

INTERCONTINENTAL SPECIALTY FATS SDN. BHD.
SUSTAINABILITY REPORT | 2021



OUR
PEOPLE,
OUR
STRENGTH



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About this report

[GRI 2-2, 2-3, 2-5, 2-14, 2-16]



This is Intercontinental Specialty Fats Sdn Bhd's (ISF) third sustainability report prepared according to the latest Global Reporting Initiative (GRI) Standards. GRI disclosures are included throughout the report and referenced under headings or sub-headings as GRI XXX-XX. The full GRI Content Index can be found [here](#).



PEOPLE

SR2021 theme and design

This report, themed **'Our People, Our Strength'**, demonstrates ISF's commitment to our greatest asset. The COVID-19 pandemic served as a reminder that we must always put our employees and their families first by keeping them safe and well informed while ensuring business continuity. Since the beginning of the COVID crisis, we have made employee health, safety, and wellbeing our top priority, including supporting government vaccination drives and implementing new standard operating procedures to prevent infections. Many of our employees at Port Klang were also impacted by the December 2021 floods. ISF extended our support by distributing emergency packets and essentials to those affected.

In 2021, ISF also launched a number of projects to support communities indirectly connected to our operations. One such initiative is a mangrove rehabilitation programme at Tebuk Mendeleng, Sabak Bernam in Selangor. This three-year partnership with Global Environment Centre (GEC) supports nearby communities that depend on these mangroves for their livelihoods. ISF is also supporting our suppliers' efforts to identify and address potential labour rights gaps at their plantations, thus safeguarding the wellbeing of third parties' workers in our supply chain.

ISF's employees, partners, and the communities where we operate are at the forefront of our concerns and inspire our every action as we collectively move forward.

Scope and boundaries

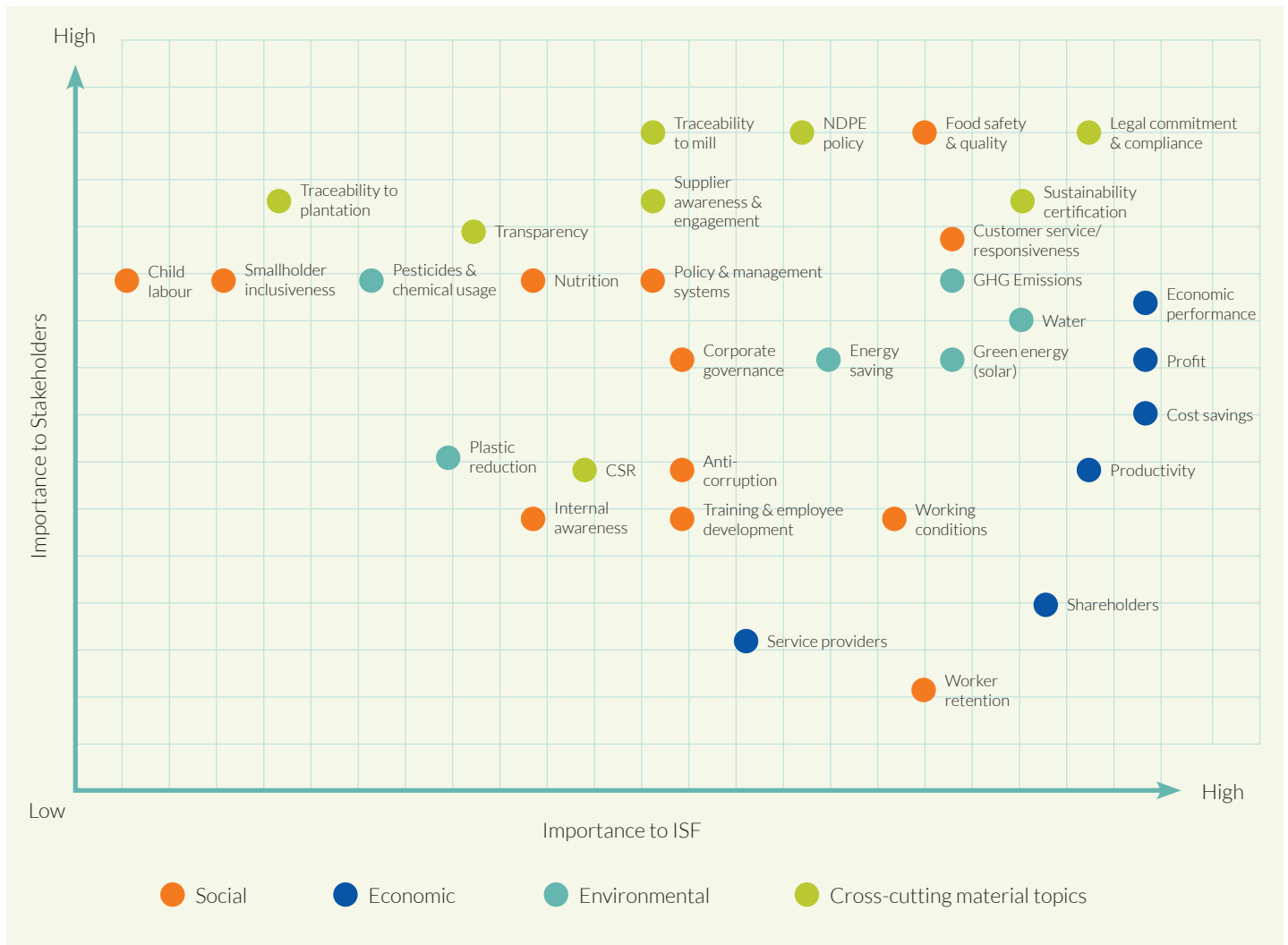
This report covers material topics related to ISF-owned facilities, specifically our refinery operations in Port Klang and Dengkil in Malaysia. It does not include our China-based sales office and Italy-based refinery, which represent less than 5% of our business. Where relevant, we have also provided data on our suppliers.

This report covers the 2021 calendar year and is augmented with previous years' data where available. Given the timing of this report's publication, 2022 developments have been included when deemed significant. Our 2017–2021 [sustainability base data](#) is available on our website. While ISF is owned by the Japan-based Nisshin Oillio Group, Ltd., the scope of this report only covers ISF's operations and is not indicative of our parent company's sustainability measures.

Materiality

[GRI 3-1, 3-2]

Our reporting covers the material topics most relevant to our business and stakeholders. We identified these topics during a materiality workshop held with top management, senior executives, and other key personnel in April 2019. While we have not revised our material focus areas for this report, we consulted our customer and supplier bases to ensure we remain responsive to issues important to our stakeholders. We intend to review and update our materiality matrix for our next report.



Assurance

ISF seeks external assurance whenever possible by complying with leading industry- and sector-specific standards, such as the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), and International Sustainability and Carbon Certification (ISCC) standards. This lends credibility and instils trust among our stakeholders. We strive to continuously improve our sustainability initiatives by implementing recognised systems and adhering to relevant legal requirements, which accredited third parties periodically verify.

CEO Message

[GRI 2-22]



I am proud to introduce ISF's 2021 sustainability report, outlining our sustainability efforts and progress over the last year.

- **Takashi Ishigami**,
ISF CEO

Strengthening our No Deforestation, No Peat and No Exploitation (NDPE) commitments

ISF is a growing private company that integrates sustainability in all our business decisions, balancing it against profitability to survive short- and long-term economic, environmental, and social impacts. We launched our Sustainable Palm Oil Policy in 2017 and aligned our business practices against globally recognised environmental, social and governance (ESG) standards. To stay abreast of local and global shareholders' expectations, we revised this policy in 2021, strengthening our social and environmental commitments to uphold human rights, minimise labour rights risks, and ensure biodiversity is protected in our supply chains.

Remaining steadfast thanks to our people

This report is themed **Our People, Our Strength**. The last year taught us we are nowhere without our people as we continued to face physical and market challenges stemming from the COVID-19 pandemic and extreme weather events. ISF adapted, responded swiftly, and remained resilient because of them.

During the pandemic, we prioritised the welfare and wellbeing of our people. We implemented safety procedures protecting employees and contractors, rolled out employee vaccinations, and took part in Malaysia's national COVID-19 immunisation programme for the industrial sector. Many of our Port Klang employees were also impacted by the December 2021 flash floods and saw their homes damaged or destroyed by this extreme weather event. ISF provided relief and ensured their wellbeing by distributing food and other essential items.

ISF persevered in these challenging times with the whole-hearted support of community members and our employees, who are the backbone of our business and the cornerstone of our success.

The climate crisis: playing our part

The December floods reminded us that we must act swiftly and decisively to address the climate crisis. Thanks to investments in energy-efficient technology, we saw significant reductions in our GHG emission intensity, energy consumption intensity, and water consumption intensity in 2021. These reductions led to ISF meeting and surpassing our 2025 reduction targets ahead of the schedule we set in our first sustainability report.

Although we are proud of these achievements, we strive to continuously improve. In 2022, we will integrate Taskforce on Climate-related Financial Disclosures (TCFD) reporting recommendations into our business strategies to better identify and manage our climate risks and opportunities. As part of this effort, we are assessing our Scope 3 emissions and will partner with other players in our value chain on joint carbon reduction goals. Together with our Japanese parent company, the Nisshin OilliO Group, Ltd, ISF is adopting science-based targets in line with global transition plans to a zero-carbon economy. We have pledged to reduce our absolute GHG emissions by aligning them with our parent company's targets and are ambitiously revising our water and waste intensity targets. We will provide more details about these targets and our progress in a climate roadmap being developed this year.

ISF cannot act alone to reduce GHG emissions and cannot limit the scope of our initiatives to our own operations. I am proud to announce ISF's partnership with environmental conservation NGO Global Environmental Centre (GEC). This long-term collaboration will use nature-based solutions to restore ecosystems, reduce GHG emissions, and improve national landscapes. Our first project is rehabilitating four hectares of degraded mangroves at Sabak Bernam.

Improving sustainable palm oil supply

ISF adheres to recognised certification schemes to assure our stakeholders we honour our sustainability commitments. In 2021, we sourced 270,000 tonnes of RSPO-certified crude palm oil (CPO) and crude palm kernel oil (CPKO). Although we work closely with strategic long-term supplying partners to bring more sustainable products to market, the industry faces challenges in achieving 100% sustainable supply. Tackling this issue requires concrete steps on the ground to address bottlenecks. In 2021, ISF partnered with Proforest, Cargill, Inc. and Mewah Group to collaboratively engage with FFB dealers who indirectly sell to ISF. In the spirit of shared responsibility, these engagements promote NDPE requirements, certification, and traceability. We hope these efforts will support increased understanding, demand, and uptake of sustainable palm oil.

ESG leadership and transparency

To create a culture of sustainability and set an example for our employees and stakeholders, ISF backs our strengthened Sustainable Palm Oil Policy with robust governance and decisive leadership. Our efforts to improve our governance practices are aligned with the policies and measures enacted by Nisshin OilliO. In 2021, we took steps to voluntarily establish an Environmental, Social and Governance (ESG) Committee and an Enterprise Risk Management (ERM) framework, creating avenues to table and address ESG-related issues, targets and strategies and monitor progress.

ISF pledges to remain transparent and regularly communicate our sustainability goals to internal and external partners and stakeholders now and in the years to come. In addition to implementing TCFD recommendations, we have bolstered our other environmental and social disclosure activities. In 2021, we completed the CDP Climate Change questionnaire for the first time, on top of the organisation's Forest assessment. We also submitted to the EcoVadis Sustainability Rating assessment, proudly earning a 2021 Silver Medal, placing us in the top 24% of companies surveyed. We continue to seek out new disclosure mechanisms to earn and maintain our partners' and stakeholders' trust.

Concluding remarks

ISF has embraced sustainability as an ongoing challenge and continuous journey. We are evolving new sustainability initiatives that reduce our environmental performance and enhance our competitive edge while working to exceed stakeholder and partner expectations. Ultimately, we recognise and champion our people as our strength because they sustain ISF through hard work and dedication.

- **Takashi Ishigami,**
ISF CEO

2021 Highlights

STRENGTHENED GOVERNANCE



Updated sustainable palm oil policy



New ESG committee established



New ERM framework established

CERTIFICATION AND MARKETPLACE



100% RSPO Certified since 2011



100% MSPO Certified since 2019



100% ISCC Certified since 2012



Standards of food quality and safety met EU and Malaysia regulations well ahead of effective dates

TRACEABILITY AND SUPPLIER ENGAGEMENT

72.9%

CPO traceable to plantation

31.8%

CPKO traceable to plantation

61.2%

FFB sourced from direct supplying mills are 'delivering' on their No Deforestation and No Peat commitments (self reported based on NDPE IRF)

>50%

suppliers RSPO certified

100%

direct suppliers MSPO certified



New FFB dealer programme on NDPE, in partnership with Proforest and industry peers



New programme with Ferrero, Kulim, and Earthworm Foundation to support supplier assessment of labour conditions

ENVIRONMENTAL PERFORMANCE



Engaged in TCFD analysis for future reporting



9.2% reduction in energy intensity



Began mapping scope 3 emissions for future reporting



13.3% reduction in water consumption intensity



9.9% reduction in GHG emission intensity

OUR WORKFORCE



Women make up 22% of our workforce



97% of workforce received COVID-19 vaccinations



Launched new employee incentive campaign to achieve one million man-hours with zero accidents



36% decrease in accident severity rate

COMMUNITIES



Provided relief to employees affected by December 2021 floods



Launched new mangrove rehabilitation programme at Sabak Bernam with Global Environment Centre (GEC)

Progress Against Targets

Year	Target	Contributing to SDG	Status as of 31 December 2021, unless otherwise stated
Certification and supply chain			
2025	Achieve 100% traceability to plantation for CPO and CPKO		Needs improvement Traceability to plantation can fluctuate year on year due to changing supplier lists. For this reason, traceability decreased slightly from 75.6% to 73% for CPO and from 35% to 31.8% for CPKO in 2021.
Ongoing	Revised target: Continuously engage with suppliers on Sustainable Palm Oil Policy requirements		Achieved in 2021 In 2021, ISF partnered with three other coalition members and Proforest to roll out a programme with FFB dealers to address traceability bottlenecks and NDPE gaps. In 2022, ISF introduced a new survey questionnaire for all non-certified and new suppliers to evaluate their measures against our sustainability commitments.
Environment			
Ongoing	Maintain zero environmental legal non-compliances		Achieved in 2021
2025	Reduce GHG emission intensity by 5% against 2019 baseline of 322.9 kgCO ₂ e/MT product	 	Achieved ahead of schedule GHG emission intensity was 277 kgCO ₂ e/MT product, 14.2% lower than 2019 baseline. New target Reduce GHG emissions by 34% by 2030, against 2019 baseline of 161,374,814 kgCO ₂ e ¹ . In 2021, our net GHG emissions were 165,683,761 kgCO ₂ e.
2025	Reduce energy consumption intensity by 5% against 2019 baseline of 3.15 GJ/MT product	  	Achieved ahead of schedule Energy consumption intensity was 2.74 GJ/MT product, 12.7% lower than 2019 baseline. New ongoing target Maintain energy consumption intensity below 2.99 GJ/MT, 10% below our 2019 baseline. This was achieved in 2021.
2025	Reduce water consumption intensity by 5% against 2019 baseline of 0.85 m ³ /MT product	 	Achieved ahead of schedule Water consumption intensity was 0.78 m ³ /MT product in 2021, 8.5% lower than our 2019 baseline. New target Reduce water consumption intensity by 10% against the 2019 baseline by 2030.
2025	Reduce waste intensity by 5% against 2019 baseline of 30.11 kg/MT product		On track Waste intensity was 38.86 kg/MT product in 2021, 0.8% lower than 2020. New target Reduce waste intensity by 10% against 2019 baseline by 2030.
Health and safety			
Ongoing	Zero fatalities		Achieved in 2021
Ongoing	Zero accidents		Needs improvement 11 accidents recorded in 2021
Social			
2023	Establish a programme that is inclusive of smallholders and uptakes their oil into the ISF supply chain		No progress in 2021 due to pandemic-related restrictions

¹ Calculated in alignment with Nisshin Oillio's Group-level science-based target to achieve a 31% reduction in GHG emissions by 2030 (against the Group's 2016 baseline).

Who We Are

About ISF

[GRI 2-1, 2-2, 2-6]

Established in 1980, Intercontinental Specialty Fats Sdn. Bhd. ('ISF') is a privately-owned company headquartered in Port Klang, Malaysia. Our parent company is the Nisshin OilliO Group, Ltd., Japan's largest vegetable oil company. ISF owns and operates refining and downstream processing facilities in Peninsular Malaysia and employs 580 people. Our sales and distribution office in Shanghai, China, is strategically located to support and empower businesses in that country. Our refinery in Italy processes palm oil for distribution to European customers.² We also run an extensive research and development (R&D) programme at our Port Klang research centre, established in 2016.

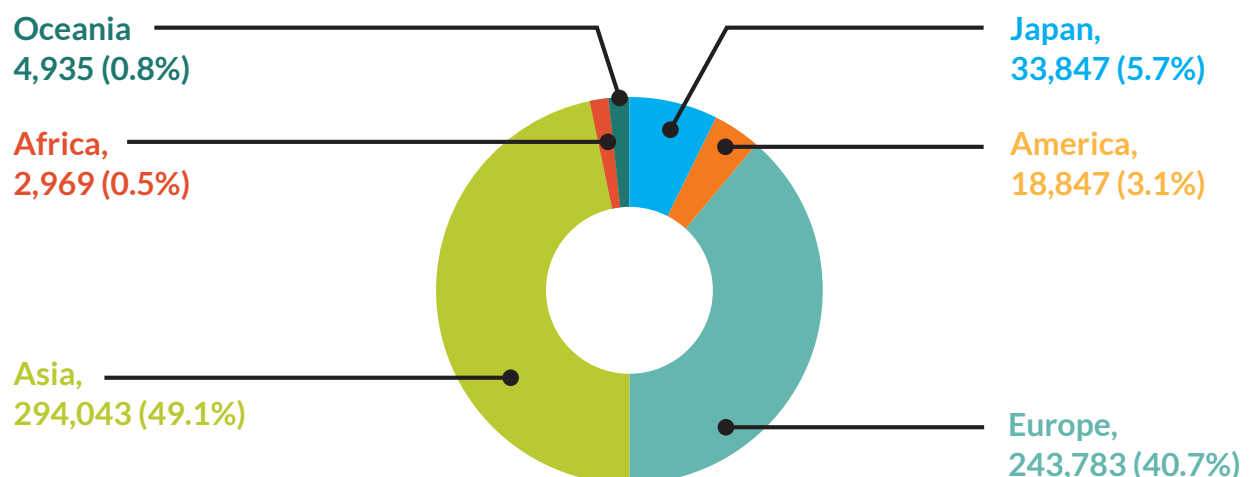
We source raw materials locally and produce a wide range of high-quality food- and industrial-grade palm specialty oils and fats catering to the needs of customers in over 50 countries. Our products are mainly sold in bulk, but we also sell packaged goods. Our primary markets are countries in Asia and Europe, respectively, comprising 49% and 41% of our total volumes sold in 2021.

In 2021, ISF processed a combined 582,567 tonnes of crude palm oil (CPO) and crude palm kernel oil (CPKO). This 10% increase in production year-on-year since 2019 was a result of growing global demand for vegetable oils.



Volume sold by region 2021 (MT, %)

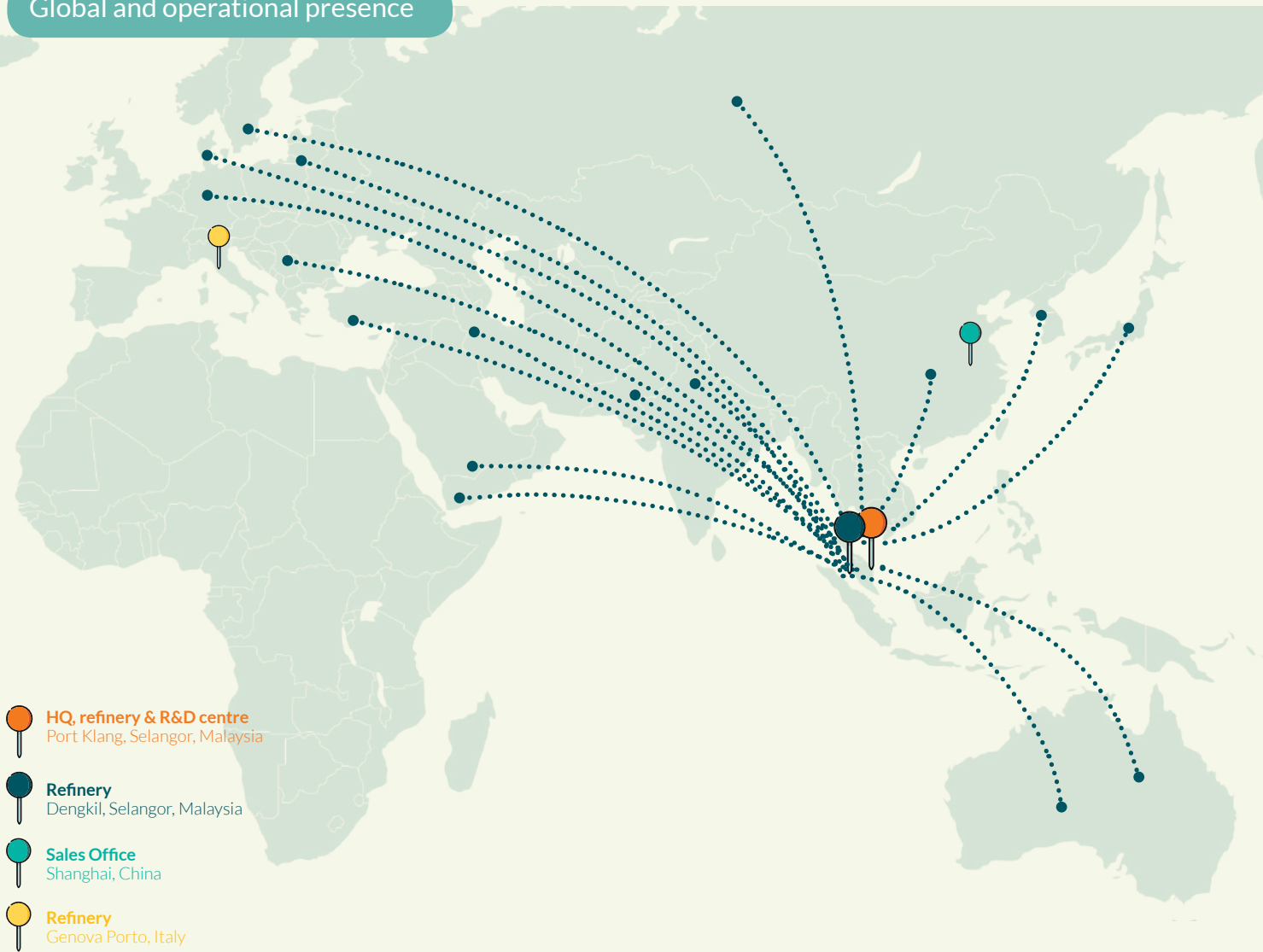
Total: 598,422



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 Our products and applications

² China and Italy operations are outside the scope of this report.

Global and operational presence



Supplying to more than

50
COUNTRIES



Combined annual refining capacity³:

750,000



580

EMPLOYEES WORLDWIDE



2021 volumes processed:

582,567 MT



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Our operations

³Malaysia operations only

Marketplace responsibility

[GRI 3-3, 416-1, 416-2]

Contributing to SDGs:



Product quality and safety

[GRI 3-3, 416-1, 416-2]

Our Food Safety Management Policy ensures that our palm oil products are safe, hygienic, and meet established standards for moisture and impurities. Our Quality Policy commits us to maintaining and continually improving our Quality Management System, and 100% of our products are tested daily for quality and adherence to customer specifications and Palm Oil Refiners Association of Malaysia (PORAM) standards.

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See Sustainability Certification and compliance for a list of our product certifications

Commentary from Masui Nobuhiko, Purchasing manager| Kao Corporation

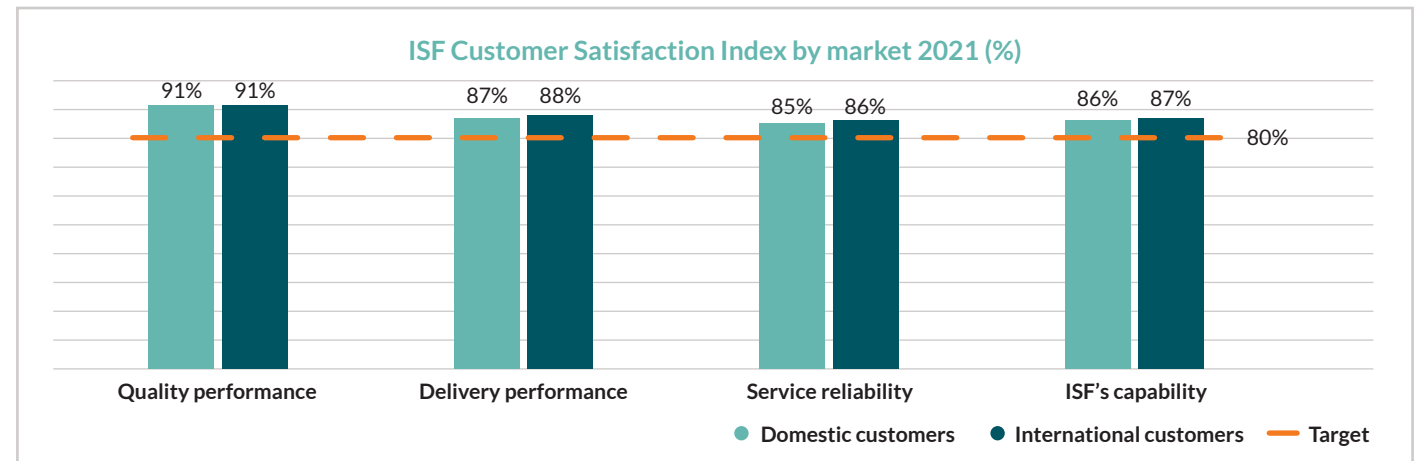
Kao Corporation purchases CPKO derivatives from ISF's Fatty Chemical Malaysia Sdn Bhd affiliate in Penang. We recognise ISF as a leader in sustainability and traceability practices and approaches in Malaysia. Although our palm oil-based products are not edible, we insist on safety and quality to ensure consumers do not experience any adverse effects like irritated skin. We are confident that ISF's products are safe because the company's standards align with our requirements. We must also commend ISF's sustainability measures and are inspired by the company's progress.

About:

Masui Nobuhiko has worked at Kao Corporation for over 20 years and currently oversees sustainability for the company's procurement division.

Customer satisfaction

Customer satisfaction is a top priority for ISF. Our quality management and food safety department (QMFS) conduct annual customer satisfaction surveys with all domestic and international customers to collect feedback and measure their satisfaction with our performance. Our customer satisfaction index (CSI) covers quality performance, delivery performance, service reliability, and ISF's overall quality. **We strive to maintain satisfaction levels above 80% and achieved this figure for international and domestic customers in 2021.** We also incorporate qualitative customer feedback into our continuous efforts to improve our products and services.





"Guided by our vision of 'Enriching Lives Together', ISF believes in improving livelihoods and quality of life by collaborating dynamically with stakeholders and partners in our supply chain. Our ultimate goal is customer solutions and sustainable products that are healthier and safer."

- Takashi Ishigami, ISF CEO



"Today's consumers are more knowledgeable and aware of the importance of food safety, and the COVID-19 pandemic has increased consumer demand for safe and healthy products."

All edible palm oil producers, including ISF, recognise that our success rests on consumer confidence in our products. For this reason, producing safe and healthy edible palm oil has become a top priority."

- Khoo Yoke Lian,
ISF CMO



"The palm oil industry faces unique challenges and requires continuous innovation, reinvention, and excellence in leadership and management."

ISF is an industry leader. The company is ahead of the curve and already supplying palm oil that meets the low 3-MCPD and GE levels required by the EU and other jurisdictions. ISF has set an example and established a higher standard for the entire industry in prioritising consumer and customer welfare by sourcing and supplying only the best-quality oil ahead of the timeline imposed by European and Malaysian authorities."

- Datuk Dr Kalyana Sundaram,
Former CEO, Malaysian Palm Oil Council

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See: Video highlights

Consumer health and safety: a top priority

As the world's second largest producer and exporter of palm oil and palm oil products, Malaysia plays a crucial role in meeting the growing consumer demand for oils and fats,⁴ and must do so responsibly while being mindful of consumers' best interests. For many years, vegetable oils, including palm oil, have come under scrutiny for potential process contaminants that may pose health risks to consumers. ISF has heeded consumer and industry concerns.

Glycerol-based process contaminants, like 3-monochloropropane diol (3-MCPD) and Glycidyl fatty acid esters (GE), are generated at different points in the palm oil production process, including at the cultivation stage. These may then be locked into the oil at high refining temperatures. Other contaminants, such as mineral oil saturated hydrocarbons (MOSH) and mineral oil aromatic hydrocarbons (MOAH), may arise when grease and lubricant oils leak during the handling and processing of oils, although this is relatively uncommon.

Since 2010, ISF's research and development teams have expended tremendous efforts to ensure the commercial production of refined palm products with low 3-MCPD and GE levels. We were a decade ahead of the curve in monitoring and mitigating 3-MCPD and GE in palm oil production and supply. **As a pioneer, ISF had no trouble meeting recently-introduced regulatory requirements, including contaminant thresholds for vegetable oils and fats established in the 2021 European Food Safety Association (EFSA) regulations. In addition, we are already in compliance with the new Malaysian Palm Oil Board (MPOB) regulations that will only come into effect on 1 January 2023.**

Similarly, while there are no current regulations on MOSH and MOAH thresholds, we have taken the lead by adopting appropriate measures and striving to keep levels low in our refined oils and products.

⁴ The world's population is expected to reach almost 10 billion people by 2050, leading to a sharp rise in global demand for commodities such as vegetable oils. Population Reference Bureau, 2021 World Population Datasheet. Available at: <https://interactives.prb.org/2021-wpds/> [Accessed 1 April 2022]

Supporting suppliers to reduce contaminants

Precursors to some of these contaminants arise in processes that take place at suppliers' mills and plantations before the products reach ISF facilities. For this reason, we work with all suppliers to raise awareness and support them in minimising occurrences that can lead to contaminants in the final products sold to consumers. Our efforts include creating awareness about the presence of chloride in fertiliser and soil at the plantation level, which may later lead to the formation of 3-MCPD during the deodorisation stage at refineries. We are also moving to food-grade lubricants to eliminate the risk of grease and other lubricant oils leading to MOSH and MOAH contaminants.

We perform annual risk assessments to identify potential food safety and quality risks at supplier mills and follow up with regular engagement to identify areas for improvement. For certified suppliers, we evaluate processes, monitor performance, and help address gaps and improvements to ensure they can raise their standards to our prescribed levels. ISF is rolling out similar evaluations of critical points in our non-certified suppliers' production process to ensure they, too, are aligned with our standards. In 2021, we assessed 33 suppliers against food safety criteria and confirmed that 29 use food-grade lubricants in their processes.

"Due to the company's research and development (R&D) capacity, ISF is the first partner we engage with when new palm oil import regulations are announced, such as 3-MCPD and GE-related measures. When we first addressed 3-MCPD and GE issues ten years ago, there was confusion and a lack of awareness regarding the changes in regulatory standards. ISF stood out as the first company to engineer a technology-based solution to comply with the newly enacted standards and worked tirelessly with tier one suppliers to improve oil freshness, reduce specific contaminants, and upgrade the refining process."

ISF's approach to innovation offers the value we seek in our suppliers. ISF drives change in the palm oil industry and quickly reacts to emerging food safety and quality issues, even when it means having to make the discoveries and invent the technology needed to take action."

About:

Stefano is the Head of Responsible Sourcing for Raw Materials at Ferrero's Group HQ, supporting central procurement and managing the responsible sourcing of raw materials in Ferrero's value chain (except cocoa and hazelnut). Ferrero has a long-standing relationship with ISF and has been purchasing palm oil from us for more than 25 years.

- Stefano Severi,
Head of Responsible Sourcing for Raw Materials, Ferrero International S.A.

"Kulim and ISF have made product quality and safety a priority. Kulim ensures our CPO quality meets industry standards and is aligned with initiatives to reduce contaminant levels. ISF has worked with Kulim since 2018 to help us improve the quality of our CPO. We now comply with industry-wide MOSH and MOAH levels and have invested in technology to filter out precursor contaminants that may lead to 3-MCPD and GE at ISF's refineries."

- Noor Effendy Mohd Ali, General Manager (Commodity Trading);
Wan Adlin, Deputy General Manager, Head of Sustainability & Innovation Department; and
Salasah Elias, Deputy General Manager (Sustainability), Kulim (M) Bhd

R&D: staying one step ahead

ISF has been at the forefront of local food technology research and development since the 1980s. We firmly believe we are responsible for supplying safe food, oils, and fats to our customers and are constantly striving to close gaps between stakeholders and ISF in matters of food safety, regulation, and research. We employ 30 people across six R&D divisions, including analysis development, product development, application development, technical support, quality management and food safety. Our R&D efforts focus on improving our product range and technology while meeting global customer demand. The results of these efforts include:



1st Malaysian company to produce palmitic-oleic-palmitic (POP) fat and stearic-oleic-stearic (SOS) fat (the triglycerides in these natural fats and oils and are used as cocoa butter equivalents)



1st company to commercially produce and sell low 3-MCPD and GE palm oil-based products in 2010, 10 years ahead of regulatory requirements



1st to introduce palm oil to the condensed milk industry as a replacement for traditional milk fat, resulting in substantial savings for the dairy industry and the country by reducing our reliance on imported butterfat



Commentary by Hideaki Maki, R&D Senior Manager | ISF

Making chocolate is both an art and science. Controlling the oil and fat crystallisation that occurs naturally during the chocolate-making process requires considerable know-how. If done right, the result is an array of eye-catching, mouth-watering chocolate products that incorporate different tastes, textures, and appearances.

ISF's Research and Development team is one of our core strengths. Our state-of-art facilities and fully equipped laboratories allow us to fulfil the requests of our local and international customers. ISF researchers are also supported by the expertise of our parent company, Nisshin Oillio.

Complying with food safety regulations and requirements is essential to responding to customer requests. As part of the global supply chain, we must incorporate food safety in our operations and make it our responsibility to supply safe food products, oils, and fats to our customers.

ISF takes great pride in staying ahead of industry trends. Ten years before the EU 3-MCPD and GE standards were introduced, we had already met their requirements. I am proud of this achievement and my role as a senior member of the ISF R&D team.

About:

Maki is a senior manager in the ISF R&D team and has worked with the company for more than ten years. Maki oversees the technical support and application development divisions, which comprise two of ISF's five R&D divisions.

Sustainability certification and compliance

One of ISF's top priorities is complying with leading industry standards and sustainability certification schemes to assure our customers and stakeholders of product quality and sustainable operations. **We are 100% certified to the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), and International Sustainability and Carbon Certification (ISCC) standards. We can process and trade certified sustainable palm oil products** and also handle segregated and identity-preserved oil. In 2021, we handled 272,126 tonnes of RSPO-certified CPO and CPKO, comprising 46.7% of all volumes sourced. Of this total, 99.9% was managed under the identity-preserved and segregated supply chain models. Only a small portion, 200 MT, was sold as mass balance CPKO.

We continue to support the uptake of certified palm oil products in line with our commitment to RSPO Shared Responsibility principles. We also promote MSPO-certified palm oil products that adhere to Malaysia's national standard to customers in the global market. In May 2021, ISF exported 100 tonnes of MSPO-certified olein to Japan for use in food products at the Tokyo Olympic and Paralympic Games.

Our products and processes are certified against a number of internationally recognised standards, including USDA Organic, EU Organic, FSSC 22000, ISO, GMP+, Halal, and Kosher. ISF is also a US Food and Drug Administration (FDA)-registered company.

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ISF certification



Our approach to sustainability

[GRI 2-9, 2-11, 2-12, 2-13, 2-14, 2-16 2-17, 2-23, 2-24]

ISF understands the potential long-term environmental and social impacts of the palm oil production process. Sustainability is one of the pillars of our core values for healthier palm oil products, and we continuously strive to incorporate it into our operations and partnerships with suppliers. Through our Sustainable Palm Oil Policy and Supplier Code of Conduct, we continuously strive to uphold our industry-aligned commitments to No Deforestation, No Peat and No Exploitation (NDPE). The COVID-19 pandemic

and recovery journey pushed us to realise the importance of integrating sustainability and transparency strategically into our operations to ensure a resilient business. We continued to implement our 2020 Business Continuity Plan (BCP) as the pandemic extended into 2021. This plan guides our efforts to synchronise responsible business processes and employee welfare during the pandemic.



To be a world leader in high quality specialty oils and fats by integrating innovative solutions and creating meaningful value for a sustainable future.

Updated Sustainable Palm Oil Policy

Our [Sustainable Palm Oil Policy](#) covers the entirety of our operations, including the activities of our third-party suppliers. First launched in 2017, the Policy established a framework for our NDPE commitments. **In September 2021, we updated the Policy in consultation with our partner, Proforest. The revised Policy incorporates renewed and deepened NDPE commitments with a particular focus on No Exploitation-related aspects.** We updated the ISF Supplier Code of Conduct at the same time to reflect these latest changes.

In 2022, we introduced a sustainability survey for new and non-certified suppliers that will serve as a tool to identify supplier measures against our commitments, and support the communication of the standards we expect them to meet.

ISF Sustainable Palm Oil Policy: updates

ILO General Principles:

Adopted responsible recruitment policy in line with International Labour Organization (ILO) General principles and operational guidelines



SEIA:

Began requiring suppliers to conduct Social and Environmental Impact Assessments (SEIAs) when embarking on new developments

Multi-stakeholder approaches:

Introduced commitments supporting collaboration through multi-stakeholder landscape approaches for smallholder inclusion

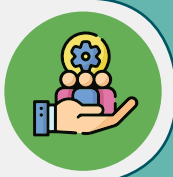


Human rights:

Strengthened human rights commitments in line with the Universal Declaration of Human Rights and the UNGP on Business and Human Rights

High Conservation Value (HCV):

Extended commitments covering the protection and management of HCVs at existing plantations and in all other aspects of production and processing in our supply chain

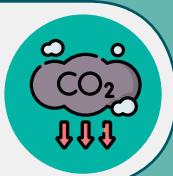


Workers rights:

Expanded commitment to respecting all workers' rights to include temporary, contractual, and migrant workers

Greenhouse Gas (GHG):

Collaborated with suppliers and stakeholders in adopting emissions reduction initiatives



FPIC:

Strengthened commitments upholding Indigenous peoples' and local communities' rights through Free, Prior and Informed Consent (FPIC)

Improved sustainability governance

The Board of Directors and senior executives, including our Chief Executive Officer (CEO), oversee ISF company strategies, including those related to environmental, social, and governance (ESG) matters. The Board comprises nine experienced professionals, all of whom are male, Japanese, and over 50 years of age.

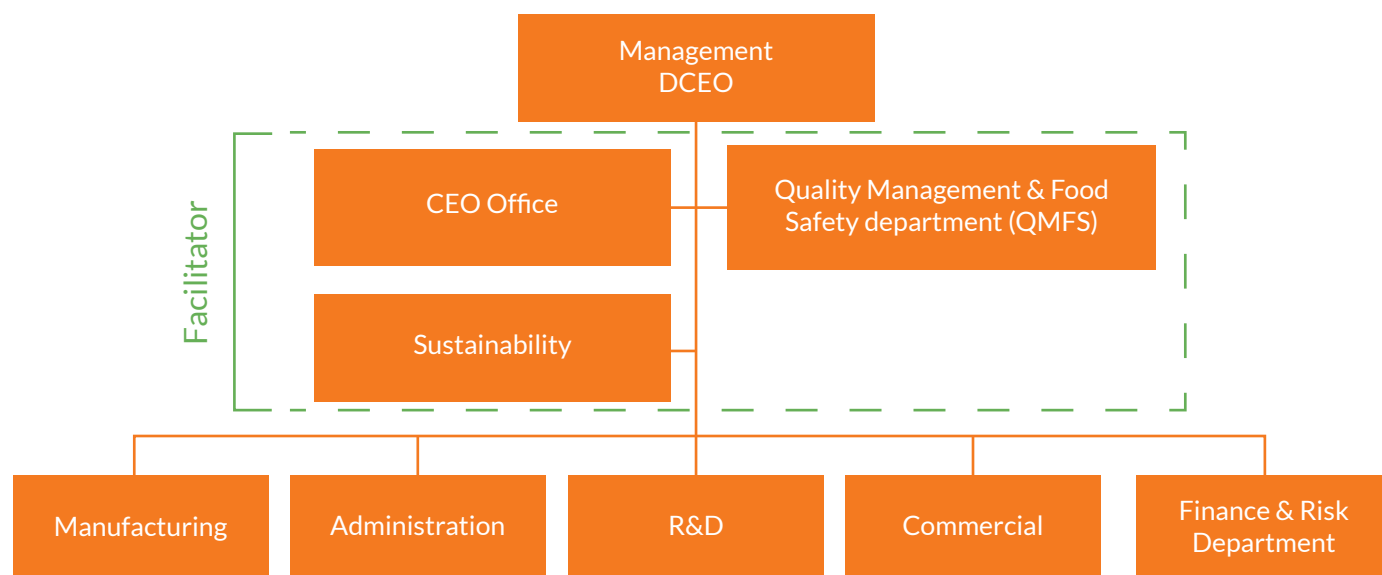
The ISF sustainability team carries out day-to-day measures according to our policy. The team is part of our Trading and

Marketing division and is led by the Chief Marketing Officer. This structure ensures the team works closely with ISF's commercial teams to understand their needs and requirements and embed sustainable practices in our business decisions. We prioritise sustainability topics through stakeholder engagement with our partners and by responding to customer needs and critical issues raised through multi-stakeholder initiatives.

New ESG committee

In 2021, we focused on improving our sustainability governance and oversight. **We established a joint ESG Committee at the Group level to oversee the company's sustainability implementation and monitor the progress of our policy implementation.** The ESG Committee comprises members in key senior management positions across all divisions/departments and reports directly to the Deputy Chief Executive Officer (DCEO) on sustainability matters. The ESG Committee meets quarterly or more frequently, as necessary.

ESG Committee structure



Enterprise Risk Management (ERM)

In 2021, we increased our focus on identifying and mitigating risks at the Group level.

The ISF Risk Management Department is responsible for driving the overall implementation of ISF's risk management programmes. The team works with relevant departments to identify risks and develop and implement risk mitigation plans. Their scope of work includes strategic, financial, operational, compliance and sustainability-related risks.

Risk management at ISF is covered by a formal Enterprise Risk Management (ERM) Framework based on ISO:31000 2018 guidelines, which was developed with the help of an independent consultant in 2021. This was followed by a formal risk escalation structure to ensure the prompt communication of any risks to our management team. We also established a Risk Management Committee following the approval of the risk escalation structure. The committee is led by the managers and assistant managers from the risk management, QMFS, and sustainability teams. The committee is responsible for establishing a robust and sustainable risk management culture at ISF, including recommending appropriate risk management plans and strategies to top management and continuously improving the ERM Framework.

ISF also developed a risk register template that classifies risks to be managed, identifies specific risks for each department, and outlines risk ownership and accountability. We monitor all sustainability risks and update mitigation plans every six months following regular risk reviews and discussions with the sustainability department.



ISF's risk reporting hierarchy



Ethics and conduct

ISF is committed to upholding ethical standards on how we conduct business with our customers, suppliers, governments, civil society, and other stakeholders. We are guided by our Ethical Policy and [Anti-Bribery and Corruption Policy](#), which are available to all employees. Our [Whistleblowing Policy](#) establishes avenues to report legitimate concerns in good faith. Grievances raised are impartially investigated and addressed in a way that fully protects whistleblowers against retaliation.

Contributing to the SDGs

As a private company, we contribute to the United Nations' Sustainable Development Goals (SDGs). In 2021 we identified the following five goals our business can have an impact upon and contribute to:



By focusing on these goals and aligning our strategy and targets, we aim to create sustainable value and contribute to shared outcomes with other stakeholders. Throughout this report we have included references to the SDGs we contribute to.

Click me!



Stakeholder engagement and transparency

[GRI 2-28, 2-29]



We identify our key stakeholders according to their influence on and relevance to ISF, as well as our impact on them. We strive to be transparent by keeping stakeholders informed on matters of sustainability through various engagement initiatives, including:



Our new website was launched in 2021 and serves as an active platform for engaging with our stakeholders online. We also work with industry partners and participate in key multi-stakeholder initiatives to further our sustainability agenda. **Additional details about some of these partnerships are presented throughout the report.**

Notable partnership in 2021:

Programme	Partners
FFB dealer engagement	A coalition between Proforest and industrial partners  See Supplier engagement section
Mangrove rehabilitation project	Partnership with environmental NGO, Global Environment Centre  See CSI section
Social landscape project	Partnership with Ferrero, Kulim Malaysia Bhd, and Earthworm Foundation  See Championing our people section

Click me!



[List of partnerships and collaborations](#)

Sustainability ratings and benchmarks

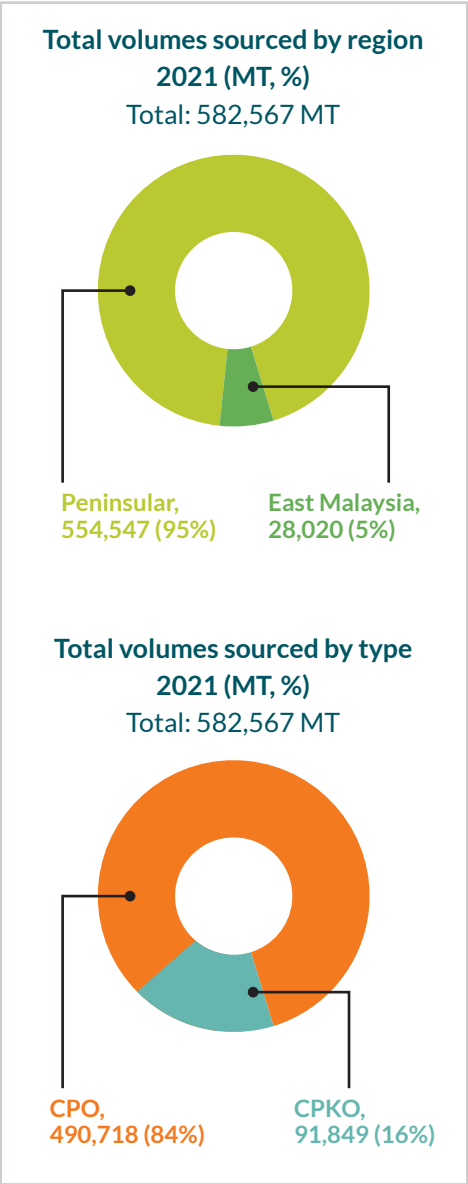
ISF subscribes to several sustainability rating schemes, including EcoVadis, which evaluates how well a company has integrated sustainability principles into its business and management systems. **ISF completed the EcoVadis assessment in 2021 and was awarded the organisation's Silver Medal. With an overall score of 58/100, we are proud to have placed in the top 25% of companies assessed.**

Since 2019, we have submitted our annual data to the CDP's Forests programme within the scope of its global environmental disclosure system that helps measure and manage deforestation risks and opportunities. In 2021, we were also assessed under the CDP's climate change programme with an aim to reduce greenhouse gas emissions and mitigate our climate change risks.

Responsible sourcing and supplier engagement

[GRI 2-6, 3-3, 203-2, 204-1, 308-1, 308-2, 414-1, 414-2]

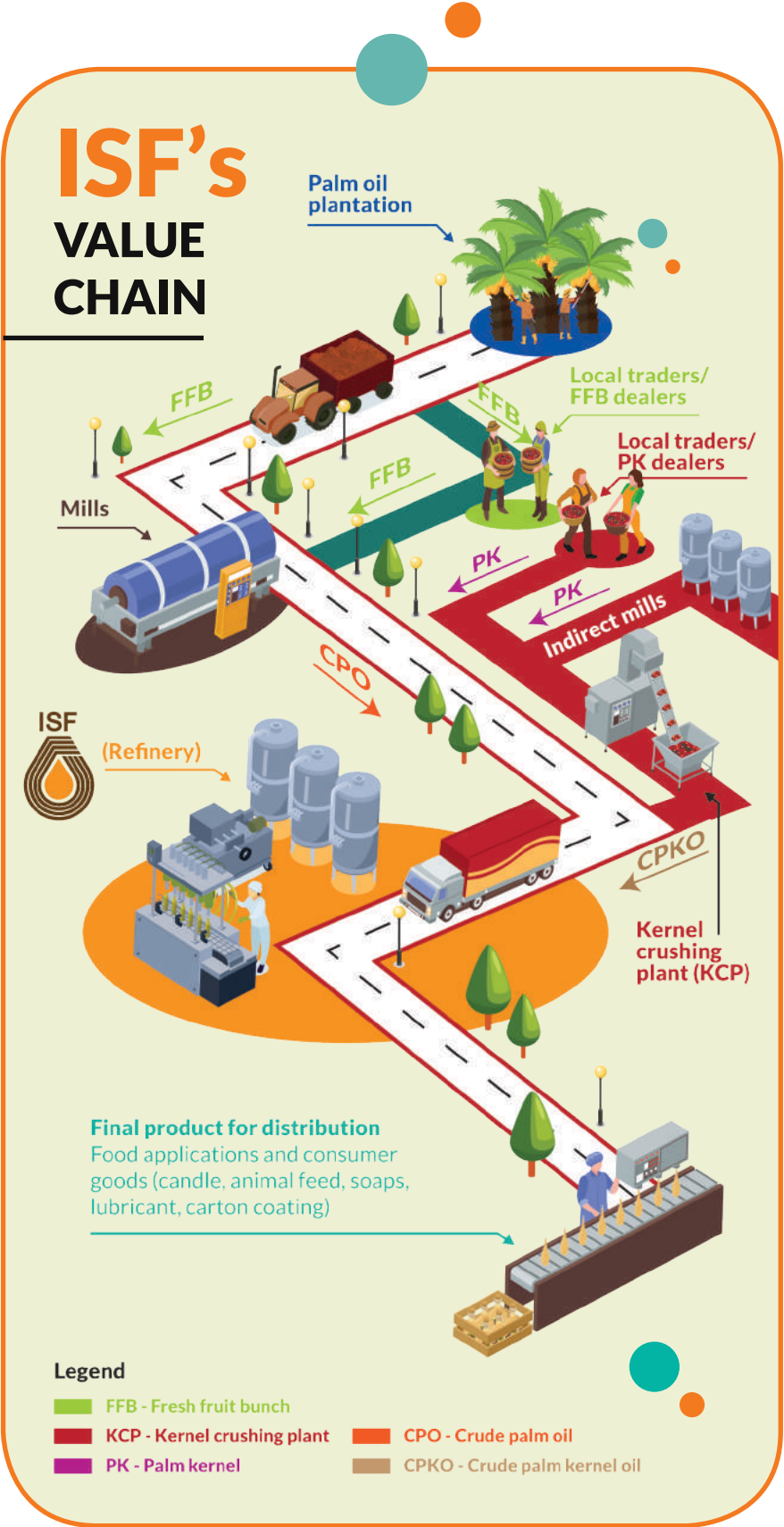
We directly source crude palm oil (CPO) from mills and crude palm kernel oil (CPKO) from kernel crushing plants (KCPs). In 2021 we sourced from 49 suppliers, including 35 mills and 14 KCPs, for a combined volume of 582,567 tonnes (MT), comprising 84% CPO and 16% CPKO. All volumes were sourced in Malaysia, with most originating in Peninsular Malaysia and only 5% of CPO coming from East Malaysia.



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See our website for list of suppliers made available via dashboard





Traceability

Supply chain traceability is a fundamental step towards meeting our sustainability commitments. By tracing the origins of our supply, we can support industry measures to identify and mitigate environmental and social risks within the supply chain. We actively engage with our suppliers on traceability. **Since January 2018, we have achieved 100% traceability to mill for the CPO and CPKO we source.**

We continue to pursue our goal of full traceability to plantation by engaging with our direct suppliers to register the details of the plantations they source from, including their coordinates, Universal Mill List (UML) code, and volumes supplied. From our traceability exercise, we know that 14 of our direct mill suppliers source fresh fruit bunch (FFB) from their own plantations (53% of our total CPO volumes sourced), while the remaining 21 source from both their own and external plantations (47% of our total CPO volumes sourced). **As of December 2021, we have traced**

72.9% of CPO to plantation. Although traceability figures fluctuate because we may source from different suppliers year on year, our target is to achieve full traceability to plantation for CPO supply by 2025.

We also know that the kernel crushing plants (KCPs) that supply us buy palm kernel (PK) from 177 mills and three dealers/traders. It is more challenging to achieve full traceability to plantation for palm kernel oil due to the complexity of the supply chain and the various actors involved. **As of December 2021, we have achieved 31.8% CPKO traceability, up from 19.4% in 2018.**

One of the biggest bottlenecks to traceability is supply purchased from FFB dealers. In 2021, ISF supported a new FFB dealer programme as part of our ongoing efforts to find ways to improve the flow of information and achieve full traceability by 2025

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See new programme to engage FFB dealers on NDPE commitment

CPO and CPKO traceability 2018-2021 (%)



Supplier engagement and assessment

Suppliers’ commitments to sustainability

When we consider adding a new supplier to our supply base, ISF requires them to demonstrate their sustainability commitments by having in place their own NDPE policy or signing the ISF Supplier Code of Conduct based on our NDPE commitments. We also engage with all suppliers through workshops, dedicated programmes, surveys and other initiatives. While this applies to all suppliers, we place special emphasis on supporting uncertified suppliers in complying with sustainability requirements.

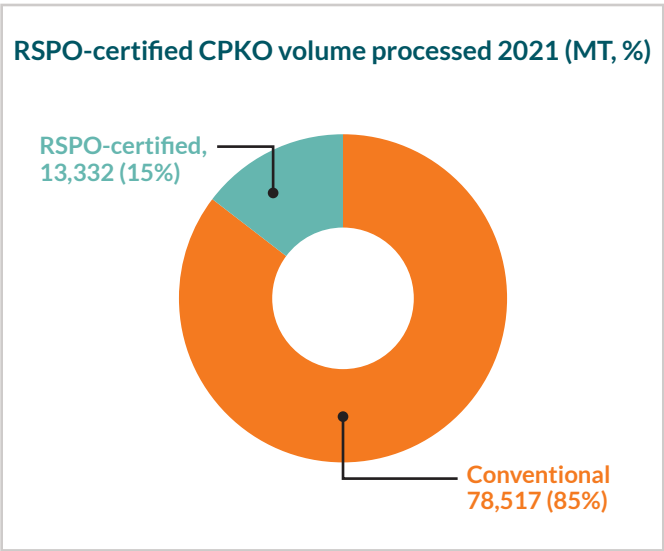
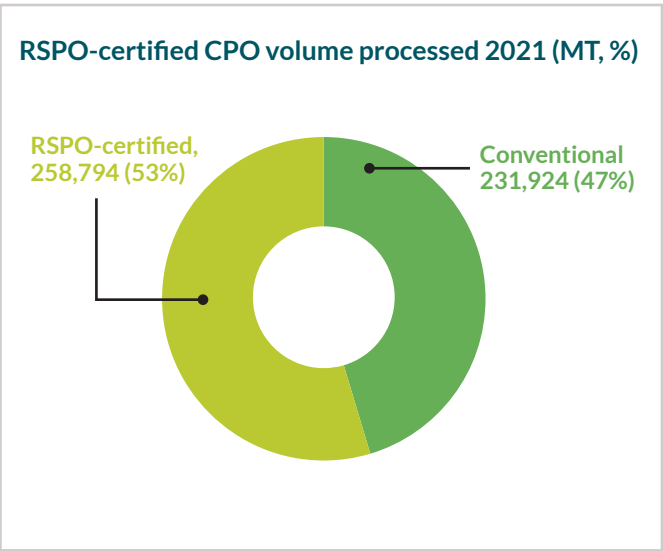
ISF records and monitors the status of certified and uncertified suppliers to help guide our engagement approaches. As of

December 2020, all our direct CPO and CPKO suppliers had obtained Malaysian Sustainable Palm Oil (MSPO) certification, meaning all 582,567 tonnes of our volumes sourced in 2021 were MSPO certified.

A further 20 CPO suppliers and eight CPKO suppliers are now certified to Roundtable Sustainable Palm Oil (RSPO) standards, totalling 28. We sourced 258,794 MT of RSPO-certified CPO and 13,332 MT of RSPO-certified CPKO in 2021, representing 53% and 15% of our total volumes sourced.



Note: The number of certified direct suppliers has been restated from SR2020 and is now reported separately for CPO and CPKO direct suppliers.



Supplier assessments

Together with our implementation partner Proforest, we annually assess suppliers against our sustainability commitments to measure their progress towards alignment with our NDPE commitments. We begin by evaluating and prioritising suppliers based on the risk of deforestation, follow this with an analysis of higher-risk social and environmental issues, and then primarily focus our engagement efforts on high-risk mills.

We know that the volumes we source from RSPO-certified suppliers are in line with our NDPE commitments. Our focus is therefore engaging non-certified suppliers on these requirements.

As of 2022, all non-RSPO certified suppliers will be required to complete a sustainability questionnaire developed by ISF. In addition to improving traceability efforts, this survey will help us assess suppliers' commitments against our Policy. It includes questions on grievance mechanisms, environmental footprint, health and safety, and awareness levels on ISF's commitments. Once all responses are collected, only new non-certified suppliers will be expected to complete the entire survey, which will help ISF identify high-risk suppliers based on gaps in meeting our requirements. We will then follow up with regular engagements and re-assessments to support them in complying with our policies.

New programme to engage FFB dealers on NDPE commitments



It is imperative to trace supply flows from ports and refineries to palm oil mills and oil palm plantations. However, achieving full traceability to plantation is resource-intensive and challenging for ISF and many of our peers due to the limited availability of spatial data and the complexity of the palm oil supply chain itself. We deal with many actors in the supply chain, many of whom do not have access to needed resources to support this laborious exercise. For this reason, it is challenging for ISF and many of our peers to achieve full traceability to plantation.

One of the bottlenecks to traceability is Fresh fruit bunch (FFB) dealers, intermediaries between growers and mills in Malaysia, who play a critical role in connecting producers and processors in the supply chain. While certification requirements cater to plantations and mills, there remains a gap for FFB dealers. They are not subject to the sustainability commitments adopted by certified industry players and lack the guidance and willingness to support traceability practices.

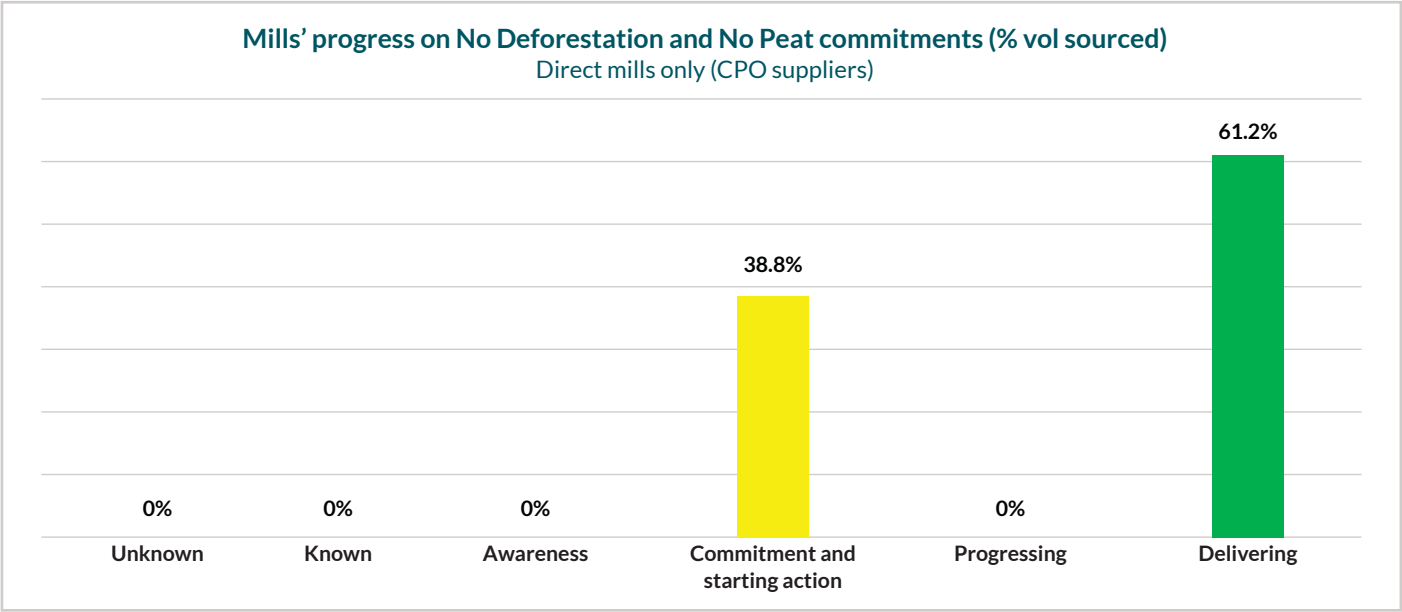
As refiners, we have a role in addressing barriers to the flow of sustainable palm oil in supply chains. In 2021, we partnered with Proforest and two other industry players to engage with identified FFB dealers supplying to the direct and indirect mills we source from. This engagement comprised a series of workshops, site visits, and the development of long-term strategies in collaboration with these FFB dealers. In 2021, we engaged with three dealers in Banting and Kuala Langat, Selangor, through site visits followed by training and awareness sessions on NDPE. The preliminary training sessions introduced these dealers to the concept of NDPE and their roles in the supply chain. Moving forward, we will develop a summary report on project progress to support our next course of action.

NDPE IRF reporting

In 2021, we began evaluating progress against our NDPE commitments at the mills we source from using the NDPE Implementation Reporting Framework (IRF). This tool, developed by members of the Palm Oil Collaboration Group (POCG) and facilitated by Proforest, improves transparency when reporting progress, gaps, and implementation activities in companies' efforts to fulfil their NDPE commitments. It creates a standardised methodology using set criteria to measure supplying mills' progress on deforestation, planting on peat, labour rights, and land and local community rights.

Based on mills that have self-reported via the IRF, we know that the suppliers of 61.2% of our total CPO volumes sourced are 'delivering' on their No Deforestation and No Peat commitments, while the suppliers of the remaining 38.8% have started taking action on meeting their commitments.

At this point, we are unable to collect this type of data for PKO suppliers. Additionally, guidance for the No Exploitation framework is currently under development, and ISF will adopt formal guidelines when it is finalised.



Note: This reflects progress at production level and is calculated based on the estimated proportion of FFB from directly-managed production by supplying mills

Maintaining strategic partnerships with suppliers

We believe strategic partnerships within the supply chain and continuous engagement are crucial to achieving the sustainability goals our industry has come to embrace. We are pleased to work with strategic partners that are flexible and willing to continuously improve their operations to make them more sustainable while meeting our requirements and recommendations. Focusing on this small supply pool, we are uniquely positioned to better manage and maintain a relatively low-risk supply chain through continuous dialogue and collaboration. Some of our strategic supplier partners include:

- Kulim (Malaysia) Bhd
- Kuala Lumpur Kepong Berhad
- Hap Seng Plantations Holdings Bhd



Stakeholder commentary | Mak Wai Ming, General Manager – Finance; Kee Keow Chong, General Manager – Agronomy; Robert Kimon, General Manager – Processing |Hap Seng Plantations Holdings Berhad

ISF has been a major local buyer of Hap Seng Plantations Holdings Berhad (HSP)'s RSPO identity-preserved oil for almost seven years and engages with us on certification, oil quality, and minimising the presence of contaminants. ISF has a strong understanding of how we operate and communicates continuously on quality issues.

ISF is one step ahead of the industry and works closely with HSP to help us equal its level of innovation and regulatory compliance. When ISF first started buying from us, the company sought reassurances that our 3-MCPD levels complied with EU buyers' standards. We are committed to meeting these requirements and continually improving our processes and procedures to reduce

3-MCPD levels in our palm oil. ISF is also helping HSP comply with the RSPO P&C.

ISF regularly engages with HSP on a one-on-one basis. Before the enactment of pandemic-related travel restrictions, ISF representatives visited our estates to better understand on-site conditions and compliance challenges, sometimes bringing along their customers. The company even arranged independent visits by its European customers. We hope to pursue our business relationship and sustainability journey with ISF for years to come.

About:
Mak Wai Ming oversees palm oil marketing at Hap Seng Plantations Holdings Berhad. Kee Keow Chong is the general manager of agronomy and the company's sustainability officer responsible for RSPO certification and documentation. Robert Kimon is the General Manager of processing in charge of mill operations.

Stakeholder commentary | Noor Effendy Mohd Ali, General Manager (Commodity Trading); Wan Adilin, Deputy General Manager, Head of Sustainability & Innovation Department; Salasah Elias, Deputy General Manager (Sustainability) | Kulim (M) Bhd

We have a strong relationship with ISF, resulting in a series of long-term joint initiatives, including sustainable development and strategic business growth discussions on supply chain traceability, product quality, pesticide use and residues, and labour-related programmes.

In addition to this bilateral partnership with ISF, we actively collaborate with their direct customer, Ferrero, on programmes to improve sustainable practices at our operations. With ISF's support,

we have embarked on a pesticide footprint monitoring programme and, most recently, a programme to identify and address potential labour rights infringement risks at Kulim's plantations. We believe these joint efforts involving the producer, refiner, and product manufacturer are essential to achieving our three companies' and the industry's shared NDPE commitments.

The Kulim team is grateful for ISF's support, recognition, acceptance, and appreciation of our product quality. We hope to see an increased uptake of Kulim's oil by ISF as we continue to pursue our long-term engagement with the company.

About:

Kulim has been supplying crude palm oil to ISF since May 2017.

Supplier partnership on pesticide management

In 2020 we signed an agreement supporting our customer Ferrero's pilot project advancing palm oil producers' integrated pest management (IPM) and biodiversity conservation practices at the plantation level. ISF facilitated a partnership on the ground by connecting Ferrero with our supplier, Kulim (M) Bhd. Working with the Sustainable Agriculture Network (SAN), Ferrero is piloting a major study in Malaysia, the first part of which concluded in March 2021. The programme will span three years, and ISF will continue to support this initiative as required.

Grievance management

[GRI 2-16, 2-25, 2-26, 3-3, 308-2, 414-2]

ISF takes complaints and grievances about our operations and those of our suppliers seriously. Since 2018, ISF has operated a grievance mechanism that allows us to resolve claims in a fair, timely, and transparent manner with relevant stakeholder input where appropriate. The grievance procedure addresses stakeholders' complaints about the implementation of the ISF Sustainable Palm Oil Policy and is available on our [website](#). As an RSPO member, ISF also follows the RSPO grievance process for relevant complaints and endeavours to communicate transparently on outstanding claims per our grievance management procedures.

In 2021, four complaints were filed in our system, mainly Non-Governmental Organisation (NGO) grievances against ISF's direct and indirect suppliers concerning deforestation, land-use change, and labour issues. Cumulatively, 24 grievances have been filed since 2017, seven of which are closed, including a case resolved in April 2021. We are working with the affected suppliers and stakeholders to resolve the remaining active cases from previous years.

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[ISF grievance process and list](#)

	2021	Cumulative since 2017
Number of grievances filed	4	24
Number of grievances closed/resolved	1	7
Number of suppliers terminated	0	3

Environmental responsibility

[GRI 2-27]

Contributing to SDGs:



We are committed to ensuring that our operations are environmentally responsible and strive to take appropriate measures to protect and effectively mitigate risks that may adversely impact the surrounding ecosystem. We conduct annual Environmental Management System (EMS) trainings to ensure our employees are well equipped to effectively manage our environmental responsibilities and reduce the risk of non-compliance.

ISF is taking steps to understand and further report on our climate-related risks and their financial impacts. In March 2022, ISF engaged an external consultant to evaluate our preparedness to report against the Task Force on Climate-related Financial Disclosures (TCFD), a set of voluntary disclosure recommendations. These disclosure recommendations align with the commitments of our parent company, Nisshin Oillio. We will share our progress against the TCFD framework in future reports.

Emissions and energy

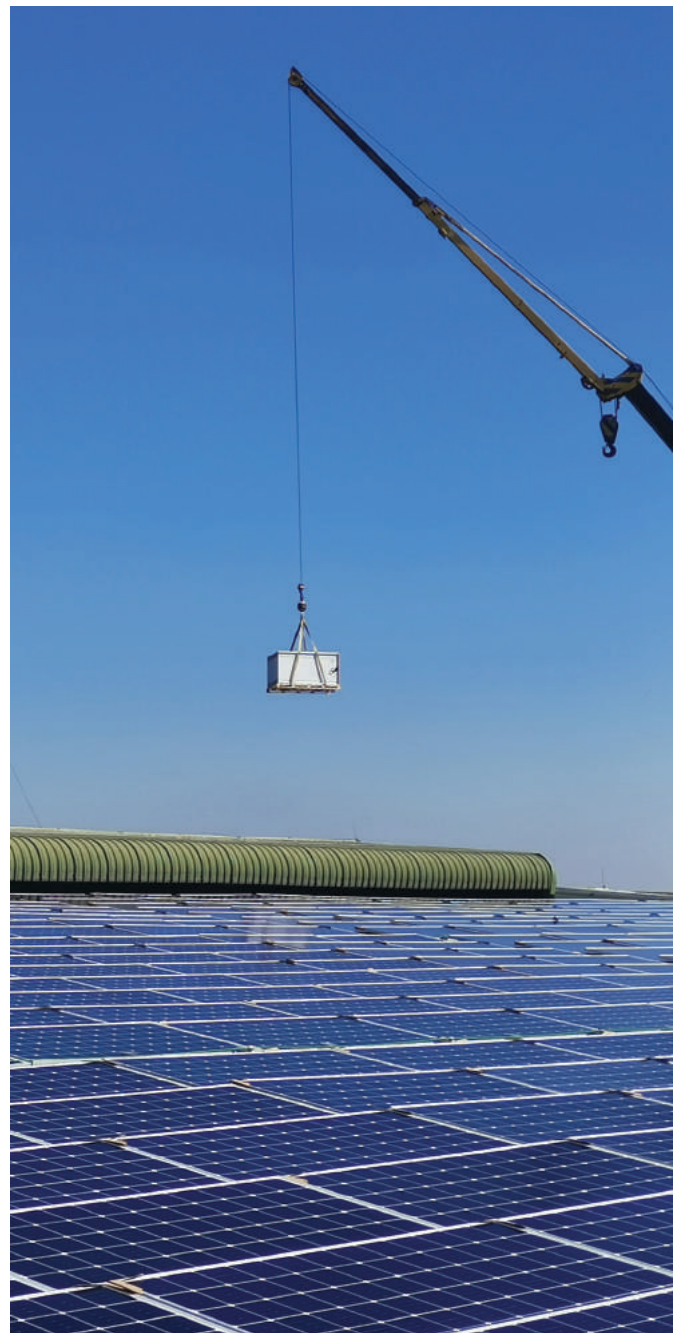
[GRI 202- 1, 3-3, 302-1-5, 305-1, 305-2, 305-4, 306-2]

We track our carbon footprint using the Greenhouse Gas Protocol and International Sustainability and Carbon Certification (ISCC) methodologies. In 2021, Our net GHG emissions at our two sites in Malaysia totalled 165,683,761 kilograms of carbon dioxide equivalent (kgCO₂e). Of this, 94,466,039 (57.1%) kgCO₂e resulted from Scope 1 emission sources – including emissions from fuel combustion in refining equipment, pressing machines, and vehicles – while 71,217,722 kg CO₂e was from Scope 2 emissions – including all indirect emissions from imported electricity. Port Klang's emissions make up approximately 55% of our total operational emissions.

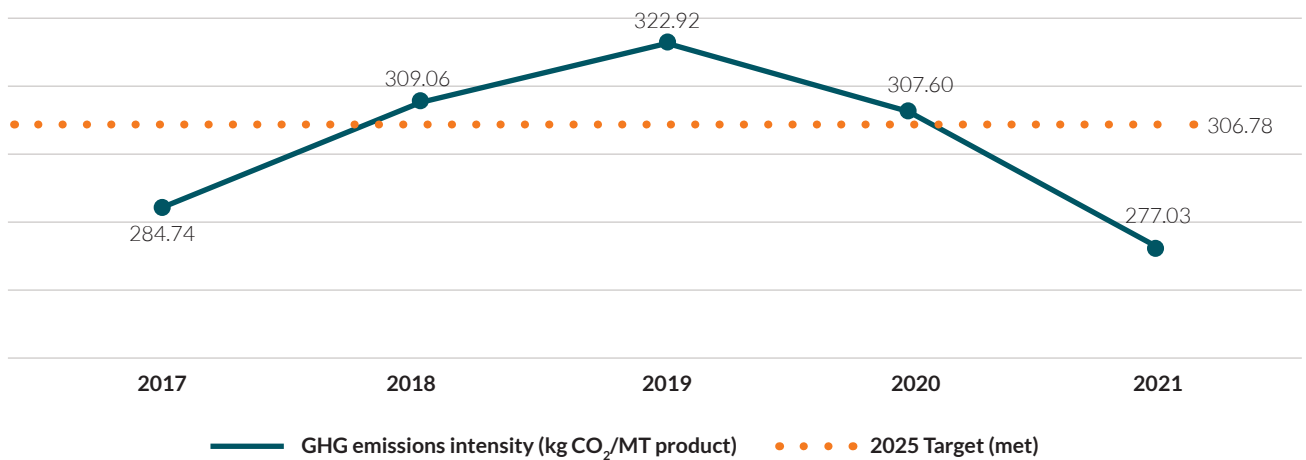
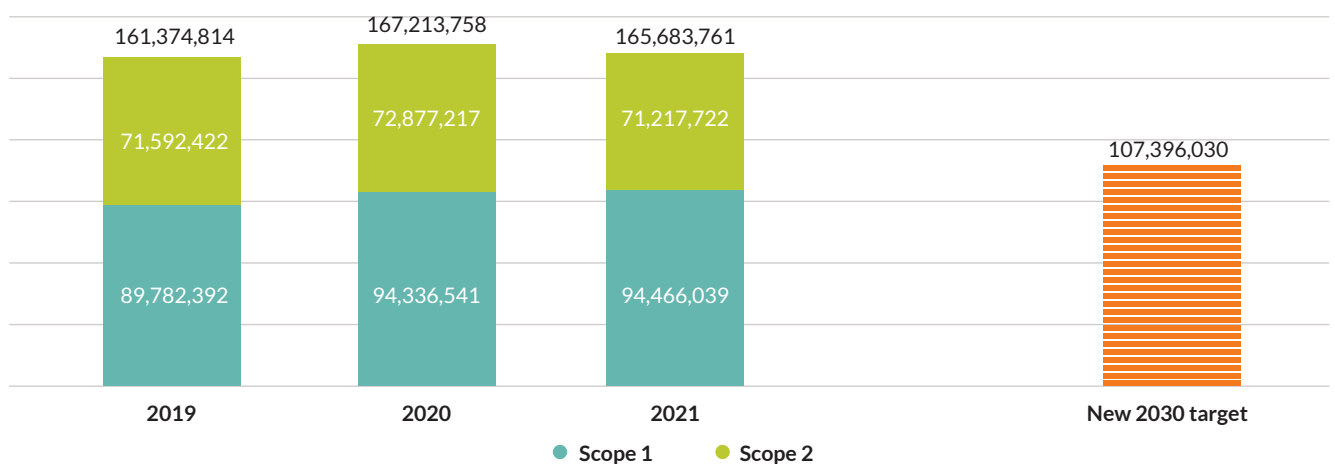
In 2022, we are introducing a new net GHG emissions reduction target for our Scope 1 and Scope 2 emissions in line with the Science Based Targets initiative (SBTi). As part of a broader pledge by the Nisshin Oillio Group⁵, ISF's target is to reduce our net GHG emissions by 34 % against our 2019 baseline of 167,374,814 kgCO₂e by 2030.

Our GHG emission intensity in 2021 was 277 kgCO₂e per metric tonne of finished product (kgCO₂e/MT product), a significant reduction of 14.2% from 323 kgCO₂e/MT product in 2019. We mainly achieved it by investing in energy-efficient technology at our operations, thus counterbalancing an increase in production. As a result, we reached our 2025 target of a 5% reduction against our 2019 baseline well ahead of schedule. Moving forward, we will focus on reporting against our new net emissions reduction target.

ISF is now analysing Scope 3 emissions resulting from the activities of actors within our supply chain. While these emissions are not controlled or generated by ISF, studying them will help us identify indirect impacts within the value chain. We aim to report on Scope 3 emissions in future.



⁵ The Nisshin Oillio Group, Ltd. has set a Group-level target of reducing net GHG emissions by 31% by 2030, against 2016 levels.

GHG emissions intensity 2017-2021 (kg CO₂e/MT product)Net GHG emissions by scope 2019-2021 (kgCO₂e)

Energy usage

We monitor energy use at our operations, specifically natural gas and imported electricity. In 2021, our total energy use amounted to 1,643,518 gigajoules (GJ). Of the total energy used, 1,348,480 GJ – or 80% – was generated from natural gas. The remainder of our energy was from purchased electricity, solar power generated by the photovoltaic system at our operations, and trace amounts of diesel fuel for onsite vehicles.

The solar panels we installed at our Dengkil facility in August 2020 are now operating at full capacity and generated 1,025,808 kWh of electricity in 2021, representing 1.27% of our total electricity consumption.

Electricity generated from solar



1.27%
of total electricity
consumption



244,326
kWh

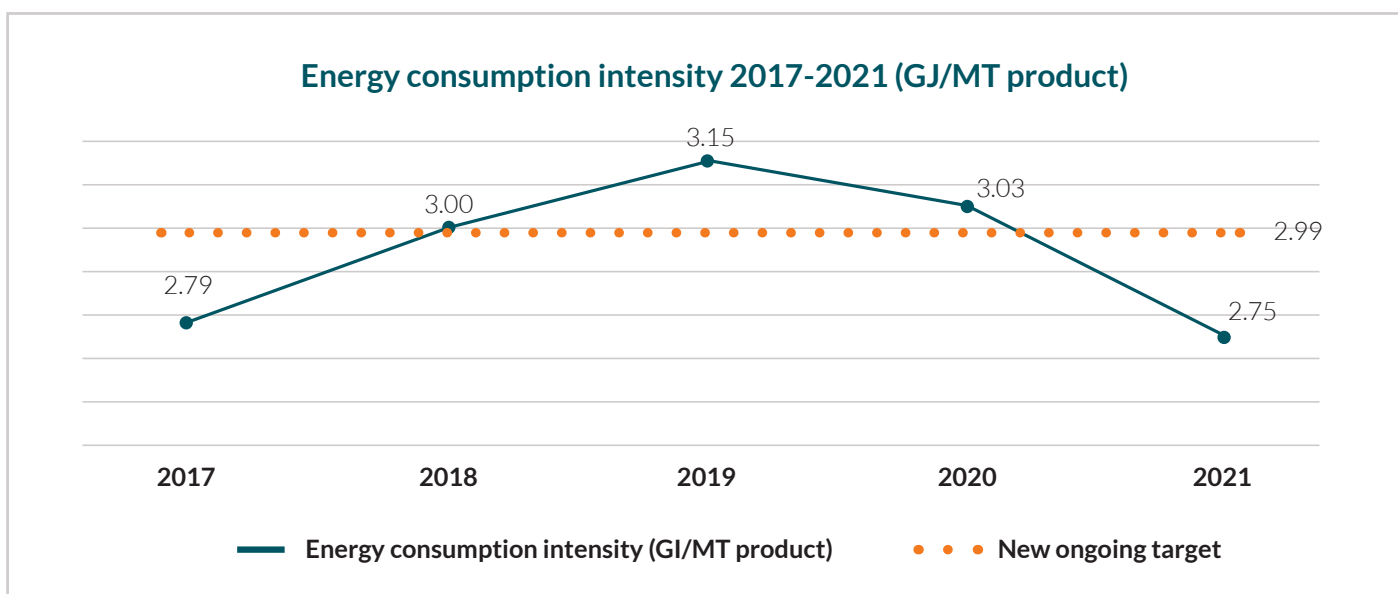
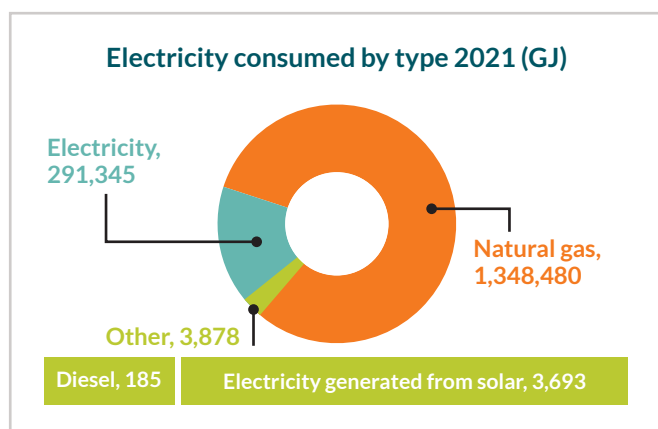


1,025,808
kWh



Our total energy consumption intensity in 2021 was 2.75 GJ/MT product processed, a reduction of 9.23% from the previous year and 12.7% from 2019. This reduction can be attributed to the new semi-automatic deodorising plant (SCD) inaugurated at Port Klang in 2020. This facility uses the latest energy-efficient technology, including an energy recovery feature during the deodorising process.

By significantly reducing our total energy consumption intensity, we surpassed our 2025 target of a 2.99 GJ/MT reduction in product processed four years ahead of schedule. Moving forward, we will strive to maintain our energy consumption intensity below 2.99 GJ/MT, which is 10% below our 2019 baseline.

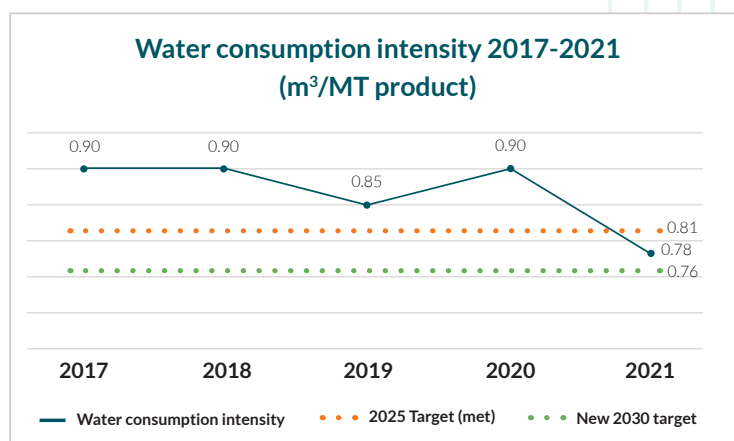
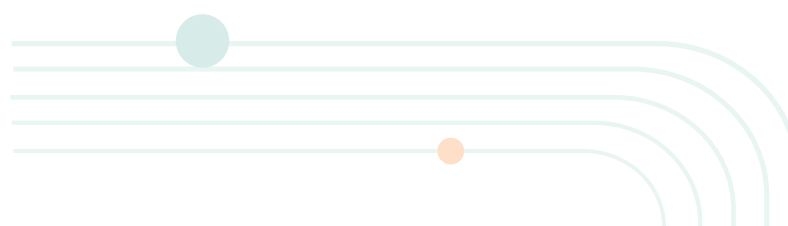


Water management

[GRI 2-27, 3-3, 303-1, 303-2, 303-4, 303-5]

Recognising that our Port Klang and Dengkil facilities are in remote areas away from urban centres and therefore prone to water shortages, we continuously strive to optimise our water consumption. We have adopted comprehensive measures to improve the efficiency of water usage at our operations by adopting water-saving measures, technologies, and innovations. While we do source rainwater and groundwater, municipal water utility companies supply the bulk of our sourced water.

In 2021, our total water consumption was 465,074 cubic metres (m³). In 2021 we achieved a water consumption intensity of 0.78 m³/MT product, 13% lower than in 2020 due to water efficiency measures at our operations. Consequently, we surpassed our 2025 target of 0.8 m³/MT four years ahead of schedule. We have now set a new target to achieve 0.76 m³/MT product, a 10% reduction by 2030 against our 2019 baseline.



Rainwater usage quadrupled from 63 m³ in 2019 to 252 m³ in 2020 and 2021. The water we collect and use in this manner is recycled at our sites' cleaning facilities. We also plan to install roof gutters to channel rainwater for reuse in various processes at our refineries.

Waste management

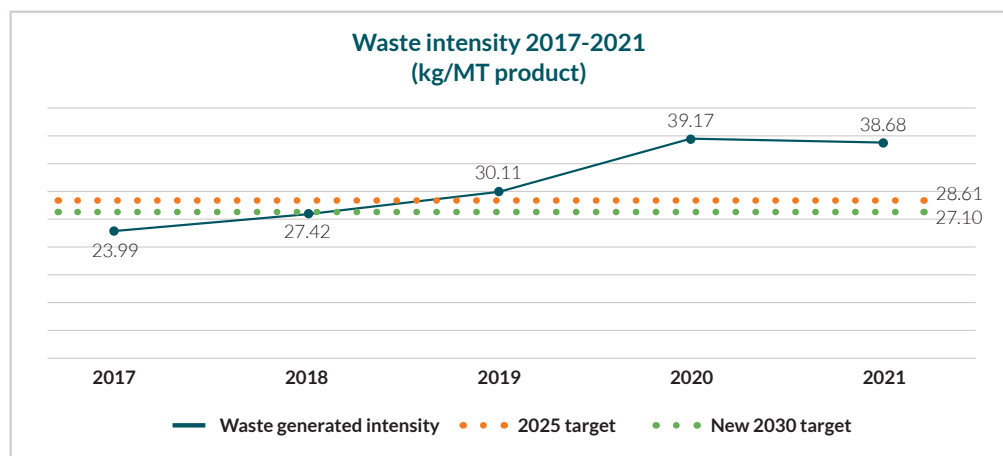
[GRI 2-27, 3-3, 303-3, 303-4, 303-5, 306-1, 306-2, 306-3, 306-4, 306-5]

Our operations produce scheduled and non-scheduled waste, which we manage responsibly following relevant waste management procedures established in the Environmental Quality (Scheduled Wastes) Regulations 2005. All waste classed as hazardous or scheduled waste requires special storage, packaging, and labelling, and containers must be managed and disposed of at a licensed waste recovery facility.

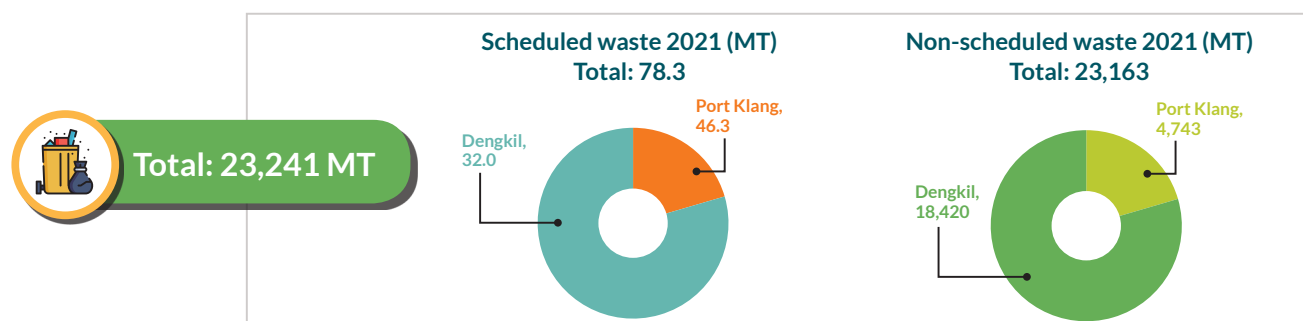


In 2021, we produced 23,241 MT of waste: 23,163 MT of non-scheduled waste and 78.3 MT of scheduled waste. In 2021, our waste intensity saw minimal reduction compared to 2020. **While this means we are on track to achieve our 2025 target of 28.64 kg/MT product, we are ambitiously revising our target in line with our energy and waste roadmaps to achieve a 10% reduction by 2030 against our 2019 baseline.** ISF will explore waste reduction initiatives to meet this target.

More than 98% of our non-scheduled waste is spent bleaching earth (SBE) derived from the degumming and bleaching of crude palm oil (CPO) from physically refined palm oil. It is sold to third parties to be repurposed as raw material by other manufacturers or used as biomass. Of the overall non-scheduled waste generated, about 79% of the total non-scheduled waste is generated by our Dengkil operations, our biggest producer of SBE. We actively seek feasible alternative waste management options within our facilities to reduce our dependency on landfills for waste disposal.



Waste generated by type by site 2021 (MT)



Championing our people

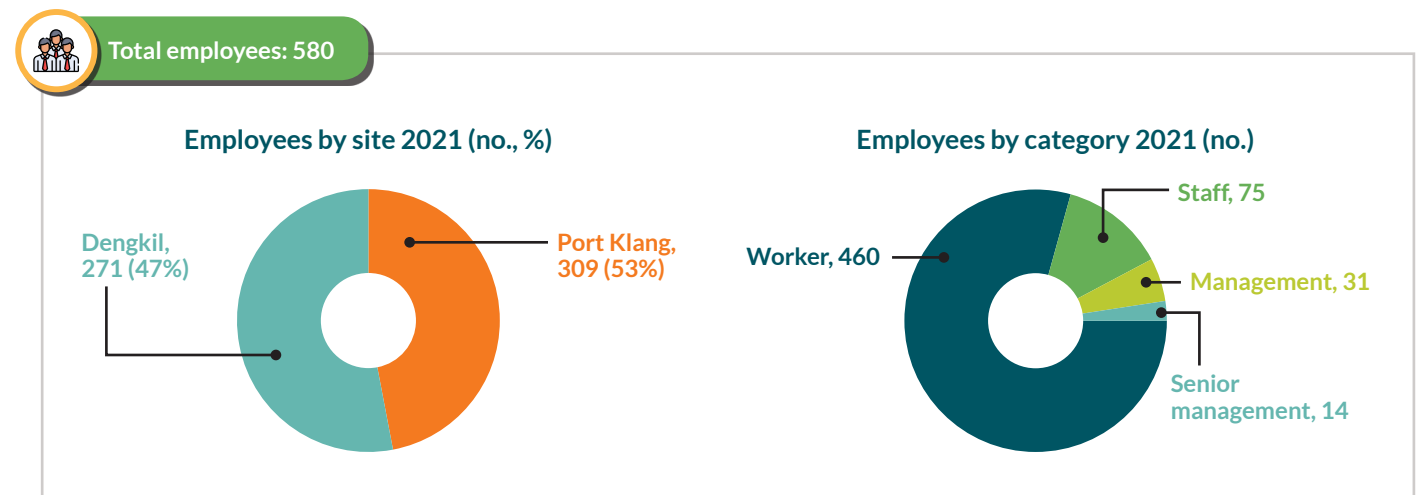
[GRI 2-7, 2-8, 202- 1, 202-2, 3-3, 401-1, 401-2, 401-3, 402-1]

Contributing to SDGs:



Our employees are the backbone of our business, and we strive to build a productive, healthy, and satisfied workforce by providing fair and competitive conditions for our people. We respect employee rights, as set out in the International Labour Organization (ILO) Core Conventions and are committed to the principles of the Universal Declaration of Human Rights. In 2021, we strengthened the language in our Sustainable Palm Oil Policy to reflect our steadfast commitment to upholding human and labour rights.

As of December 2021, we employ 580 employees at our Port Klang and Dengkil operations. All employees, including workers, are hired on a permanent full-time basis, and we do not employ any temporary or part-time workers. The base salary for ISF employees is in line with the national minimum. In 2022, all minimum wages paid were revised from RM1,100 to RM1,500. We also adhere to national labour laws and contribute 13% of every employee's gross salary to the Employee Provision Fund (EPF). Our workers are free to join trade unions or engage in other forms of collective bargaining if they so choose, to the extent permitted by law.



Note: Our employee categorisation was revised in 2021, and data is not comparable to previous years.

Safeguarding the rights of migrant workers

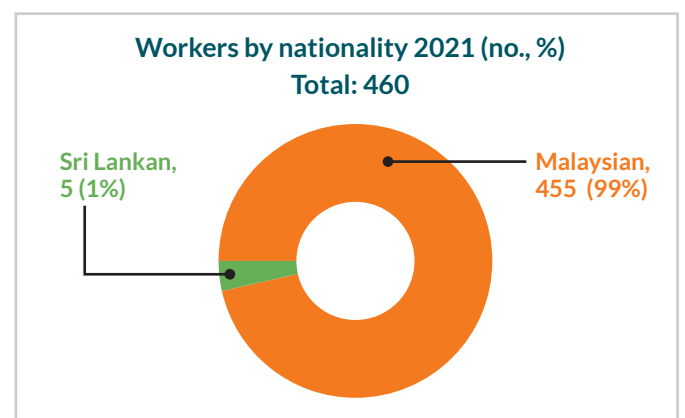
[GRI 2-30, 3-3, 402-1, 407-1]

The palm oil industry, specifically in Malaysia, has recently faced intense scrutiny about forced labour allegations and breaches of the No Exploitation commitments in No Deforestation, No Peat and No Exploitation (NDPE) policies. A particular focus has been placed on migrant workers employed at operations in Malaysia and the recruitment practices used by some plantation companies.

ISF employs five foreign workers, making up 2% of our total workers and less than 1% of our total workforce. All our foreign workers are from Sri Lanka, employed on fixed-term contracts, paid minimum wage or more, and housed in dormitories equipped with the necessary amenities and facilities. Foreign workers maintain possession of their passports and are provided lockers to safeguard their personal documents.

In 2021, ISF conducted an internal assessment of the recruitment methods employed at our operations to determine potential issues in our current approaches and identify exploitation risks. Spearheaded by our risk management department, the assessment reviewed our direct recruitment practices and employment agencies' indirect recruitment methods. There is a very low risk of

exploitation and breaches of labour rights at ISF due to the small pool of foreign workers we employ at our operations. However, we will continue to implement industry-led best practices and continuously review our measures to ensure our workforce is protected from exploitation and unethical recruitment methods.





Partnership to assess labour practices in supply chain

The palm oil industry in Malaysia has come under increased scrutiny for its labour practices. Stakeholder concerns and recent media coverage have focused on plantation companies' recruitment and labour practices, policies, and procedures, especially pertaining to migrant workers.

ISF recognises the inherent and systemic issues within our supply chain and is addressing them collectively with our customers and suppliers through the No Exploitation component of our shared NDPE commitments. In 2021, we connected our customer, Ferrero International S.A., with our supplier, Kulim (M) Bhd. With support from the Earthworm Foundation, a non-profit technical services provider, the two companies are collaborating on the following two programmes to address labour issues on the ground:

A Labour transformation programme (LTP):

LTP is an engagement framework developed by the Earthworm Foundation (EF) to support mill and plantation managers and guide them towards the adoption of improved labour practices. The Earthworm Foundation will assess Kulim's current mill and plantation labour practices using the scoring methodology within their framework. This assessment will engage with workers and management and verify Kulim's labour practices and employee benefits by evaluating employee contracts, wages and working hours, grievance mechanisms, freedom of movement, freedom of association, and health and safety. It will also include visits to workers' accommodations.

B Ethical recruitment:

This methodology is based on EF's Ethical Recruitment Human Rights Due Diligence (ER HRDD). It focuses on Kulim's recruitment policies and practices concerning local, but primarily, foreign workers. It aims to ensure the implementation of measures upholding workers' rights during the hiring process. It covers recruitment practices in workers' home countries, fees incurred, contracts provided, and rights during their employment period in Malaysia.

The project was set to begin in 2021 Q3 but was postponed to January 2022 due to pandemic-related travel restrictions. At the time, Earthworm Foundation was able to conduct onsite visits, assessments, and meetings. Later in 2022, the organisation will issue a report that will highlight implementation gaps and include short- and long-term action plans with recommendations for improvements.

ISF believes this project is a significant milestone because it will result in a proactive and inclusive industry-wide action programme based on meaningful collaborative efforts between upstream and downstream players. We plan to extend this project to other tier-one suppliers in the coming years.

Commentary from Stefano Severi, Head of Responsible Sourcing (HO Raw Material) | Ferrero

Malaysia has come under international scrutiny due to forced labour issues in the palm oil industry. Ferrero believes in driving and leading social initiatives in the sector. We play an active role in our supply chain, specifically regarding how to improve the labour conditions of mill and plantation workers. In 2021, we partnered with Earthworm ISF and Kulim (Malaysia) Berhad in a social landscape project to identify gaps in labour practices and support social transformation at the mill and plantation levels.

The primary goal of this project is to ensure we source responsibly. It is aligned with the Ferrero Palm Oil Charter, updated in 2021, which strengthened our commitment to smallholder and migrant worker welfare in the supply chain, as outlined in our three-year action plan.

ISF plays an essential role in connecting and recruiting suppliers for this project. In future, ISF must propose, share, and adopt additional applications for project findings. Ferrero believes ISF will help drive industry-wide change in the years to come, and it is for this reason that we are pleased to engage and partner with the company.

About:

Stefano is the Head of Responsible Sourcing for Raw Materials at Ferrero's Group HQ, supporting central procurement and managing the responsible sourcing of raw materials in Ferrero's value chain (except cocoa and hazelnut). Ferrero has a long-standing relationship with ISF and has been purchasing palm oil from us for more than 25 years.

Employee retention and development

[GRI 3-3, 404-1, 404-2, 404-3]

In addition to base salary and allowances, ISF provides benefits such as insurance, healthcare, retirement provisions and parental leave to all local and foreign workers. We also believe that continuous training and development are vital to improving the productivity and performance of our employees. An average of 14 hours of training is

provided annually to all employees on regulatory compliance, quality management, food handling, certification requirements, occupational safety, technical and soft skills, etc. All employees receive annual performance reviews to ensure communication channels with their managers remain open.

Employee engagement

At ISF, we believe engaging employees is a critical and vital tool for retaining valuable talent and creating a thriving company culture for our people. In October 2021, we organised a company-wide United Nations Sustainable Development Goal (SDG)-themed employee photography contest. **This contest aligns with ISF’s sustainability vision announced in 2020 and our CEO’s vision of cultivating a work culture that educates, engages, and incentivises our employees to assume a greater role in meeting our social, environmental, and economic targets.**

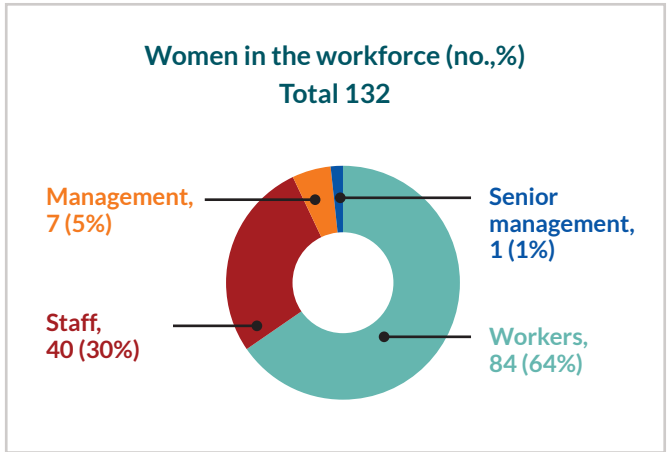
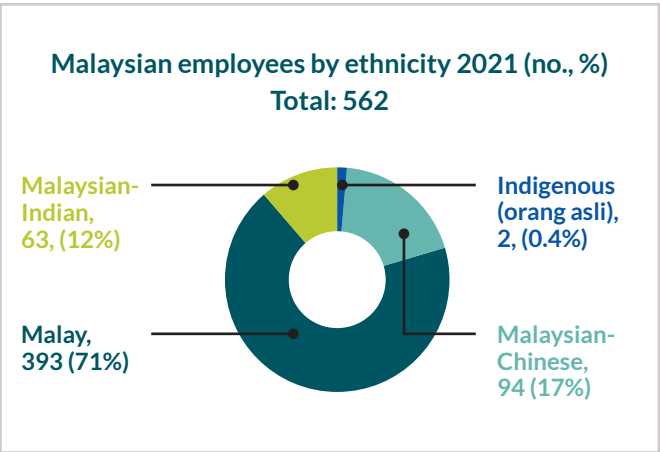
The primary goal of the photography contest was to educate our employees about the SDGs aligned with ISF’s business operations and targets while providing an opportunity for our employees to showcase their talents. We received 80 photo entries from 33 participants and awarded prizes to the top three photographs and 15 runners-up.



Diversity and equality

[GRI 3-3, 405-1, 405-2, 406-1]

ISF believes in offering equal opportunity to all employees with no discrimination based on sexual orientation, gender, religion, race, disability, age, political affiliation, marital status, or national origin. While most of our employees are Malaysian citizens from ethnically diverse backgrounds, we also employ five Sri Lankan citizens and 23 Japanese expatriates from our parent company Nisshin Oillio. All our employees are offered equal pay for equal work, regardless of gender. We employ 132 women at ISF, making up 22% of our total workforce. Of all the women employed, 6% sit in managerial positions: one head of department and seven managers. A further 30% of the women employed are staff, while 64% are workers.



Employee health and safety

[GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10]

Occupational health and safety

The safety of our employees is critical to the success of our operations. In December 2021, we restructured our administrative division. The ISF Occupational Safety and Health (OSH) unit, previously part of the administrative division's human resources and development department, was officially moved to the manufacturing division. This shift was primarily intended to align our practices with Nisshin OilliO. The OSH unit will be directly and fully involved in monitoring daily operations and production. It will serve as an independent entity that provides advice on safety, health, and environment (SHE), especially to the manufacturing division. The manufacturing department is especially prone to SHE issues due to the nature of its activities. Moving the OSH unit to manufacturing means more SHE-related information can be gathered, analysed, and presented to top management.

Under this new structure, our Dengkil and Port Klang sites have each been assigned a senior OSH officer who oversees employee health, safety, and security. ISF also has an active OSH committee comprising employee and management representatives. OSH Committee meetings are convened four times a year to discuss and address any health and safety issues.

Training and engagement

We provide regular health and safety training to ensure employees remain safe and are prepared to handle critical situations and emergencies. Our training programmes include instruction on operating heavy machinery like forklifts, inculcating safety behaviour in day-to-day work practices, confined-space rescue procedures, first aid, and fire drills. Every ISF department is required to have at least one representative receive the designated training to ensure it employs someone well-equipped to handle different emergencies.

All new employees receive introductory training and annual refreshers on safety matters. In addition to these employee programmes, we hold annual Safety Days to promote and provide exposure to occupational safety and health practices for our vendors and contractors.

We use several communications channels to promote safety awareness and education among our employees, including:



TOOLBOX BRIEFINGS
(DAILY SAFETY BRIEFINGS)



TRAININGS AND SPECIAL BRIEFINGS



TAKE-5 PROGRAMME (INFORMAL
SAFETY DISCUSSIONS BETWEEN
EMPLOYEES AND MANAGEMENT)



POSTERS AND NOTICES AT OUR SITES



PAGING SYSTEM FOR
ANNOUNCEMENTS AND REMINDERS



REGULAR SAFETY TALKS AND
CAMPAIGNS

We conduct additional briefings and trainings when a new policy is introduced. We also plan to install screens in common areas to remind employees about safety hazards and mitigation measures through digital media like safety animations and videos.

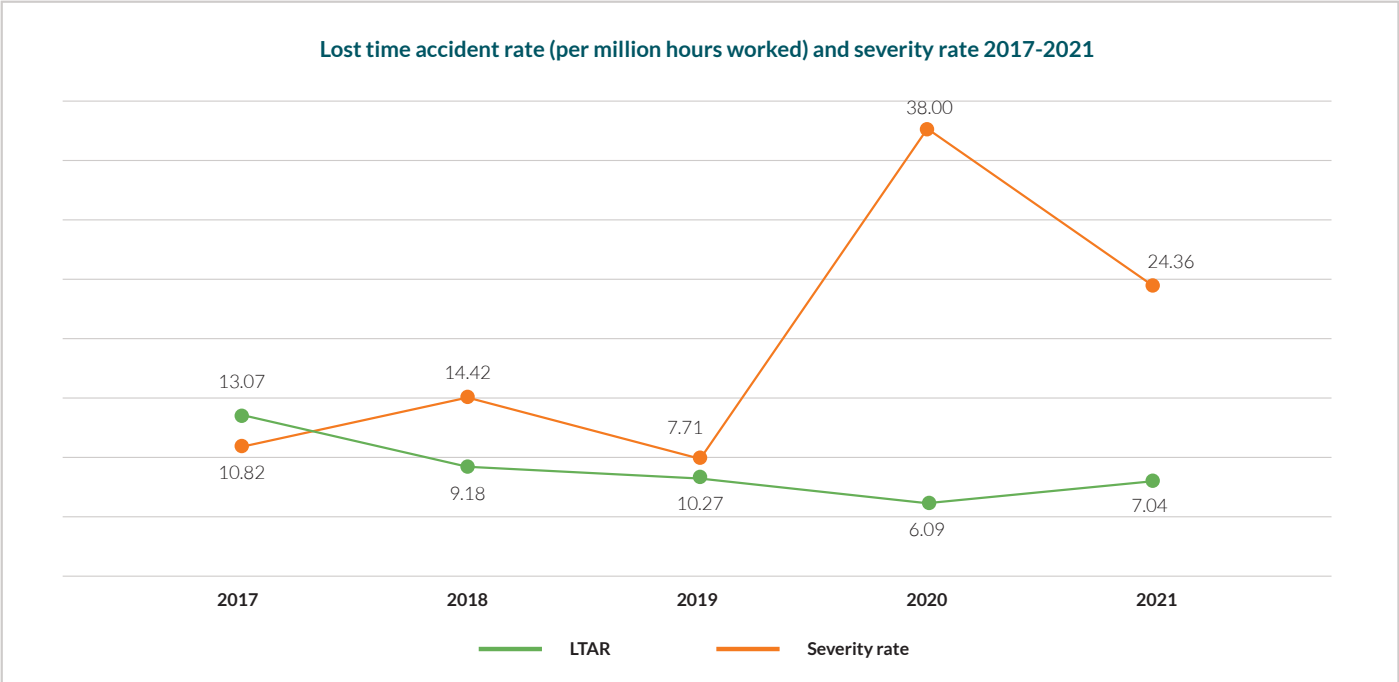


Accident reporting

LTAR and severity rate

A total of 11 accidents occurred in 2021. Although our lost time accident rate (LTAR) increased by 15.6% in 2021, these accidents were less serious than the previous year, resulting in a **35.9% decrease in severity rate**.

- Notes:
- 1. Lost time accident rate (LTAR) measures productivity lost due to accidents and is calculated as follows: the number of accidents divided by the total hours worked, multiplied by 1,000,000. In past reports, LTAR was based on 200,000 employee hours worked. We have updated previous years' figures to reflect this new calculation.
 - 2. The severity rate measures the seriousness of accidents and is calculated as follows: total number of days lost divided by the total number of accidents.
 - 3. LTAR and severity rate for 2019 have been restated.



Causes of accidents

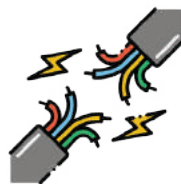
ISF classifies all accidents at our operations into two categories: those caused by 'unsafe acts' and those caused by 'unsafe conditions'.

We find that unsafe acts, more than unsafe conditions, are the root cause of the bulk of occupational injuries and accidents at ISF. We take every accident seriously and carefully assess all incidents to ensure we have implemented the necessary corrective actions to prevent their recurrence. Management also meets with on-the-ground staff to gather employee feedback to better understand such occurrences and make appropriate recommendations.



UNSAFE ACT

A violation of an accepted safety procedure, including negligent behaviour, that could lead to an accident.



UNSAFE CONDITIONS

A hazardous physical condition or circumstance, such as poor lighting, a slippery floor, or a faulty machine, that could lead to an accident.

Two of the 11 accidents occurring in 2021 were caused by unsafe conditions. The first was the result of poor housekeeping, when an employee sustained injuries after slipping and falling on a wet floor. The second accident involved an employee suffering burns due to malfunctioning equipment. ISF's OSH team has taken the necessary precautions to prevent the recurrence of these incidents, including regularly inspecting equipment and ensuring OSH work permits for jobs involving fire and heat.

The nine remaining accidents were the result of unsafe acts. One employee sustained major injuries after being hit by a boom gate he was trying to fix. The remaining accidents were head injuries, falls and burns caused by lack of awareness towards surroundings, improper use of PPE and other equipment. ISF recognises that better supervision and increased employee vigilance may have prevented these accidents. We are working on several initiatives to better equip employees and contractors with the safety knowledge and skills they need to manage workplace hazards and reduce the number of accidents due to unsafe acts.

Accidents by cause 2021 (no.)

Cause of accident	Port Klang	Dengkil	Total
Unsafe act	4	5	9
Unsafe condition	1	1	2
Total	5	6	11

Creating a culture of safety to minimise unsafe acts

We recognise the importance of creating a safety culture that prioritises safety and accident prevention for ISF management and employees. However, changing our culture requires a company-wide shift in mindset, which is an enormous challenge. ISF is striving to create a safe workplace culture by continuously communicating safety rules and implementing initiatives to reach our target of zero accidents as quickly as possible.

New campaign:

One million person-hours with zero accidents



In August 2021, we introduced a new campaign with the goal of achieving one million person-hours with zero accidents across our Dengkil and Port Klang operations.

As part of our efforts to promote behavioural change in building a safety culture, we decided to offer incentives to our employees, who will all play a role in achieving one million man-hours with zero accidents across our operations. We will be increasing awareness by rolling out new safety-related

programmes, talks, and policies to support this initiative as the campaign unfolds in 2022.

This campaign is being promoted to all our employees through various channels, including posters, banners, email blasts, and safety briefings. We hope that instilling a positive attitude around safety will shift the overall mindset and bolster efforts to build an accident-free work environment.

Employee health and wellbeing



At ISF, we believe that fostering employee well-being is essential to protecting our people and business. We offer annual health assessments to our employees and invite health care professionals to conduct talks and lead workshops. We have also authored clear policies prohibiting tobacco, drug, and alcohol use and are raising awareness about HIV/AIDS at our sites. Recognising that the COVID-19 crisis has heightened the risk factors generally

associated with mental health, the OSH team is collaborating with our Human Resources department to introduce psychosocial programmes for employees. To be launched in 2022, these programmes will promote mental health and stress management tools and techniques to improve employees' emotional health and well-being.

Continued measures during COVID-19

ISF strictly adheres to the Malaysian Ministry of Health's COVID-19 recommendations and regulations. Our continuous COVID-19 prevention measures include:



Communicating COVID-19 safety measures through regular briefings and announcements



Providing all employees with hand sanitiser, masks, and other personal protective equipment (PPE)



Maintaining safe physical distancing at all our operations



Conducting regular on-site testing to detect potential cases



Requiring all contractors and site visitors to complete health forms for contact tracing and declarations before entering premises

ISF participated in the fourth phase of Malaysia's national COVID-19 immunisation programme, "Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta" (PIKAS). This private-public partnership saw private-sector companies collaborate with the Malaysian government to accelerate immunisation in the country. In July 2021, 193 employees from our Dengkil plant were vaccinated through this programme.



As of 2022, all our employees have received both doses of their vaccinations.



Commitment to communities

[GRI 203-1-2, 3-3, 413-1, 413-2]



Contributing to SDGs:



ISF believes in fostering a culture of caring in surrounding communities and at our operations for the benefit of all parties involved. To ensure our business does not negatively impact nearby communities, ISF and our suppliers engage with and consult community members affected by our operations and those of our partners. In 2021, we updated our sustainable palm oil policy to strengthen our commitment to upholding the rights of Indigenous peoples and local communities.

Flood relief

In December 2021, Peninsular Malaysia experienced heavy downpours for three days, resulting in a series of floods and flash floods affecting eight states. Several employees at our Dengkil and Port Klang sites were directly affected by the flooding, having their homes damaged or destroyed. **ISF distributed 150 emergency packages comprising essential items, clothing, toiletries, food, and drinks to affected employees' households.**



Smallholder inclusivity

We recognise the integral role smallholders play in the production of sustainable palm oil and the challenges they can face in meeting industry and government sustainability standards. We are committed to working with industry partners to facilitate the inclusion of smallholders in ISF's supply chain by 2023. While plans have been delayed due to pandemic-related restrictions, we will seek opportunities to engage in a smallholder inclusivity programme in the near future.



Corporate Sustainability Initiatives (CSI)

ISF strives to be a socially responsible corporate citizen. We engage our employees in strategic Corporate Sustainability Initiatives (CSI) to leverage our resources for the greater good.

Rehabilitating mangroves at Sabak Bernam

We recognise that nature-based solutions (NBS) are one way of addressing the global climate crisis and creating social benefits. By taking action to protect and restore ecosystems, we contribute to reducing GHG emissions, securing water resources, increasing food security, and improving air quality.

In 2021, ISF entered into a long-term partnership with the environmental conservation NGO Global Environmental Centre (GEC), launching a programme to rehabilitate and maintain four hectares of degraded mangrove forest at Teluk Mendeleng, Sabak Bernam in Selangor. Villagers from nearby Kampung Dato’ Hormat depend on these mangroves for their livelihoods. However, the existing mangrove growth area had

degraded due to unsustainable aquaculture and development in adjacent areas. This project will see to the planting of 4,000 mangroves on this land over the next three years.

In November 2021, we conducted an onsite evaluation to identify the project site and, in January 2022, we officially signed the Memorandum of Agreement (MoA). Planting, maintenance, and monitoring will be carried out by members of a community-based programme set up by GEC: Sahabat Hutan Bakau, Friends of the Mangrove Forest. ISF and GEC will provide funding and technical support. ISF employees and stakeholders from every level of the company will contribute to the different aspects of this project.



Glossary

3-monochloropropane diol (3-MCPD) – Organic chemical contaminant found in some processed foods and vegetable oils, mainly palm oil.

Annual Communication of Progress (ACOP) – Mandatory report submitted by Ordinary and Affiliate RSPO members to gauge progress towards 100% RSPO-certified sustainable palm oil.

Carbon dioxide equivalents (CO₂e) – A standard measure of global warming potential expressed in metric tonnes. Used to evaluate and compare the impact of releasing or avoiding the release of different greenhouse gases.

CDP – Formerly known as the Carbon Disclosure Project, a non-profit organisation that operates a global disclosure system allowing companies and governments to report their environmental performance.

Crude palm kernel oil (CPKO) – An edible plant oil derived from the kernel of the oil palm.

Crude palm oil (CPO) – An edible oil extracted from the pulp of oil palm fruit.

Enterprise Risk Management (ERM) – An integrated approach to managing risk across an organisation and its extended networks.

Fresh fruit bunch (FFB) – The raw material for palm oil mills, harvested from the oil palm tree.

Global Reporting Initiative (GRI) – A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

Glycidyl fatty acid esters (GEs) – Contaminants formed from edible oil during high-temperature refining processes.

Greenhouse gas (GHG) – Gases in the atmosphere that absorb and emit radiation within the thermal infrared range. The primary GHGs in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrous oxide, and ozone.

ISCC – Certified Biomass and Bioenergy – A globally recognised standard for sustainable biomass and bioenergy production. Part of the International Sustainability & Carbon Certification system, it applies to companies selling products in European markets.

ISO (International Standards Organization) – An independent, non-governmental organisation that develops voluntary, consensus-based international standards. ISO certification help organisations demonstrate that they meet customer and stakeholder needs.

Malaysian Sustainable Palm Oil (MSPO) – Nationally mandated certification system for oil palm plantations, independent and organised smallholders, and palm oil processing plants.

Mineral oil aromatic hydrocarbons (MOAH) and Mineral oil hydrocarbons (MOSH) – MOSH and MOAH are types of Mineral oil hydrocarbons (MOH), a diverse group of hydrocarbon mixtures containing thousands of chemical compounds differing in structure and size. Derived mainly from crude oil but also produced synthetically from coal, natural gas, and biomass.

Palm Oil Refiners Association of Malaysia (PORAM) – A voluntary, non-profit organisation formed in 1975 as the representative voice of the palm oil industry before the Malaysian government and other stakeholders.

Palm oil refinery effluent (PORE) – A by-product of refined CPO.

Roundtable on Sustainable Palm Oil (RSPO) – A globally-recognised certification scheme for sustainable palm oil.

Stakeholders – Any group or individual affected by or who can affect a company's operations.

Sustainability – A long-term balance between social, economic, and environmental objectives. Often linked to sustainable development, defined as 'development that meets the needs of current generations without compromising the needs of future generations'.

Sustainable Development Goals (SDGs) – A set of 17 United Nations global goals aiming to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity, with specific targets to be achieved by 2030.

Traceability – The ability to chronologically interrelate uniquely identifiable entities in a verifiable way. Traceability in palm oil helps establish a link between producers of sustainable products and end users of these products.

Universal Mill List (UML) – A worldwide database of palm oil mill locations based on data contributed by processors, traders, consumer goods manufacturers, and the RSPO.

Contact

[GRI 2-3]

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