

Date: December 2020

## Ref: Tabung Haji Plantations (“THP”) Grievance

Following notification of suspected breaches of No Deforestation, No Peat, No Exploitation (“**NDPE**”) commitments by Tabung Haji Plantations (“**THP**”), Innospec has conducted an investigation in accordance with our [Palm Grievance Procedure](#).

The notification, based on a [report](#) released in April 2018 by Chain Reaction Research, involves 32 palm oil plantations in Malaysia and Indonesia, and alleges that THP:

- is suspected of being involved in serious violations of NDPE policies via its subsidiaries Persada Kencana Prima in North Kalimantan and Hydroflow Sdn Bhd in Sarawak as they are actively clearing peatland and forests;
- has no NDPE policy in place; and
- ceased being a member of the Roundtable for Sustainable Palm Oil (“**RSPO**”) in 2012.

Chain Reaction Research issued further allegations against THP in [April 2020](#), which extend the area impacted.

Further to questions asked of our direct suppliers, we can provide the following information based on the responses received:

- Innospec does not directly purchase palm derivatives from THP;
- the majority of Innospec’s direct suppliers, representing 84% of our 2019 palm sourcing activities, have confirmed that they either do not have links to THP or that they have suspended sourcing activities linked to them.
- indirect links to entities of THP have been identified through six of our direct suppliers, representing 16% of our 2019 global sourcing activities.

The six direct suppliers who have confirmed potential links to THP are engaging with THP, which has responded to the allegations and clarified its position. The responses received from the six suppliers can be summarised as follows:

- In 2015, THP entered into a Management Agreement with Deru Semangat Sdn. Bhd. (“**DSSB**”) to manage DSSB’s oil palm plantation of approximately 30,000 acres in the Mukim of Tembeling, Jerantut, Pahang. DSSB is a joint venture company between Lembaga Tabung Haji (“**LTH**”), THP’s holding company, and the Pahang Royal Family. THP merely acts as a management agent and is not the owner of the land. Further, THP has reaffirmed its commitment to the NDPE Policy and has conveyed its intention to terminate the Management Agreement with DSSB.
- Based on a supplier’s internal Land Use Change Analysis assessment of the DSSB concession area, there has been no land clearing in 2020. Our suppliers are monitoring and guiding THP in meeting the NDPE criteria.



- The fact that THP ceased being a member of the RSPO in 2012 is not considered by our direct suppliers as non-compliance to NDPE policy. THP's departure from the RSPO was not triggered by an RSPO suspension due to violation of the P&C related to deforestation or exploitation of workers/local communities. There are many factors that may contribute to a company's resignation from the RSPO, including lack of commercial incentive on the low premium of certified palm oil, lack of internal funding in getting their operation certification, etc. Further, regardless of RSPO membership status, all our suppliers are required to implement and comply with, an NDPE policy.
- THP rolled out a group-wide [Sustainability Policy](#) in February 2019. The policy is published on its company website.
- THP adopted a moratorium on further land development in PT Persada Kencana Prima in July 2017. The company also committed to complete High Conservation Value and High Carbon Stock forest assessments before any further development takes place.
- Mighty Earth has put up THP as a [success story](#) based on its positive progress and response to the allegation. Their latest Trader Tracker (dated May 2020) states that the complaint relating to TH Plantations PT PKP is 'Closed under Moratorium'.

We will continue to monitor the case and the progress made by THP. Should you have any questions then please do not hesitate to contact our Group Sustainable Development Manager, Helen Coy at [helen.coy@innospecinc.com](mailto:helen.coy@innospecinc.com).

Yours sincerely

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President, Performances Chemicals