

May 2020 | Version 1.1



SUSTAINABLE PALM OIL SOURCING

Our Policy Position



Overview

The history of palm oil stretches back thousands of years, with the oldest record of its use dating from 3,000 BC¹. Modern day applications of palm oil are diverse, with the largest percentage of use in the consumer goods sector, but also growing use as biofuel. From a sustainability standpoint, palm oil is a uniquely productive crop. On a per hectare basis, oil palm trees are 6-10 times more efficient at producing oil than temperate oilseed crops. High yields and low land requirements make palm oil the least expensive food-use oil in the world.² Palm oil also has unique properties as a food ingredient, offering superior performance, texture and taste. Finally, millions of farmers in developing countries like Indonesia and Malaysia, depend on palm oil production for their livelihoods.

However, there is recent history of controversy, as society has rightly become more aware of the impact of ingredients and sourcing on the environment including deforestation, loss of biodiversity and climate change.

Upfield shares these concerns. The cornerstone of our sustainability platform ensures that the palm oil used in our products is not only sustainably sourced, but that Upfield helps drive transformational change in the palm oil sector. This policy outlines our commitment to meeting consumers, stakeholders' and our Associate's expectations, which includes:

- As a proud member of the Roundtable on Sustainable Palm Oil (RSPO), we will aim to maintain 100% physically certified palm oil.
- Alongside our commitment to sourcing 100% of our palm oil from physically certified sources, Upfield will ensure that the palm oil in our supply chain is traceable and publicly identified.
- Upfield sources mass balance and segregated palm oil today. Upfield will continue to make stepwise progress to increase proportion of segregated palm oil as volume and type of palm oil supply becomes further available.
- We will work with our suppliers to verify that palm oil production meets our policy requirements, including no deforestation and climate change impacts, respect for human rights, and work with key stakeholders, NGOs, communities and governments to continuously improve our responsible sourcing practices.
- We will work with smallholder farmers and the communities around them to support improvements in their productivity and incomes.
- We will be transparent and open about our commitments with consumers, retailers, partners and society by publishing and reporting details of our supply chain.
- Finally, we will work with our NGO partners and civil society to advocate for ongoing transformation in the palm oil sector.

¹ <http://theoilpalm.org/history-and-origin/>

² THE FUTURE OF OIL PALM AS A MAJOR GLOBAL CROP: OPPORTUNITIES AND CHALLENGES, DENIS J MURPHY Journal of Oil Palm Research Vol. 26 (1) March 2014 p. 1- 24. https://www.academia.edu/6827263/The_future_of_oil_palm_as_a_major_global_crop_opportunities_and_challenges

Upfield's Sustainable Palm Oil Sourcing Policy (hereafter the Policy) articulates how our company will achieve these goals.

UPFIELD'S USE OF PALM OIL, COMMITMENT AND RATIONALE FOR THE POLICY:

Palm oil is a key ingredient in the Upfield product portfolio. With a neutral taste and smell, palm oil contributes to the smooth, creamy and spreadable texture of our products. Palm oil is also a highly efficient crop, one that requires less land to produce, when compared with other oils and their sources. Therefore, Upfield believes that sustainable palm oil is preferable to some other oil alternatives when looking at it from a combined environmental, taste and performance, and health perspective.

Upfield uses approximately 250,000 tonnes of crude palm oil and its derivatives annually, which represents 0.3% of global palm oil production. The Policy applies to all of the palm oil Upfield buys, including crude palm oil, palm kernel oil, derivatives and fractions. It applies throughout Upfield's global operations, including our investments in processing, and to all our suppliers and their entire operations. The Policy is designed to drive sustainable market transformation, through collaboration beyond our own supply chains with key suppliers, governments, NGOs and the broader industry on the implementation of our Five Key Principles. This Policy is effective immediately, and we require suppliers to comply with our Principles for Sustainable Palm Oil throughout their operations.

OUR PRINCIPLES

OVERVIEW

Upfield's sustainable palm oil policy is underpinned by our belief that as a global food business, we have a responsibility to build the most sustainable and responsibly sourced palm oil supply chain possible. In this context, we are committed to meeting and then exceeding RSPO Principles and Criteria and all relevant national and international laws and conventions. As leaders in our industry, we want to show that palm oil can be a sustainable ingredient and that more can be done by businesses like ours to ensure this. Below are the principles that Upfield is committed to.

PRINCIPLE #1 - No deforestation³

- a. No conversion of High Conservation Value (HCV) areas.
- b. No conversion of High Carbon Stock (HCS) forests.
- c. No burning in the preparation of new plantings and re-plantings.
- d. A progressive reduction in greenhouse gas emissions associated with existing suppliers.

PRINCIPLE #2 - No development on peat

- a. No new development on peat, regardless of depth.
- b. Application of RSPO Best Management Practices for existing plantations on peat.
- c. Work with experts and stakeholders to explore options for peat restoration where feasible.

PRINCIPLES #3 - No exploitation of people or communities

- a. Adherence to Upfield's Responsible Sourcing Policy⁴, which stipulates mandatory requirements on human rights and protection of workers, with particular attention to be paid to migrant and other vulnerable workers on plantations.
- b. Application of the principles of Free, Prior and Informed Consent (FPIC) to ensure the protection and promotion of the rights of indigenous peoples and vulnerable communities.
- c. No child labour.
- d. Responsible handling of all complaints or breaches identified using generally accepted grievance procedures or conflict resolution, facilitated by a third-party agency.
- e. Responsible development of new land areas, which does not result in 'land grabbing' practices.

³ Further context and detail is included in our Position on Eliminating Deforestation.

⁴ <https://upfield.com/wp-content/uploads/2019/05/Responsible-Sourcing-Policy.pdf>

- f. Upfield will promote equality between women and men in the sustainable production of palm oil including gender equity in access to inputs, resources, training and decision-making rights in rural areas.

PRINCIPLE #4 - Driving positive social and economic impact for smallholders and women while protecting forests

- a. Facilitate the inclusion of smallholders into the supply chain.
- b. Support adherence by smallholders to the Five Principles laid out in this Policy.
- c. Support interventions to increase smallholder yields and incomes and address social and health issues, while protecting forests.
- d. Encourage and support industry initiatives to ensure that processes and mechanisms are developed to eliminate gender discrimination in the workplace and to promote a gender-friendly work environment.
- e. Fund research into agricultural methods that could improve biodiversity and yields for smallholders and supporting educational projects on how to put these methods into practice. Make the findings of this research available to all.

PRINCIPLE #5 - Transparency and Advocacy

- a. Only work with suppliers who are transparent about their supply chains.
 - i. Disclose to Upfield any complaints made.
 - ii. Report to Upfield any breaches of the Responsible Sourcing Policy.
 - iii. Disclose to Upfield any new plantings.
 - iv. Require that suppliers and producers are held to the above commitments at “group level” rather than relying on transparency from larger conglomerates.
- b. Upfield expects suppliers to adopt the methodology outlined in the HCS Approach Toolkit 2.0 when implementing Upfield’s, and their own, commitments to no deforestation.
- c. Upfield expects suppliers to monitor mill catchment areas using geo-mapping or other evidence-based methods to ensure no deforestation targets are met.
- d. Adopt governance and reporting, third party auditing and adhering to GRI standards.
- e. Operate with a commitment to transparency and openness with consumers, retailers, partners, etc.
- f. Operate with a commitment to industry leadership. Proactively support and advocate for creation and enforcement of official standards/regulation/legislation in producer countries regarding legal and sustainable palm oil production.

TARGETS

In order to ensure that the Five Principles on sustainably sourced palm oil laid out in this document are met, we have put in place a set of tangible targets to track our progress against.

- a. **RSPO:** In January 2019, we joined the Round Table on Sustainable Palm Oil (RSPO). This commits Upfield and our entire supply chain to be held accountable to the RSPO's standards of transparency, ethical business behaviour, commitment to respect rights, promote economic viability, and the practice of sustainable sourcing.
- b. **100% physically certified:** Our target is to maintain a supply chain that is 100% physically certified and linked to sustainable sources.
- c. **Traceability:** Alongside our commitment to sourcing 100% of our palm oil from physically certified sources, Upfield will ensure that the palm oil in our supply chain is traceable to known origins to a catchment area of mills.
- d. **Publicly monitored compliance:** We commit to publicly release our aggregated compliance reports around human and labour rights standards. These reports will be informed by data from a third-party verification body and will detail our levels of compliance across our supply chain in protecting land rights and promoting a high standard of working conditions.
- e. As a consumer-orientated business we are driven to providing our consumers with choice, including products with or without palm oil. Therefore, we commit to offer those product options to consumers.
- f. We will continue our research and development efforts for new, natural, sustainable ingredients and oils that may offer the same or better functionality, consumer taste and nutrition than palm oil.

IMPLEMENTATION ACTION PLAN

a. Supplier requirements and commitments.

- i. **Five Principles throughout our supply chain:** Upfield holds suppliers accountable to operating in line with the Five Principles set out in this document. Our suppliers are required to operate under a sustainable sourcing policy in line with our Principles, and to present a signed commitment to Upfield's Sustainable Palm Oil Policy. We hold companies responsible for compliance at group level.
- ii. **Sustainable at all stages of development:** During the land-mapping process prior to new development of plantations, we require suppliers and growers to adhere to Upfield's Responsible Sourcing Policy and the principles of FPIC.
- iii. **RSPO compliance:** Our suppliers must hold RSPO membership or equivalent and all new developments must adhere to the RSPO New Planting Procedure or equivalent.
- iv. **Planning for compliant behaviour:** For key suppliers, we require active engagement strategies on their approach to comply with the Five Principles across their operations, their mechanisms for delivering Upfield's target, including certified volumes, and joint approaches to sector-wide transformation.
- v. **Third-party verification:** Upstream suppliers are required to provide independent third-party verification that the palm oil supplied to Upfield meets the Five Principles if those sources are deemed to be high risk.
- vi. **Random audits:** Upfield retains the right to randomly verify all elements of this policy pertaining to its suppliers.

b. Traceability to known sources.

- i. **Traceability target:** Upfield is committed to ensuring 100% traceability for all of the crude palm oil and derivatives that we buy.
- ii. **Defining traceability:** Traceability is defined as the ability to trace back to a known mill and catchment area.
- iii. **Rationale:** Mill locations are indicative of where palm fruit is processed and also where palm plantations are located. As a highly perishable fruit, fresh fruit bunches must be processed within 24 hours of harvest, which companies have estimated limits plantation sourcing to a 50 km radius around the mill (noting that this differs with road density and quality). Therefore, analyzing the area immediately surrounding a mill can reveal useful information regarding management practices of plantations that fall within its sourcing area, including from third party plantations, and associated and independent smallholders.

c. Risk assessment and verification.

- i. **Risk criteria:** A risk index is applied against six environmental factors:
 1. fire severity,
 2. extent of forest,
 3. recent deforestation,
 4. presence of peat,
 5. biodiversity of surrounding area, and

6. overall risk across these factors.

- ii. **High-risk areas:** If a mill and its surrounding catchment is deemed to be high risk, then on-the-ground verification by a trusted independent third party is required. The grievance process will come into effect when supplier non-compliance is identified.

d. Smallholders and women.

- i. **Supplier requirements:** Measures to drive positive impacts for smallholders and women must be included in key supplier engagements.
- ii. **Smallholder Strategy:** Upfield's Smallholder Strategy will complement the implementation of this Policy.
- iii. **Supporting smallholders:** Upfield commits to support increased yields and incomes for smallholders included in key supplier roadmaps and will develop a specific Smallholder Implementation Program.
- iv. **Women:** Upfield commits to actively prioritize suppliers with mechanisms in place to eliminate gender discrimination in the workplace.
- v. **No child labour:** Upfield has a zero-tolerance policy against child labour as prohibited by international standards and relevant national laws. Child labour shall not be used in any stage of our supply chain, and it should be considered a serious criminal act. Upfield respects and supports children's rights as articulated in the UN Convention on the Rights of the Child.
- vi. **Research:** Upfield will facilitate research into agricultural methods to improve biodiversity and yields for smallholders and support educational projects to promote the practical use of these methods.

e. Compliance and Grievances.

- i. Upfield will be transparent about its progress and provide publicly available information on an annual basis, including planned actions for the implementation of this Policy, supported by independent assurance.
- ii. Under our Grievance Policy, we commit to both internal and external investigation of supplier organizations. We commit to suspending partnerships with companies found to be in breach of our Principles and commitments.
- iii. We will support non-compliant companies to develop an action plan to avoid future non-compliances. We monitor the progress of these action plans closely before deciding whether to continue sourcing from companies who have violated our Principles.
- iv. Upfield commits to the responsible handling of all complaints of breaches of these Five Principles identified in our supply chain.
- v. Upfield's Grievance Procedure sets out our procedure for addressing allegations of supplier non-compliance with our Policy.