SUSTAINABLE SOURCING POLICY

1. BACKGROUND

Halcyon Agri Corporation Limited (the “Company”, “us”, “our”, and all reference to it shall include its subsidiaries) is committed to understanding and minimising its environmental, economic and social impacts, and to seek positive change through the proliferation of local livelihoods and restoration of natural systems. The Company strives to ensure the products the Company delivered to our customers originate from sources where it is sustainably and responsibly cultivated, harvested and processed.

Although the complexity of the rubber ecosystem poses significant challenges, the Company is determined to answer the call of our Business Partners, consumers, shareholders, team members and the rubber industry for proactive and positive change.

2. SCOPE

This Sustainable Sourcing Policy (the “Policy”) reiterates the Company’s commitment to drive positive change in the natural rubber supply chain and to conduct business with integrity and transparency together with social and environmental responsibility, throughout its entire business operations. We do this by extending the Company’s standards to its Business Partners.

The Company expects our Business Partners to have appropriate management systems to ensure compliance with laws and regulations, conformity with this Policy, and shared responsibility in contributing to sustainable development which eventually leads to the enhancement of the competitiveness of our Business Partners. The Company encourages our Business Partners to hold their suppliers and subcontractors accountable to these same standards and requirements.

3. COMMITMENTS

Our commitment to drive positive change in the natural rubber supply chain is founded on the following principles:

- Compliance to applicable national law and regulations
- Respectful working conditions
- No forced labour, No child labour
- No discrimination¹

¹ based on gender, marital status, sexual orientation, religion, political beliefs, union membership, ethnicity, nationality, age, social status, physical or mental disability
Respect freedom of association
Respect right for collective bargaining
Protection of land use rights of communities and traditional peoples
Protection of indigenous peoples’ rights and free, prior and informed consent (FPIC)
Respect of environmental values and minimalization of negative impacts
No deforestation, Peat protection, and No exploitation (NDPE)
Protection and wherever possible restoration of High Conservation Values (HCVs)
Enhanced livelihoods for smallholders and their communities wherever possible
Continuous improvement

4. BUSINESS PARTNER REQUIREMENTS

4.1 Human Rights

The Company highly values fair treatment of employees and supports fundamental human rights for all people. It complies with the employment and labour laws in every country and region in which it operates, and expects its Business Partners to comply with the following practices:

Occupational Health and Safety. Have robust and relevant management practices in order to comply with applicable health and safety laws, rules, regulations and industry standards. Provide employees with safe and healthy work environment, and ensure workers have and use appropriate personal protective equipment (PPE) to minimise risks to employees and maintain a productive workplace, including no use of WHO-prohibited chemicals and the safe use and storage of other chemicals used. Train workers regularly on health and safety and keep appropriate records.

Fair and Equal Treatment. Maintain working practices and a working environment that are inclusive and professional. Do not tolerate offensive, demeaning or abusive behaviour of any kind. Provide equal hiring and employment opportunities and do not discriminate based on personal characteristics, such as gender, race, religion, age, marital status, disability, sexual orientation or nationality etc. Have mechanisms in place that allow for anonymous grievance reporting, in which reporters are protected from any repercussions and grievances consistently and credibly addressed.

Adequate Working Conditions. Promote and maintain adequate working conditions and provide employees with employment contracts, salaries at least equal to the country’s minimum wage for an equivalent job where relevant, fair working hours, in accordance with applicable national and international laws, supporting those living on plantations and in processing sites to obtain access to the necessary resources for adequate living conditions including decent housing and sanitation facilities and access to potable water supply (as described in ILO Convention 110).

Freedom of Association. Adopt an open attitude towards the activities of trade unions and other worker organisations. Respect and do not interfere with the right of workers to form or join a trade union or representative organisation of their own choosing and
in line with applicable national and international guidance. No workers shall be intimidated or harassed while participating in any collective bargaining conducted in accordance with legal procedures.

**Child Labour.** Strictly adhere to minimum age of employment as stipulated by local laws and regulations and as a bare minimum requirement by the relevant international recognised guidance. Young workers (above minimum age under applicable law and below 18) should not be allowed to undertake duties which are exposed to undue physical risks that can harm physical, mental or emotional development.

**Forced Labour.** Prohibit all work or service that is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily. Do not engage in or condone the use of forced or trafficked labour.

### 4.2 Land Use Rights

The Company recognises that our business is reliant on land availability for rubber plantations and that there are serious risks of deforestation and biodiversity loss if proper monitoring and control mechanisms are not in place. We require our Business Partners to have established arrangements which are consistent with our commitment to:

**Communities and Traditional People’s Rights.** Respect the rights and title of individuals and local communities, including indigenous communities, to their land and natural resources and prohibit land acquisitions, which are not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered.

**Prevent and Remedy Land Grabbing.** Comply fully with all applicable local and national legislation for land use, respect and protect Customary Land Tenure Rights and prohibit any Land Grabbing approaches. Develop and implement remediation process to resolve ongoing disputes (like the restitution of land or payment of compensation) in accordance to the FAO’s Voluntary Guidelines on the Responsible Governance of Tenure.

**Resolution Process.** Have a specific mechanism in place to facilitate the resolution of land disputes.

**FPIC.** Apply Free, Prior and Informed Consent (FPIC) methodology and guidelines developed by the United Nations Programme on Reducing Emissions from Deforestation a Forest Degradation (UN-REDD) and The Accountability Framework Initiative (AFI) for land acquired and/or transformed for industrial plantation use.

### 4.3 Environmental Responsibility

The Company recognises the significant value of natural resources and environment, which are basic elements of agro-industrial. It is committed to achieving zero deforestation in all its plantations and ensuring responsible cultivation, harvesting and processing of natural rubber across the value chain. Business Partners are expected to support activities to verify the origin of raw material to ensure compliance with our Policy and join forces with the Company in the following principles:
No Deforestation. Commit to achieving zero deforestation and eliminating deforestation from the supply chain. Ensure that land for rubber development is appropriate for industrial natural rubber planting by determining where natural ecosystems should be protected by utilising the High Conservation Value (HCV), High Carbon Stock (HCS), or other equivalent land assessment and management toolkits.

No Peat. Prohibit any form of rubber entering the supply chain that knowingly originates from production on known peat land and the use of fire in the preparation of new planting areas, re-planting areas or any other developments.

Environmental Management Systems. Comply with all applicable laws (international, national and sub-national) and regulations related to the identification and/or protection of environmental values including all regulations and environmentally friendly practices. To put a system in place to manage the environmental aspects of business operations in order to minimise any adverse impact on the ecosystem and wider environment affecting the dependent communities living adjacent to the respective.

Efficiency Improvement. Optimise production practices to minimise environmental impact, improve and develop the operation processes for higher production efficiency. Foster opportunities to improve controls and create more sustainable solutions related to waste management, water consumption and wastewater treatments/discharges, air emissions, energy consumption and Greenhouse Gas (GHG) management, hazardous substances management and pollution prevention.

Sustainable Resource Use. Use and consume natural resources and sources of energy in an optimised and efficient way, with particular focus on implementing conservation and recycling practices. Implement the use of sustainable alternatives to fossil and unnatural materials and processes where applicable, for instance, use of natural fertilisers in rubber cultivation.

Forest and Biodiversity Conservation. Emphasise climate change mitigation, biodiversity and ecosystem services conservation in business activities. Collaboration towards deforestation-free supply chains, and delinking of from rubber produced commercially from deforested High Conservation Value (HCV) and High Carbon Stock (HCS) areas.

4.4 Business Ethics and Transparency

The Company upholds the highest standards of integrity and always operates honestly and equitably throughout our operations and business relationships. We are committed to fighting corruption in all its forms and do not tolerate any form of active or passive corruption within our supply chain. Business Partners are required to conduct their business in the same way, especially in the following areas:

Anti-bribery. Comply with all anti-corruption laws and statutes to guarantee that the business is conducted lawfully and with integrity. Refuse to engage in, endorse or tolerate any form of bribery or corruption, directly or indirectly. Business Partners shall not offer nor accept any form of improper benefit to or from a third party, private or public, with the purpose of obtaining or retaining business or any form of preferential treatment.
Fair Competition. Conform with all applicable fair trade, competition and anti-trust laws and regulations and not to have any anti-competitive discussions or enter into any anti-competitive agreements, including illegal price-fixing, market sharing, customer allocation or other illegal restrictive practices, at any level of the production or distribution supply chain.

Business Transparency. Conduct business in a transparent way, leading the way in the supply of responsible products and product traceability. Disclose financial performance thoroughly and clearly, where required, in accordance with generally accepted verifiable accounting principles, standards, laws and regulations of the country of operation.

4.5 Supply Chain Traceability

The Company recognises that transparency in the natural rubber supply chain is very important, and for this the Company has started the journey to achieve 100% traceability through to plantation and farm level, such that we can demonstrate to our own customers that the rubber we supply ultimately comes from rubber-producing areas and processors which are closely aligned with the principles expressed in this policy.

Traceability. Cooperate in any traceability programmes and be able to provide the evidences or certificates of the product and service origin and international recognised quality standard of production to the Company and all the concerned parties, when requested.

5. COMPLIANCE AND MONITORING

It is important to us that our Business Partners show dedication to embed the principles of this Policy into their operations and across their supply chains, and to seek continuous improvement over time in order to be able to show progress in all areas covered by this Policy.

Sustainability performance as outlined by this Policy is a key indicator in a Business Partner’s qualification and assessment process, and accepting it is a prerequisite for doing business with us. The Company verifies compliance with the contents of this Policy periodically. Lack of cooperation, failure to address violations of the principles of this Policy and/or non-timely implementation of necessary corrective action plans may result in a reduction in business and, ultimately, an end to the business relationship with the Company.

Any breach of the Policy of which the Business Partner is aware should be immediately reported to allow the Company to take appropriate action. Vendors of Business Partners are able to submit concerns both confidentially and anonymously, and will be protected to the extent permitted by law. We support transparency and openness.

Substantiated non-compliance and/or failure to close agreed identified material gaps in compliance with the fundamental principles as outlined under section 4 of this document, may result in suspension or termination of the business relationship.
6. REPORTING

The compliance of our Business Partners, and their performance to achieve compliance, to this Policy is monitored and assessed to ensure the policies contained herein are continually progressed. The progress made is being transparently reported annually through our annual Sustainability Report, published on our website and through various disclosure channels as required by applicable regulations.

In addition, the Company will disclose progress made on responsible sourcing of sustainable natural rubber by the Company and its Business Partners (where appropriate), including the extent to which the origins of materials in their supply chains are known or controlled. Reporting will include commitment compliance/progress-done according to this Policy, clear and accepted metrics and the information is to be independently verified by a third party.

7. SUPPLIER ENGAGEMENT

The Company believes that the global challenge of natural rubber sustainability requires engagement, cooperation, dialogue and partnership among all involved actors, including buyers, companies, governments, NGOs and other elements of civil society.

In addition to engaging with its suppliers, the Company fosters and supports active cooperation at industry level and among stakeholders playing a material role in the natural rubber value chain, with the conviction that in addition to corporations’ individual engagement, a shared effort can result in stronger and faster progress towards sustainable development of the global natural rubber supply chain.

The Company is already cooperating with national and international governmental, non-governmental, industry-wide and academic initiatives to develop global sustainable natural rubber policies and principles through the Global Sustainable Natural Rubber (GPSNR) platform.

In particular, all of the Company’s Business Partners are expected to meet the requirements of this Policy. All Business Partners will be regularly evaluated against the outlined expectations, and if a supplier is not able to meet these. If a supplier is unable or unwilling to take the necessary actions to conform to the expectations outlined above, the Company may consider non-compliance procedures as outlined above in section 5.

8. REVIEW

To reflect contemporary changes of the applied concepts, organisational strategies and current understanding, regular (at least every 2 years) and pro-active reviewing of this Policy is a key part of operational excellence and continuous improvement. The basic methodology for process reviews will involve a review by a panel of experts and other relevant stakeholders as well as the Company’s responsible global manager following good practice of policy review. This Policy contact will be responsible for ensuring the Policy is regularly reviewed and that the timeframe for review is appropriate for a specific type of policy. The Policy contact throughout the implementation process can be used to monitor the uptake of the Policy and record feedback to be used to inform further reviews of the Policy.
REFERENCES

This Policy seeks alignment and is in support of:

- ILO Declaration on Fundamental Principles and Rights at Work (1998) based on the eight ILO Core Labour Conventions
- ILO’s Convention Concerning Conditions of Employment of Plantation Worker
- ILO Minimum Age Convention
- ILO Code of Practice on Safety and Health
- OECD Guidelines for Multinational Enterprises and resulting commitments to compliance with applicable laws
- Integration of High Conservation Values (HCV), High Carbon Stock (HCS) Forest and Free, Prior and Informed Consent (FPIC) by HCS Approach Steering Group
- The Accountability Framework Initiative
- FAO’s Voluntary Guidelines on the Responsible Governance of Tenure

GLOSSARY

Appropriate: Appropriate to the size, scale, intensity, risk and the social and environmental context of the specific smallholder and his/her land and the needs of any Indigenous Peoples or local communities or other values.

Business Partner: For the purposes of this document “Business Partners” means any company, corporation or other entity that sells, or seeks to sell goods or services to the Company and shall include the production or primary processing operations that the Business Partner owns, manages, or otherwise controls relative to the supply chain.

Consent: The free, prior and informed consent of Indigenous Peoples and/or local communities, as defined by the FAO (www.fao.org/indigenous-peoples/our-pillars/fpic/en/), provided through a culturally appropriate process.

Dispute: An expression of dissatisfaction by any person or organisation presented as a complaint relating to its management activities or its conformity with the FSC Principles and Criteria, where a response is expected.

Employ: To retain, and pay for, work services that are provided by a person who is not a relative or a family member of the smallholder.
Environmental Values: The following set of elements of the biophysical and human environment:

- ecosystem functions (including carbon sequestration and storage);
- biological diversity;
- water resources;
- soils;
- atmosphere;
- landscape values (including cultural and spiritual values).


Forest: Forest includes natural forests and forest plantations. It is used to refer to land with a tree canopy cover of more than 10 percent and area of more than 0.5 ha. Forests are determined both by the presence of trees and the absence of other predominant land uses. The trees should be able to reach a minimum height of 5 m. Source: FAO Forest Resources Assessment (FRA) Working Paper, 2000.

Indigenous Peoples: People and groups of people that can be identified or characterised as follows:

- The key characteristic or criterion is self-identification as Indigenous Peoples at the individual level and acceptance by the community as their member;
- Historical continuity with pre-colonial and/or pre-settler societies;
- Strong link to territories and surrounding natural resources;
- Distinct social, economic or political systems;
- Distinct language, culture and beliefs;
- Form non-dominant groups of society;
- Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities.


Living wage: The level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy.

Local communities: Communities of any size that are in or close to the location of the smallholder’s forest, and also those that are close enough to have a significant impact on the economy or the environmental values of smallholder’s forest or to have their economies, rights or environments significantly affected by the forestry activities or the biophysical aspects of the Management Unit.

Management plan: The collection of documents, reports, records and maps that describe, justify and regulate the activities carried out by any manager, staff or organisation within or in relation to the Management Unit, including statements of objectives and policies.
**Management unit:** A spatial area or areas with clearly defined boundaries managed to a set of explicit long-term management objectives which are expressed in a *management plan*. This area or areas include(s):

- all facilities and area(s) within or adjacent to this spatial area or areas under *legal* title or management control of, or operated by or on behalf of smallholder, for the purpose of contributing to the management objectives; and

- all facilities and area(s) outside, and not adjacent to this spatial area or areas and operated by or on behalf of *the smallholder*, solely for the purpose of contributing to the management objectives.

**Smallholder:** An individual or family who owns, manages, or uses forests which are considered "small" compared with others in their region, or anyone who harvests timber at a low intensity. Smallholder also includes community producers, including Indigenous or traditional Peoples, or others who fulfil the SLIMF criteria for small size or low intensity management OR a co-operative or community who own, manage and use a forest of less than 20 ha. Smallholders are known by various names – for example, woodlot owners, family foresters, small non-industrial private forest owners, small forest enterprises, community forestry operations, and non-timber forest product (NTFP) harvesters. Smallholders produce a wide variety of timber, non-timber and non-wood products.

**Worker:** All employed persons including public employees as well as 'self-employed' persons. This includes part-time and seasonal employees, of all ranks and categories, including labourers, administrators, supervisors, executives, contractor employees as well as self-employed contractors and sub-contractors.

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