

# Responsible Palm Oil Sourcing Policy

## SUS 1

March 2025 | Version 4.0



## 1. Overview

The history of palm oil stretches back thousands of years, with the oldest record of its use dating from 3,000 BC<sup>1</sup>. Modern day applications of palm oil are diverse, with the largest percentage of usage in the consumer goods sector, but also growing usage as biofuel. From a sustainability standpoint, palm oil is a highly productive crop per hectare of production. Palm oil also has unique properties as a food ingredient, in terms of the performance, texture and taste it offers. 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.

Flora Food Group shares these concerns. We ensure that the palm oil used in our products is not only sustainably sourced, but that Flora Food Group helps drive transformational change in the palm oil sector. This policy outlines our commitment to meeting the expectations of our consumers, stakeholders, and Flora Food Group employees, including:

- As a member of the Roundtable on Sustainable Palm Oil (RSPO), we aim to maintain 100% RSPO certified palm oil (Segregated or Mass Balance);
- Alongside our commitment to sourcing 100% of our palm oil from RSPO-certified sources (Segregated or Mass Balance), Flora Food Group ensures that the palm oil in our supply chain is traceable and publicly identified;
- Flora Food Group sources Mass Balance and Segregated palm oil today. Flora Food Group will continue to make progress to increase proportion of Segregated palm oil as availability of volume and type of palm oil supply increases;
- We work with our suppliers to verify that palm oil production meets our policy requirements, including no deforestation, no conversion of natural ecosystems, limiting climate change impacts and respect for human rights. We work with key stakeholders, NGOs, communities and governments to continuously improve our responsible sourcing practices;
- We engage with smallholder farmers and the communities around them to support improvements in their productivity and incomes;
- We are transparent and open about our commitments with consumers, retailers, partners and society by publishing and reporting details of our supply chain; and
- We work with our NGO partners and civil society to advocate for ongoing transformation in the palm oil sector.

Flora Food Group's Responsible Palm Oil Sourcing Policy (hereafter the Policy) articulates the detail behind these goals.

## 2. Flora food group's use of palm oil, commitment and rationale for the policy

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

Palm oil is a key ingredient in the Flora Food Group 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, producing a very high yield per hectare of production. Therefore, Flora Food Group supports the use of sustainable palm oil, when sourced responsibly.

The Policy applies to all of the palm oil Flora Food Group buys, including crude palm oil, palm kernel oil, derivatives and fractions throughout all of Flora Food Group's 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 Principles. We require suppliers to comply with our Principles throughout their operations.

### 3. Our principles

#### Overview

Our Policy is underpinned by our belief that as a leader in our categories, we have a responsibility to build a sustainable and responsibly sourced palm oil supply chain. In this context, we are committed to meeting and 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 to which Flora Food Group is committed, in line with the UN Global Compact principles.

Flora Food Group follows the Accountability Framework Initiative's (AFi) definitions.

#### 1. No deforestation or conversion of natural ecosystems<sup>2</sup>

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

As regards deforestation and conversion, we apply a cut-off date of 1st July 2018, which was the date Flora Food Group was created. In sourcing areas with earlier cut-off dates stipulated through regional or national legislation, certification requirements or pre-existing sector-wide alignment these supersede Flora Food Group's cut-off date.

#### 2. No new 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.

<sup>2</sup> Further context and detail is included in our Position on Eliminating Deforestation

### **3. No exploitation of people or communities**

- a) Adherence to Flora Food Group's Responsible Sourcing Policy and Human Rights Policy, which stipulate mandatory requirements on human rights and protection of workers, with particular attention to be paid to migrant, and other vulnerable workers on plantations, in line with the UN Guiding Principles, ILO Core Conventions, the UN Global Compact Principles, and Universal Declaration of Human Rights.
- 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) We require our suppliers to address and eliminate any potential violence and threats against Forest, Land and Human Rights Defenders.
- d) No child labour.
- e) Responsible handling of complaints or breaches identified using generally accepted grievance procedures or conflict resolution, facilitated by a third-party agency.
- f) Responsible development of new land areas, which does not result in 'land grabbing' practices.
- g) Flora Food Group 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.

### **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 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.

### **5. Transparency and Advocacy**

- a) We only work with suppliers who are transparent about their supply chains. We require the following of our suppliers:
  - i. Disclose to Flora Food Group any complaints made;
  - ii. Report to Flora Food Group any breaches of the Responsible Palm Oil Sourcing Policy;
  - iii. Disclose to Flora Food Group any new plantings; and
  - iv. Apply the above commitments in regard to palm oil sourcing at "group level,"
- b) Flora Food Group expects suppliers to adopt the methodology outlined in the HCS Approach Toolkit when implementing Flora Food Group's, and their own, commitments to no deforestation.
- c) Flora Food Group expects suppliers to monitor mill catchment areas using geo-mapping or other evidence-based methods to ensure no-deforestation targets are met.
- d) We act in accordance with governance and reporting, third party auditing, adhering to GRI standards and aligned with the Accountability Framework Initiative.

- e) We operate with a commitment to transparency and openness with consumers, retailers, partners, etc.
- f) We 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.

#### 4. Targets

In order to ensure that our Principles on Responsible Palm Oil Sourcing laid out in this document are met, we have put in place a set of tangible targets to track our progress against.

- a) **RSPO membership:** We are a member of the Roundtable on Sustainable Palm Oil (RSPO). This commits Flora Food Group 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% RSPO-certified palm oil:** Our target is to maintain a supply chain that is 100% RSPO Segregated or Mass Balance certified;
- c) **No-deforestation:** We have committed to eliminating deforestation across primary deforestation-linked commodities — including palm — with a target date of no later than December 31, 2025;
- d) **Traceability:** Alongside our commitment to sourcing 100% of our palm oil from RSPO-certified sources, Flora Food Group ensures that the palm oil in our supply chain is traceable to known origins to a catchment area of mills;
- e) **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.;
- f) **Offering choice:** As a consumer-orientated business we are driven to providing our consumers with choice, including products with and without palm oil;
- g) **Research and development:** We will continue our research and development efforts for new, natural, sustainable ingredients and oils that may offer the same or better functionality, taste, nutrition or environmental impact; and
- h) **Legally compliant:** As a baseline, we always require that our supply chains comply with all applicable local laws and regulations.

#### 5. Implementation action plan

##### a) Supplier requirements and commitments

- i. **Supporting our Principles throughout our supply chain:** Flora Food Group holds suppliers accountable to operating in line with the 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 Flora Food Group's Responsible Palm Oil Sourcing 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 Flora Food Group's Responsible Sourcing Policy, Human Rights Policy and the principles of FPIC.
- iii. **RSPO compliance:** Our suppliers must hold RSPO membership and certification and all new developments must adhere to the RSPO New Planting Procedure or equivalent.
  - iv. **Supplier engagement:** For key suppliers, we require active engagement strategies on their approach to comply with our Principles across their operations, their mechanisms for delivering Flora Food Group's target, including RSPO-certified volumes, and joint approaches to sector-wide transformation. Through partnerships with our suppliers, Flora Food Group develops timebound action plans to address non-compliance with our Policy.
  - v. **Third-party verification:** Upstream suppliers are required to provide independent third-party verification that the palm oil supplied to Flora Food Group meets our Principles if those sources are deemed to be high risk.
  - vi. **Random audits:** Flora Food Group retains the right to randomly verify all elements of this policy pertaining to its suppliers.

#### b) Traceability to known sources

- i. **Traceability target:** Flora Food Group is committed to ensuring 100% traceability for all of the ingredients derived from palm oil 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 limits plantation sourcing to an estimated 50 km radius around each mill (noting that this differs with road density and quality). Therefore, analysing 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. **Satellite monitoring:** We use imagery and data from satellite monitoring to assess deforestation risks and the impact and severity of cases. This informs our case prioritisation and engagement with our direct suppliers.
- 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) Enhance livelihoods

- i. **Supplier requirements:** Measures to drive positive impacts for smallholders and women must be included in key supplier engagements.
- ii. **Supporting smallholders:** Flora Food Group commits to support increased yields and incomes for smallholders included in key supplier roadmaps and will develop a specific Smallholder Implementation Program.

- iii. **Women:** Flora Food Group commits to actively prioritise suppliers with mechanisms in place to eliminate gender discrimination in the workplace.
- iv. **No child labour:** Flora Food Group 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. Flora Food Group respects and supports children's rights as articulated in the UN Convention on the Rights of the Child.
- v. **Research:** Flora Food Group 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 Grievances

- i. Flora Food Group 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 suppliers. After pursuing improvement via time-bound action plans, we commit to suspending partnerships with companies found to be in breach of our Principles and commitments, in the case that sufficient improvements are not made.
- iii. We will support non-compliant companies to develop an action plan to avoid future non-compliances. We expect non-compliant companies to ensure that restoration and / or compensation is provided. We monitor the progress of these action plans closely before deciding whether to continue sourcing from companies who have violated our Principles.
- iv. We apply a cut-off date for compliance purposes of 1st July 2018, which was the date Flora Food Group was created.
- v. Flora Food Group commits to the responsible handling of all complaints of breaches of our Principles identified in our supply chain.
- vi. Flora Food Group's Grievance Procedure sets out our procedure for addressing allegations of supplier non-compliance with our Policy.

## 6. Governance

Flora Food Group's Chief Procurement Officer and Chief Sustainability Officer are responsible for implementing our Responsible Palm Oil Sourcing Policy.

The Compliance Committee includes representatives of Flora Food Group's Board and Executive Committee is involved in the approval process for our Responsible Palm Oil Sourcing Policy. The Compliance Committee is accountable for Flora Food Group's policy framework.

## 7. Related documents

- Responsible Sourcing Policy
- Human Rights Policy
- Grievance Tracker (Commodities)
- Palm Oil Mill List
- Business Partner Code of Conduct

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