



FOR A ZERO DEFORESTATION AND CONVERSION PALM OIL

Lactalis Palm Oil Sourcing Policy





01. OUR VISION

Forests are essential in the regulation of carbon, water and nutrient cycles. The role of forests as sanctuaries of biodiversity and as providers of ecosystemic services cannot be underestimated. Their protection must be a priority. The production of agricultural and forestry commodities such as soybean, palm, coconut and many others is responsible for nearly three-quarters of the destruction of tropical forests, which affects people, ecosystems species and emits greenhouse gases through desequestration¹. Lactalis acknowledges the importance of preserving forests to safeguard livelihoods for communities depending on forests, to preserve biodiversity and mitigate Climate change.

Palm oil is the world's most produced, consumed and traded vegetable oil and the demand for it keeps increasing.

This commodity is a very efficient crop and contributes to rural development in many regions of the world when produced sustainably. However, an inappropriate management of the plantations can cause deforestation, conversion, biodiversity loss, and contribute to Climate change².

Lactalis is committed to tackling deforestation, conversion and human rights abuses by being transparent and responsible regarding its commodities and particularly through this document, its palm oil sourcing.



(1) Lawson, S., 2014. Consumer Goods and deforestation: An analysis of the extent and nature of illegality in forest conversion for agriculture and timber plantations.

(2) https://www.panda.org/discover/our_focus/food_practice/sustainable_production/palm_oil/

02. OUR GUIDING PRINCIPLES

We as Lactalis have a direct and indirect impact on forest footprint and biodiversity.

Our target is to eliminate deforestation and conversion in the supply chain by mapping and addressing deforestation risks in the supply chain with action-oriented purchasing policies with our suppliers and initiatives with our partnering farmers. We redacted this policy basing ourselves on the Accountability Framework initiative and on three guiding principles:

Palm oil could be an opportunity:

The world demand for vegetable fat has been consistently growing and with it, the need for more cultivable land. We believe that despite its potential negative impacts, palm products offer an opportunity when managed properly. As an example, the oil yield of palm fruit is 8 times higher than soybeans³. In that way, palm fruits effectively reduce the need for cultivable land.

Palm oil is a good source of palmitic acid which accounts for roughly a quarter of the fatty acid content of breast milk and can be beneficial in some of our formulas. Palm oil also contains oleic and linoleic acids and is an excellent source of vitamin A and vitamin E which are beneficial when part of a diversified and balanced diet.

Reducing our impact through certification and transparency:

This opportunity is only realistic if we reduce the risk of deforestation linked to the production of palm oil and derivatives. To achieve this goal, we will lean on the expertise developed by recognized certification organisms such as the Roundtable on Sustainable Palm Oil (RSPO) and partner up with NGOs to evaluate and mitigate the risks linked to our purchases and usage.

Responsibility beyond deforestation and conversion:

We believe that the production of palm oil can have additional negative externalities other than deforestation and conversion, and this is why we want to go beyond and promote the respect of workers and human rights. We aim for a palm oil production free from exploitation and respectful of the local communities.

(3) RSPO Guide on «Promoting The Growth And Use Of Sustainable Palm Oil».

03. OUR APPROACH & AMBITIONS

1. MITIGATING DEFORESTATION AND CONVERSION

Lactalis direct purchases and usage of palm oil and derivatives account for less than 0.02% of the world production of palm oil (or about 15 500T)⁴. While being a small direct consumer of palm oil, Lactalis implements policies and actions to curb its direct forest footprint through sustainable purchases of traceable palm oil.

Lactalis is engaged in purchasing traceable palm oil & derivatives volumes covered by mass balance or segregated certifications. We have been a RSPO member since 2010 and have continually increase our certification coverage. On the last two years, we have increased our RSPO certified volumes from 39% in 2020 to 53% in 2021.

We plan to reach 87% by the end of 2022, 20% of which will be Segregated. This «Segregated» certification ensures that palm oil from different certified sources is kept separate from conventional palm oil throughout the supply chain.

As part of our new supplier specifications, we will not accept palm oil coming from converted land parcels that do not follow RSPO Principle and Criteria⁵:

- **No new development on peat regardless of depth**
- **No conversion of High Conservation Value (HCV) areas**
- **No conversion of High Carbon Stock (HCS) forests**

Additionally to purchasing RSPO certified palm oil, we will go one step further to ensure the traceability of the palm oil we use. By the end of 2022, we will release a public list of mills that produce oil for us, and be transparent on the regions from which our partnering suppliers source this commodity. This process, will allow us to identify mills that would not be in line with our commitments.

We expect from our suppliers the same level of engagement and transparency to ensure the protection of forests and other ecosystems.

OUR AMBITIONS⁶

- **100% of the palm oil and derivatives we purchase in Europe and SANULAC⁷ will be RSPO Segregated certified by December 2023**
- **100% of the palm oil and derivatives we purchase will be RSPO Mass Balance or Segregated certified by December 2025**
- **100% of the palm oil and derivatives we purchase will be traceable up to the mill by December 2025**

(4) Based on Lactalis 2020 volumes of purchased palm oil, excluding Egypt.

(5) For more information, see <https://rspo.org/resources/certification/rspo-principles-criteria-certification>

(6) For all ingredients containing palm oil and derivatives labelled as fat used for food and feed finished products manufactured by Lactalis and used for indirect SANULAC Co-Manufactured products excluding Egypt and other co-manufacturers at this stage. All acquisition since 2020 excluded at this stage.

(7) SANULAC is Lactalis's international business unit dedicated to infant formulas and specific nutrition products.



2. PROTECTING THE RIGHTS OF WORKERS AND LOCAL COMMUNITIES

We know that the potential impacts of palm oil production can go beyond deforestation and conversion, affecting human lives. As such we want to make sure that the rights of workers, indigenous peoples and local communities are respected. We notably aim for a palm oil free from forced or compulsory labour, child labour and from discrimination.

We also want to ensure the application of the principles of Free, Prior and Informed Consent (FPIC) to safeguard the protection and promotion of the rights of indigenous peoples and vulnerable communities.

To reach these ambitions, we will rely on RSPO audits and grievance mechanisms, as well as on Sedex memberships.

OUR AMBITIONS⁶

- 100% of our direct suppliers will be RSPO certified by December 2025
- 100% of our direct suppliers will be at least Sedex self-assessed by December 2025
- We will set up a grievance hotline by 2026

3. GOING BEYOND THE SUPPLY CHAIN TO REDUCE OUR IMPACT BY SUPPORTING SMALLHOLDERS & RESTORING FORESTS

We know that «smallholders», small-scale farmers, contribute greatly to the global production of palm oil and derivatives. We want to include them in our supply chains and improve their livelihoods through fair and transparent partnerships.

We acknowledge that the culture of palm trees is a way for many to alleviate poverty. We want to enable smallholders to adopt responsible and sustainable production practices by funding related programs to raise awareness on these topics.

Additionally, we believe that we can go one step further by partnering up with companies and associations in landscaping projects with the following purposes: help restoring eco-systems, allowing biodiversity more natural space, and helping mitigating Climate change.

OUR AMBITIONS⁶

- We will participate in at least one initiative to support smallholders on a yearly basis⁸
- We will participate in at least one initiative to support reforestation on a yearly basis⁸

(8) Starting in 2023



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