

Forest and Traceability Policy

PY-CS-001-V2.0

1.0 Purpose

Forests are integral parts of a healthy, functioning global ecosystem. However, in the cocoa supply chain, Guan Chong Berhad (GCB) acknowledges that issues of deforestation¹ are not uncommon and recognises its responsibility in addressing these risks within its own supply chain. This policy outlines GCB's commitment to protecting and conserving forests within its supply chain, along with the actions the company will take to ensure that activities do not cause or contribute to deforestation or the loss of other natural ecosystems.

2.0 Scope

This policy is applicable to all subsidiaries of GCB with principal activities involving processing/handling cocoa and all suppliers in the cocoa supply chain. Refer to Appendix 1 for the list of all GCB Subsidiaries.

This policy will be reviewed on an annual basis and updated as necessary.

3.0 Roles and Responsibilities

3.1 GCB Board of Directors (BOD)

The GCB Board of Directors will be responsible to:

- Review progress of the Cocoa Sustainability Team and group sustainability commitments
- Provide guidance and oversight on implementation of this policy
- Approve all commitments and changes in this policy

3.2 The Cocoa Sustainability Team

The Cocoa Sustainability Team will be responsible to:

- Ensure the implementation of this policy by all relevant parties
- Regularly review and update this policy and its commitments
- Regularly report to the BOD and other relevant stakeholders on the progress of cocoa sustainability activities

4.0 Policy Statement and Commitment

Guan Chong Berhad (GCB), which includes all its subsidiaries, understands and acknowledges the importance of forests not just in our cocoa supply chains, but at a global level as well. As part of our overarching cocoa sustainability strategy, Good Cocoa & Beyond, **we commit to achieve no cocoa-driven deforestation, nor conversion of other natural**

¹Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation ([Accountability Framework](#))

ecosystems in our direct supply chains by 2030. Concurrently, GCB will seek to continuously improve our sourcing practices and increase our direct supply chain.

These commitments follow the Accountability Framework and are based on the Accountability Framework terms and definitions.²

However, eliminating deforestation across the whole cocoa supply chain can only be achieved by working in collaboration and partnership with others industry-wide. To this end, GCB has also joined the Cocoa and Forests Initiative (CFI)³. As a CFI signatory, we will work closely with industry players and our suppliers to align our efforts and increase the effectiveness of initiatives to end deforestation.

Furthermore, we require our suppliers to adhere to the commitments outlined in this policy. We communicate these with them in the form of this policy, which is complemented by the Supplier Code of Conduct and Sustainable Procurement Policy and Procedure, to which they must also adhere. Our direct suppliers are expected to communicate these to their suppliers as well.

5.0 Policy Implementation

To achieve our direct supply chain ambitions, GCB further commits to:

1. Achieve traceability of directly sourced cocoa from farm to first purchase point through the use of traceability systems, which map farms and trace the cocoa volumes sourced from them.
2. Conduct deforestation risk assessments and deforestation risk monitoring for all farms and farmers in our direct supply chain.
3. No sourcing of cocoa from protected areas.
4. No deforestation or conversion of primary forests or other natural ecosystems, with a cut-off date of 31 December 2020 or that specified by relevant agreements, landscape-level frameworks or other standards.
5. Protect the environment through forest activities such as agroforestry, reforestation, restoration and forest awareness/management trainings where relevant.
6. Alleviate pressures for land conversion by improving farmer livelihoods.

² <https://accountability-framework.org/use-the-accountability-framework/definitions/>

³ <https://www.worldcocoafoundation.org/initiative/cocoa-forests-initiative/>

7. Participate in and/or support multi-stakeholder planning, policy or collaboration efforts to avoid deforestation and conversion of other natural ecosystems in the cocoa supply chain, and contribute to rehabilitation and conservation of degraded landscapes as mitigation activities.
8. Engage with suppliers to fulfil the same commitments and monitor supplier compliance to this policy and the Supplier Code of Conduct through regular evaluations and audits, as per the Sustainable Procurement Policy.
9. Develop a time-bound action plan with clear targets and performance indicators for the implementation of our policy.
10. Report on progress annually.

GCB shall review and assess the commitments and requirements as is necessary.

6.0 Non-Compliance

Suppliers and smallholders who are unable to meet the above requirements shall be reviewed for further engagement and corrective action should be taken.

In the case of non-compliance, GCB will follow its Grievance and Non-Compliance Procedure (P-CG-004-V1.2) and its Deforestation Risk Assessment and Monitoring Procedure (PP-CG-001-v0.1)

More specifically, in the event the supplier persistently underperforms even after corrective actions are given, the following remediation actions may be taken:

- Further monitoring
- Unannounced audits of the supplier
- Stop purchase until proof of proper corrective actions being taken are provided
- Remove supplier from the Approved Supplier List and stop purchase from supplier indefinitely
- Remove farmers from the Approved Farmer List and stop purchase from farmers indefinitely

GCB shall have the right to disqualify suppliers whose practices, policies and procedures do not conform to this policy, the Supplier Code of Conduct, and relevant international standards.

7.0 References

The following references are not intended to create additional obligations or compliances in the Forest and Traceability Policy. However, we encourage suppliers and employees to refer to the below detailed references for more information.

- Sustainable Procurement Policy and Procedure
- Supplier Code of Conduct
- GCB Deforestation Risk Assessment and Monitoring Procedures

Hia Cheng
Chief Financial Officer
(15 December 2023)

VERSION HISTORY

Version	Author	Date	Changes
V1.0	Cocoa Sustainability Committee	15/07/2021	Creation of new Forest and Traceability policy
V2.0	Cocoa Sustainability Team	15/12/2023	Updates to policy commitments taking into consideration new regulation and business structure

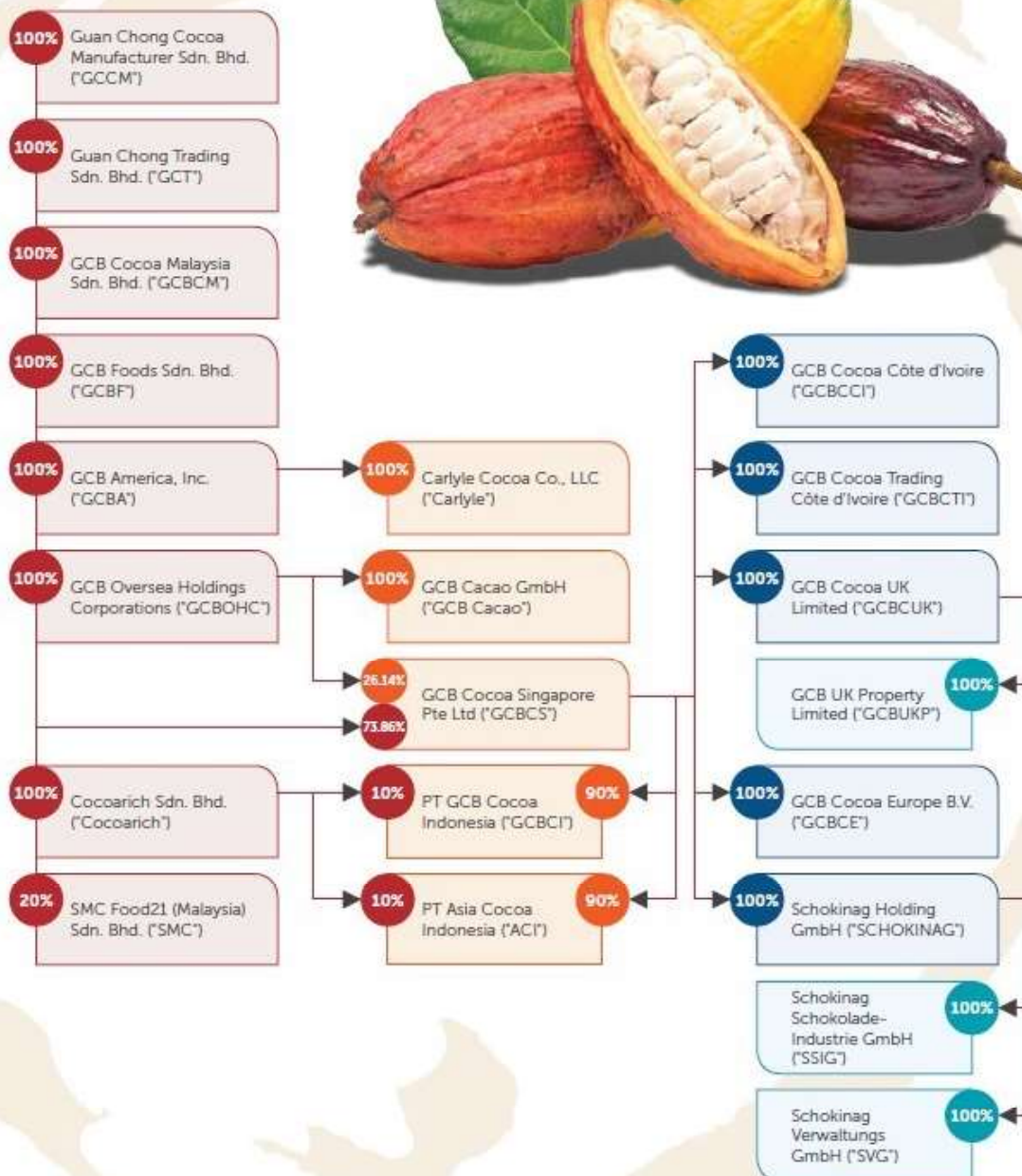
Appendix

Appendix 1: List of all GCB's subsidiaries

Corporate Structure



(Listed on Main Market of Bursa Malaysia Securities Berhad)



Appendix 2: Definitions

According to the Accountability Framework⁴,

1. **Deforestation:**

Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation.

2. **Conversion:**

Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function.

3. **Natural Forests:**

Natural forests possess many or most of the characteristics of a forest native to the given site, including species composition, structure, and ecological function. Natural forests include:

- Primary forests that have not been subject to major human impacts in recent history
- Regenerated (second-growth) forests that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained much of the species composition, structure, and ecological function of prior or other contemporary natural ecosystems.
- Managed natural forests where much of the ecosystem's composition, structure, and ecological function exist in the presence of activities such as:
 - Harvesting of timber or other forest products, including management to promote high-value species
- Forests that have been partially degraded by anthropogenic or natural causes (e.g., harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where degradation does not result in the sustained reduction of tree cover below the thresholds that define a forest or sustained loss of other main elements of ecosystem composition, structure, and ecological function.

According to the HCV Resource network⁵,

4. **High conservation Values (HCV):**

⁴ Definitions from the Accountability Framework: [Definitions | Accountability Framework \(accountability-framework.org\)](https://www.accountability-framework.org/Definitions-|Accountability-Framework)

⁵ As defined by the HCV network: [HCVCommonGuide_English.pdf \(hcvnetwork.org\)](https://www.hcvnetwork.org/HCVCommonGuide_English.pdf)

An HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance. It is based on six values, covering species diversity (HCV 1), landscape-level ecosystems (HCV 2), rare ecosystems/habitats (HCV 3), critical ecosystem services (HCV 4), community livelihood needs (HCV 5) and cultural values (HCV 6).

According to the High Carbon Stock Approach (HCSA)⁶,

5. High Carbon Stock Approach:

The HCSA is an integrated land use planning approach that distinguishes forest areas in the humid tropics for conservation from degraded lands with low carbon, biodiversity and social values that may be developed, while ensuring the rights and livelihoods of local peoples are respected.

⁶ High Carbon Stock Approach (HCSA) Statement on Deforestation and Forest Degradation for Cocoa & Forests Initiative (CFI) Signatories: [HCSA-CFI-Statement-Final-for-30th-July-2020-Publication.pdf \(highcarbonstock.org\)](https://www.highcarbonstock.org/HCSA-CFI-Statement-Final-for-30th-July-2020-Publication.pdf)