Best Practices for Clients* Note: Items listed in encourage/support category are good for the clients to have but not necessary for recommendation. It can also be used as a guide for Business Units when communicating with clients. CIMB encourages clients to adopt industry-leading practices that further strengthen sustainability performance across the palm oil value chain:	**Environment** • Commit to no conversion of High Carbon Stock (HCS) forests for new developments. • Apply recognised best management practices for existing plantations on peatlands, including guidance issued by relevant industry bodies and experts. • Adopt sustainable production practices, including peat rehabilitation at the end of plantation cycles, restoration of degraded land, efficient use of fertilisers and water, energy efficiency improvements, and responsible waste management. **Social** • Promote gender equality and inclusion within operations and supply chains. • Support the participation and inclusion of smallholders in sustainable palm oil supply chains. **Governance** • Demonstrate compliance with applicable laws, regulations and industry requirements in countries of operation. • Establish policies or codes of conduct that prohibit bribery, corruption and unethical business practices. • Implement traceability systems for external Fresh Fruit Bunch (FFB) suppliers. • Establish assurance mechanisms to verify that FFB is sourced legally and responsibly. • Engage suppliers on No Deforestation, No Peat and No Exploitation (NDPE)

[1] Applicable for palm oil mill(s) in Malaysia where in 2014, the Malaysian Government mandated new palm oil mills and old mills that are expanding their capacity to install methane avoidance facilities (Source: NC3BUR2, VBIAF Sectoral Guide on Palm Oil, 31 March 2021)

	commitments and responsible sourcing practices. • Maintain accessible, transparent and effective grievance mechanisms for workers, communities and other relevant stakeholders. • Pursue internationally recognised certification schemes and best practices, including RSPO and ISCC standards and requirements, where applicable.

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