

# Sourcing with Respect Guidelines





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## SUSTAINABILITY VISION



We grow and create value by acting sustainably to achieve planet habitability, people prosperity and financial economic profitability.

## OUR SOURCING WITH RESPECT FRAMEWORK

We produce speciality chemical solutions made predominately from natural oils and fats including palm oil, palm kernel oil, tallow, and other derivatives. Principal to our business strategy is our integrated sustainable supply chain with access to renewable feedstock, innovative solutions, reliably consistent high quality products, and in-depth technical knowledge.

Emery Oleochemicals aspires to develop and maintain a supply chain that is built on the principles of traceability and responsibility. We are part of a complex supply chain involving thousands of businesses. Our largest partners are feedstock suppliers, energy producers, and logistics providers. We also work with many other smaller and valued suppliers. Our customers include many leading multinationals who demand high sustainability standards.

We operate in Asia, Europe and the Americas. Each of these regions offers unique sustainability challenges as well as opportunities to have a positive footprint. We work in some of the world's most highly regulated sectors as well as in parts where there is no clear sustainability criteria.

It is in this context that we have developed our Sourcing with Respect Guidelines (SRG). The SRG encapsulates our aspirations to be a world leader in value-added, natural-based chemicals by trusting and partnering with our other responsible partners, and driving innovation to provide a competitive advantage.

Our SRG is an aspirational platform towards building a sustainable business together with our partners. We will work together with our partners and suppliers to improve our collective environmental, social and financial performance through resource savings and innovation.



## OUR SRG VALUES

Through our SRG, we seek to promote, enhance and support:

- Respect for our planet and the natural environment which supports present and future generations
- Respect for human dignity and decent working conditions
- Respect for our suppliers with which we grow together

## OUR SRG PRINCIPLES

We are guided by the 10 principles of the United Nations Global Compact (UNGC). The UNGC encourages companies to embrace and embed universal principles in their business. The UNGC addresses human rights, labor, the environment and corruption, and provides a framework for engagement by enlightened global business.



## OUR SRG OBJECTIVES

### 1. Developing habitable environments

#### Minimizing our environmental footprint

We believe our business operations should positively address the significant environmental degradation, brought on by human activity. We actively seek opportunities to reduce or eliminate emissions, reduce the use of resources and innovate solutions to secure the future of our business:

##### Support precautionary approach

Assessment and consideration for the environment to be part of our overall assessment.

##### Undertake environmental responsibility

Ensure appropriate management processes are in place to measure and reduce environmental impacts that are material to our business operations.

##### Encourage innovation

Engage with partners to investigate and develop new solutions to reduce our environmental impacts.

### 2. Advancing prosperity for all

#### Safeguarding human rights

We believe that businesses have a responsibility to respect, support and uphold fundamental human rights as expressed in the Universal Declaration for Human Rights and its related covenants. Our commitment extends to any human being affected by our operations, including employees in our operations, of our suppliers, and communities surrounding our operations:

##### Respect human rights

Recognize that each person and each community has the right to human dignity and protection in accordance with international human rights principles

##### Avoid complicity

Will not encourage, participate or be associated in any activity that violates human rights.

### **Eliminating poor labor practices**

We believe that any human being affected by our operations should not be deprived of their basic labor rights. We recognize the International Labor Organization standards as the minimum benchmark. Individuals should also work in a safe and healthy environment, with appropriate social protection:

#### **Uphold the freedom of association**

All employees have the right to join and form organizations of their own choosing and to bargain collectively.

#### **Eliminate all forms of forced and compulsory labor**

No bonded or forced labor. Withholding of personal documents or other bonds is prohibited.

#### **Effectively eradicate child labor**

No child below 16 years old working paid or unpaid, except apprentices.

#### **Eliminate discrimination**

Discrimination based on any grounds in recruitment, dismissal or promotion is strictly prohibited.

## **3. Strengthening Profitability**

### **Stopping corruption**

We are committed to act with the highest possible standards of integrity, openness, and accountability in conducting our business.

#### **Eliminate corruption**

No excessive payments, services, gifts, entertainment or other forms of inducements be provided to employees or third parties.

### REVIEW AND ENGAGEMENT

We have a policy of positive engagement. Where we find non-compliance in meeting the basic minimum of our SRG, we will support our suppliers and engage to initiate corrective actions. We will continue business with suppliers who commit and work towards improvements. We will only sever relationships as a last resort in cases where suppliers refuse to work with us towards meeting the SRG.

### RESPONSIBILITY AND SCOPE

Our Regional Heads of Procurement are responsible for inclusion of the SRG in Emery's Sourcing Process.

Commitment to the SRG will be necessary to conduct business with us. The procurement team will be responsible for ensuring our suppliers understand the requirements set out in the SRG and support suppliers in meeting the principles. We will provide support in adhering to our principles by engaging suppliers in a self-assessment or by working with suppliers to develop positive action plans to change existing policies.

The SRG will be reviewed once every three years. During the review process, we will engage suppliers to determine how we can improve the robustness and effectiveness of the SRG.

# Sourcing with Respect (SRG) Guidelines for Buyers

## WHO IS THIS GUIDE FOR?

This guide is developed to assist procurement personnel in executing our Sourcing with Respect Guidelines (SRG) in the procurement of goods and services. The buyer's guide explains the rationale of the SRG and how to assess the commitment of suppliers.

## WHY DO WE NEED THE SRG?

### **Business and sustainability**

As a company with global customers, we have a public commitment to being a sustainable company. Supporting and enabling our suppliers is part of our sustainability commitment.

### **Customer requirements**

Our customers are increasingly asking us to provide them with social and environmental performance data of our suppliers to ensure compliance in their supply chain.

### **Minimizing risks**

There is growing expectation of us and our customers by external stakeholders to improve sustainability performance in our supply chain. Customers have an increasing expectation that Emery support them in improving sustainability performance within their supply chain.

### **New opportunities**

We believe sustainability involves improving short and long-term profitability by managing economic, societal, and environmental factors. By working with our suppliers, we can innovate and develop new solutions to improve the profitability of our business.

## HOW TO USE THIS GUIDE?

We have designed the SRG to be incorporated into our existing processes. The buyer's guide should be read in conjunction with our existing policies and should be kept up to date with any future revisions of the referenced policies.

- Sourcing with Respect Guidelines
- Sustainability Commitments
- Employee Code of Conduct

## WHAT IS YOUR ROLE?

### **Familiarize yourself**

Read the SRG and understand what we are asking our suppliers to commit to. If you need support, please refer to the respective Regional Head of Procurement.

### **Engage suppliers**

Distribute and explain the commitment of the SRG to existing suppliers. Listen to their concerns and explore opportunities where they can leverage on the SRG to build stronger business relationships.

### **Assess suppliers**

Identify and evaluate suppliers that do not meet the commitment of the SRG and explore what support can be provided.

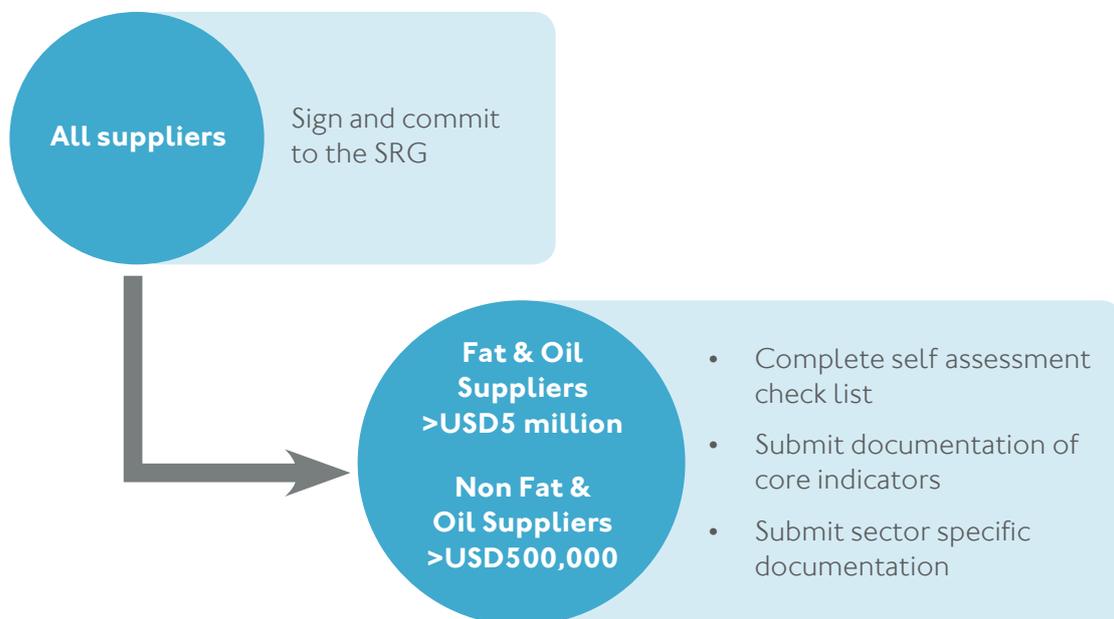
## COMMITMENT

Supplier commitment will be measured by results of paper and on-site compliance audits.

## COMPLIANCE

Only fat and oil suppliers with contracts of more than USD5 million and non-fat and oil suppliers with contracts of more than USD500,000 must complete and submit the self-assessment checklist with appropriate documentation demonstrating compliance with core indicators.

## WHAT IS THE PROCESS?



## ASSESSMENT CHECK LIST

Fat and oil suppliers with contracts of more than USD5 million and non-fat and oil suppliers with contracts of more than USD500,000 suppliers need to complete the self-assessment checklist and provide documentation.

### Core criteria

Basic criteria that we expect the category of suppliers to meet.

### Additional criteria

Aspirational criteria that the category of suppliers can aspire towards as part of continuous improvement.

## HUMAN RIGHTS

We believe that our suppliers should uphold the basic rights of humanity. No one should be discriminated based on the grounds of race, color, gender, sexual orientation, language, religion, political or other opinion, national or social origin, property, birth or other status.

### Checklist

Core	General Guidance	Yes	No	ICLL*
Adopted a human rights policy	Corporate affairs			

Additional	General Guidance	Yes	No	ICLL*
Employee training on respecting human rights	Human resource department			
Mechanism to monitor effectiveness of policy	Human resource department			

## LABOR

We believe that our suppliers should offer an environment where employees can be productive, be paid a fair income, work in an environment that is safe and secure.

### Checklist

Core	General Guidance	Yes	No	ICLL*
Compliance with national employment laws on minimum age	Human resource department Employee handbook			
Compliance with national employment laws on working hours	Human resource department Employee handbook			
Compliance with national employment laws on right to association	Human resource department Employee handbook			
Non-discrimination or equal opportunity policy	Human resource department Employee handbook			
Health and safety policy	Human resource department Employee handbook			

Additional	General Guidance	Yes	No	ICLL*
Mechanism to monitor effectiveness of equal opportunity policy (gender, disability, or race)	Human resource department			
Mechanism to monitor effectiveness of health and safety policy	Human resource department			
Data on lost time injury rates, severity rates	Human resource department			
Improvement targets of lost time injury rates and severity rest	Human resource department			
Health and safety training programs	Human resource department			

\* ICLL : In Compliance with Local Laws

## ENVIRONMENT

We all have different environmental impacts within the supply chain. Suppliers should ensure appropriate management processes are in place to measure and reduce their respective impacts.

### Checklist

Core	General Guidance	Yes	No	ICLL*
Adopted an environmental policy	Corporate affairs			
No significant environmental fines	Legal department			

Additional	General Guidance	Yes	No	ICLL*
ISO 14001 management systems	Environmental department			
Mechanism to monitor effectiveness of	Environmental department			
Identified key environmental emissions and impacts	Environmental department			
Set reduction targets and KPIs for key environmental	Environmental department			
Initiative to reduce, reuse and recycle raw materials	Environmental department			
Industry specific best practices in environmental	Environmental department			

## CORRUPTION

Corruption is costly for business. Corruption hurts all our partners as it impedes economic growth, distorts competition and represents serious legal and reputational risks. Our policy on anti-corruption is enshrined in our Code of Conduct.

### Checklist

Core	General Guidance	Yes	No	ICLL*
Adopted an anti-corruption and bribery policy	Corporate affairs / Company secretary			
Adopted a whistle blowing policy	Corporate affairs / Company secretary			
Adopted a policy of anti-competitive practices	Corporate affairs / Company secretary			

Additional	General Guidance	Yes	No	ICLL*
Mechanism to monitor effectiveness of integrity system	Corporate affairs / Company secretary			
Training of employees on anti-bribery	Corporate affairs / Company secretary			
Participate in a national or industry integrity pact	Corporate affairs / Company secretary			
Engagement program with their suppliers on policy	Corporate affairs / Company secretary			

\* ICLL : In Compliance with Local Laws

## RECOGNIZED SUSTAINABILITY STANDARDS AND CERTIFICATIONS

The SRG is designed to complement existing international and sector specific standards. We believe this also provides suppliers with an incentive to improve their processes through certification. If suppliers are already certified with these standards, they do not need to be assessed in certain areas. New complementary standards will be added to the list as they are developed and adopted.

Core	Human rights	Labor	Environment	Corruption
SA8000		X		
ISO 14001			X	
RSPO Certification	X	X	X	
Indonesian Sustainable Palm Oil	X	X	X	
Malaysian Sustainable Palm Oil	X	X	X	

## SECTOR SPECIFIC GUIDANCE

With over 70% of our spending in four sectors, we have provided additional guidance for consideration during your assessment.

### Palm Oil, Palm Kernel Oil & Derivatives

The Roundtable on Sustainable Palm Oil (RSPO) is the most widely adopted sustainable criteria for palm oil. The RSPO sets out eight principles for sustainable palm oil covering commitment to transparency, compliance with laws, commitment to long term financial viability, use of best practices in growing palm oil, environmental responsibility, responsible employment, responsible new planting approach, and commitment to continuous improvement.

We also recognize national palm oil standards, such as the Malaysian Sustainable Palm Oil and the Indonesian Sustainable Palm Oil System.

In procuring palm oil products, we would give preference to companies:

- With membership in the RSPO and the ability to supply RSPO certified oil
- Certified by national palm oil standards
- Offer traceability in the supply chain

### Tallow & Derivatives

Emery Oleochemicals' operations utilizing tallow as a feedstock reside in the US and Europe. Fats and Oils Trading is regulated by respective national regulations and trade associations, which take into account hygiene and environmental standards.

In procuring tallow products, we do not purchase from suppliers, that we know are not in compliance with national regulations and would give preference to companies:

- In the US, suppliers that comply with American Fats and Oils Trade Rules
- In the EU, suppliers that comply with GROFOR or NOFOTA Trade Rules

### Energy

The energy sector is complex, with varying degrees of national commitments and local regulations. In Europe and US, the energy sector is deregulated which allows us to select and engage providers with similar values. As Annex 1 countries with international commitments to meet, there is a greater push towards renewable energy in developed countries.

In developing countries, power producers are often nationalized or operate as a monopoly. We recognize that in these countries, we may not have viable alternatives if they do not comply with our SRG.

When procuring from this sector, we would give preference to companies with:

- Carbon reduction targets
- Options for renewable energy

### Transportation

Our products are shipped around the world via trucks, trains and ocean freight logistics providers. In countries where monopolies exist for certain modes of transportation, we will have limited scope in ensuring that they comply with our SRG.

#### US and Europe

The transportation sector in US and Europe is highly regulated. In procuring transportation services, we would give preference to companies with:

- Carbon reduction targets

#### Developing countries

In developing countries, enforcement of transportation regulation may be weaker. Driving excessive hours, unskilled drivers, overloaded vehicles, and poor vehicle maintenance may have contributed to road accidents and loss of lives.

In procuring transportation services in developing countries, we would give preference to companies with:

- Policy on maximum driving hours and driver logbook
- Log of driver training on vehicle handling
- Maintenance log book

**FAQ****Is the SRG applicable to all suppliers?**

Yes the SRG is applicable to all of our suppliers.

**Do all suppliers have to demonstrate compliance to the SRG?**

At this time, we will only require two categories of suppliers to demonstrate compliance:

- Fat and oil suppliers with contracts of more than USD5 million
- Non-fat and oil suppliers with contracts of more than USD500,000

Suppliers in those categories will be required to provide documentation that meets the core criteria of the SRG at the time of signing the commitment. Suppliers can furnish additional documentation to demonstrate leadership.

**Will audits will be carried out as part of the SRG?**

At this time, we will not be carrying out audits. We will from time to time engage suppliers on issues covered in the SRG to ensure they meet minimum commitments of the guidelines.

**What happens if a supplier does not comply?**

We have a policy of positive engagement and strive to continue business with suppliers who are willing to commit to improving business processes. When non-compliance is identified, we will first work towards addressing the problems and put in place time bound plans to implement corrective actions. We reserve the right to review our relationship if changes are not agreed.

**Who do I contact for more information?**

You can contact:

[sustainability@emeryoleo.com](mailto:sustainability@emeryoleo.com)

**REFERENCES**

American Fats and Oil Association	<a href="http://www.fatsandoils.org/">www.fatsandoils.org/</a>
Business and human rights	<a href="http://www.business-humanrights.org/">www.business-humanrights.org/</a>
Global Roundtable on Sustainable Beef	<a href="http://grsbeef.org/">grsbeef.org/</a>
Indonesian Sustainable Palm Oil System	<a href="http://www.ispo-org.or.id/index.php?langlina">www.ispo-org.or.id/index.php?langlina</a>
International Labor Organization	<a href="http://www.ilo.org/global/lang--en/index.htm">www.ilo.org/global/lang--en/index.htm</a>
ISO 14001	<a href="http://www.iso.org/iso/iso_14000_essentials">www.iso.org/iso/iso_14000_essentials</a>
Roundtable on Sustainable Palm Oil	<a href="http://www.rspo.org">www.rspo.org</a>
SA8000	<a href="http://www.sa-intl.org">www.sa-intl.org</a>
United Nations Global Compact	<a href="http://www.ungc.org">www.ungc.org</a>

# Sourcing with Respect (SRG) Guidelines for Suppliers

## WHO IS THIS GUIDE FOR?

This guide is developed to assist our suppliers to meet the commitments of our Sourcing with Respect Guidelines (SRG). We want to work with suppliers that safeguard human rights, eliminate negative practices and engage with us to build better business relationships. The SRG contains principles and values that we aspire as a business.

## WHY DO WE NEED THE SRG?

### **Business and sustainability**

As a company with global customers, we have a public commitment to being a sustainable company. Supporting and enabling our suppliers is part of our sustainability commitment.

### **Customer requirements**

Our customers are increasingly asking us to provide them with social and environmental performance data of our suppliers to ensure compliance in their supply chain.

### **Minimizing risks**

There are growing expectations on us and our customers by external stakeholders to improve sustainability performance in our supply chain.

### **New opportunities**

We believe sustainability involves improving short and long-term profitability by managing economic, societal, and environmental factors. By working with our suppliers, we can innovate and develop new solutions to improve the profitability of our business.

## HOW TO USE THIS GUIDE?

### **Familiarize**

Read the SRG and understand what we are asking you to commit to. Approach our procurement team if you have any questions.

### **Assess**

If you have concerns about commitments in the SRG that you may not be able to meet, talk with the procurement team about what support you might need.

### **Engage**

Explore opportunities to leverage on the SRG to build stronger business partnership with us.

## COMMITMENT

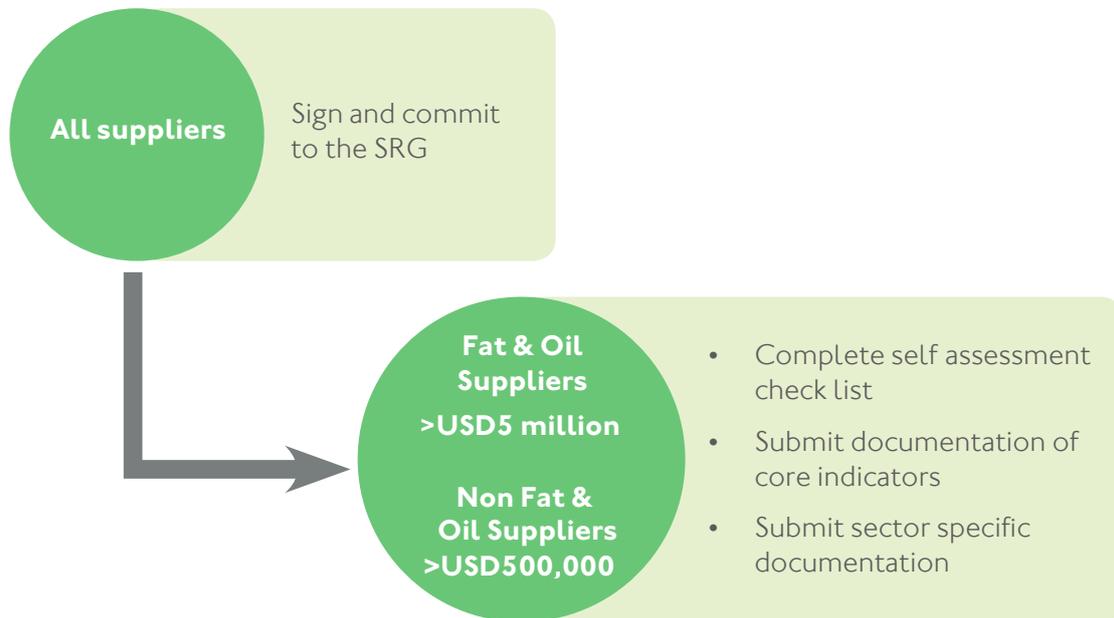
All of our suppliers are expected to make a commitment to the SRG and are subject to audit to document compliance and continuous improvement.

Suppliers will need to demonstrate compliance to the SRG if they are:

- Fat and oil suppliers with contracts of more than USD5 million
- Non-fat and oil suppliers with contracts of more than USD500,000.

Suppliers in these categories will be required to make documentations available to show they meet the core criteria of the SRG at the time of signing the commitment. Suppliers can demonstrate leadership by providing documentation to indicate that they are meeting the additional criteria of the SRG.

## WHAT IS THE PROCESS?



## SELF-ASSESSMENT CHECKLIST

Fat and oil suppliers with contracts of more than USD5 million and non-fat and oil suppliers with contracts of more than USD500,000 need to complete the self-assessment checklist and provide relevant documentation.

### Core criteria

Basic criteria that we expect the category of suppliers to meet.

### Additional criteria

Aspirational criteria that the category of suppliers can aspire towards as part of continuous improvement.

## HUMAN RIGHTS

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### Checklist

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## ENVIRONMENT

We all have different environmental impacts within the supply chain. Suppliers should ensure appropriate management processes are in place to measure and reduce their respective impacts.

### Checklist

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Additional	General Guidance	Yes	No	ICLL*
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Mechanism to monitor effectiveness of environmental management program	Environmental department			
Identified key environmental emissions and impacts	Environmental department			
Set reduction targets and KPIs for key environmental impacts and emissions	Environmental department			
Initiative to reduce, reuse and recycle raw materials	Environmental department			
Industry specific best practices in environmental management	Environmental department			

## CORRUPTION

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## SECTOR SPECIFIC GUIDANCE

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In procuring palm oil products, we would give preference to companies:

- With membership in the RSPO and the ability to supply RSPO certified oil
- Certified by national palm oil standards
- Offer traceability in the supply chain

### Tallow & Derivatives

Emery Oleochemicals' operations utilizing tallow as a feedstock reside in the US and Europe. Fats and Oils Trading is regulated by respective national regulations and trade associations, which take into account hygiene and environmental standards.

In procuring tallow products, we do not purchase from suppliers, that we know are not in compliance with national regulations and would give preference to companies:

- In the US, suppliers that comply with American Fats and Oils Trade Rules
- In the EU, suppliers that comply with GROFOR or NOFOTA Trade Rules

### Energy

The energy sector is complex, with varying degrees of national commitments and local regulations. In Europe and US, the energy sector is deregulated which allows us to select and engage providers with similar values. As Annex I countries with international commitments to meet, there is a greater push towards renewable energy in developed countries.

In developing countries, power producers are often nationalized or operate as a monopoly. We recognize that in these countries, we may not have viable alternatives if they do not comply with our SRG.

When procuring from this sector, we would give preference to companies with:

- Carbon reduction targets
- Options for renewable energy

### Transportation

Our products are shipped around the world via trucks, trains and ocean freight logistics providers. In countries where monopolies exist for certain modes of transportation, we will have limited scope in ensuring that they comply with our SRG.

#### US and Europe

The transportation sector in US and Europe is highly regulated. In procuring transportation services, we would give preference to companies with:

- Carbon reduction targets

#### Developing countries

In developing countries, enforcement of transportation regulation may be weaker. Driving excessive hours, unskilled drivers, overloaded vehicles, and poor vehicle maintenance may have contributed to road accidents and loss of lives.

In procuring transportation services in developing countries, we would give preference to companies with:

- Policy on maximum driving hours and driver logbook
- Log of driver training on vehicle handling
- Maintenance log book

## FAQ

### How much weight will be given to compliance with the SRG in the procurement process?

The SRG is only part of our procurement process. Commercial factors such as price, quality and ability to deliver will also be considered in appointing a supplier.

We encourage suppliers to use the SRG as a continuous improvement tool to build our business values and relationships. We will take into account supplier's level of commitment in evaluating future business relationships.

### Do all suppliers have to demonstrate compliance to the SRG?

At this time, we will only require two categories of suppliers to demonstrate compliance:

- Fat and oil suppliers with contracts of more than USD5 million
- Non-fat and oil suppliers with contracts of more than USD500,000 suppliers

Suppliers in those categories will be required to provide documentation that meets the core criteria of the SRG at the time of signing the commitment. Suppliers can furnish additional documentation to demonstrate leadership.

### Will audits will be carried out as part of the SRG?

At this time, we will not audit compliance to the SRG. However, we will from time to time engage you on issues related to the SRG and encourage you to meet minimal commitments of the guidelines. We do reserve the right to audit SRG compliance in the future.

### What happens if we do not comply?

We have a policy of positive engagement and are committed to working with suppliers who are committed to business improvement.

When non-compliance of core principles is found, we will first work towards addressing the problems via a time bound plans to implement corrective actions. We reserve the right to review our relationship if changes are not agreed.

### Who do I contact for more information?

You can contact:

sustainability@emeryoleo.com

## REFERENCES

American Fats and Oil Association	<a href="http://www.fatsandoils.org/">www.fatsandoils.org/</a>
Business and human rights	<a href="http://www.business-humanrights.org/">www.business-humanrights.org/</a>
Global Roundtable on Sustainable Beef	<a href="http://grsbeef.org/">grsbeef.org/</a>
Indonesian Sustainable Palm Oil System	<a href="http://www.ispo-org.or.id/index.php?langlina">www.ispo-org.or.id/index.php?langlina</a>
International Labor Organization	<a href="http://www.ilo.org/global/lang--en/index.htm">www.ilo.org/global/lang--en/index.htm</a>
ISO 14001	<a href="http://www.iso.org/iso/iso_14000_essentials">www.iso.org/iso/iso_14000_essentials</a>
Roundtable on Sustainable Palm Oil	<a href="http://www.rspo.org">www.rspo.org</a>
SA8000	<a href="http://www.sa-intl.org">www.sa-intl.org</a>
United Nations Global Compact	<a href="http://www.ungc.org">www.ungc.org</a>



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The bottom half of the page is decorated with several overlapping, wavy bands of color. The colors range from a bright cyan to a deep, dark blue. The bands are layered and semi-transparent, creating a sense of depth and movement. The overall effect is a modern, fluid graphic design.