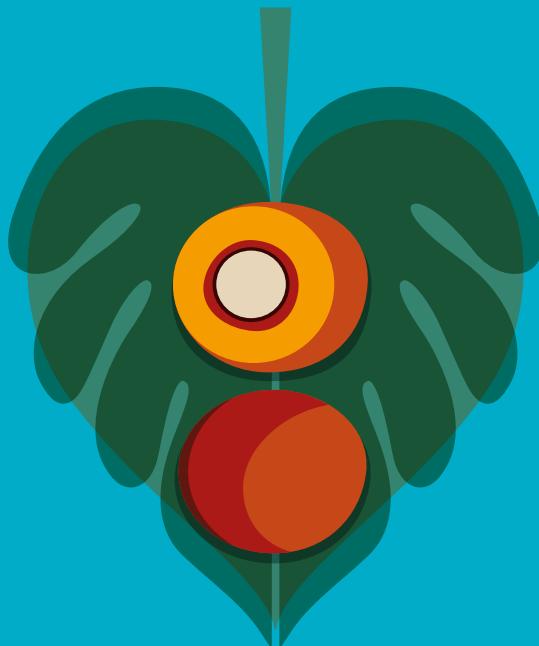


SUSTAINABLE PALM OIL PROGRESS
REPORT 2018

Shaping a tasty future responsibly





INTRODUCTION

Palm oil (PO) is made from the pulped fruit of the palm tree, originally found in West Africa but now cultivated in many tropical regions around the world, including Indonesia and Malaysia. This fruit has the size of a large olive and it gets its reddish colouring from its high beta-carotene content. It has a single seed or kernel, which is pressed to produce palm kernel oil (PKO). Palm oil and palm kernel oil differ in their fatty acid composition, with the former used as a food ingredient in most parts of the world and the latter by the oleochemical industry as a raw material.



In Europe, palm oil is used primarily as biofuel, with the food and non-food industries the next biggest consumers.

Meanwhile, in the tropical belt of Southeast Asia, Africa and parts of South America, the product is used as a common cooking fat. It is also used by the food industry worldwide as an ingredient due to its excellent sensory characteristics and functional properties. Because of its higher melting point, palm oil is naturally solid at 20°C and lends a pleasant,

smooth and creamy texture to the final product.

In other words, palm oil provides a delicious taste and it has a balanced fat composition.



**WITH 69 MILLION TONNES
OF PALM OIL USED IN 2018 ALONE,
GLOBAL DEMAND HAS INCREASED
SIGNIFICANTLY IN RECENT YEARS,
AND IS RISING STILL**

Simply put, no other alternative edible vegetable or animal oil with the same functional properties exists in this quantity. It is also an extremely efficient crop, allowing up to 10 times more production per hectare than other vegetable oils.

This high level of output has seen the palm oil industry become a major driver of economic growth in many countries. Indonesia and Malaysia account for more than 90% of the global supply.

However, the economic benefits of palm oil often come at a major social and environmental cost. Palm oil cultivation is associated with the loss of tropical forest habitats, which contain more than half of the earth's plants and animal species. Peatlands drained for palm oil expansion have led to fires and haze in Southeast Asia, damaging the health of local people and ecosystems, and impacting the climate. Labour disputes and conflicts with local communities are also endemic within the product's supply chain. Add to these the smallholders, who supply just under half of the world's palm fruit and whose livelihoods are vulnerable to economic and environmental changes.

VANDEMOORTELE IS STRONGLY COMMITTED TO SUSTAINABLE PALM OIL.

In 2014, we published our Palm Oil Sourcing Charter, with ambitious targets for zero-deforestation and zero-exploitation palm oil sourcing. This report summarizes the progress made in 2018 towards meeting the terms of our Charter.

Our 2018 objectives and results

**2018****RSPO CERTIFIED PALM OIL**

Maintain **100%** sourcing of RSPO certified palm oil for our customer brands.

**IN 2018,
WE USED 43,262
TONS OF PALM OIL
in our consumer-branded products.**

100% of the oil for these products is RSPO certified. We make use of three systems: RSPO Credits, Mass Balance and Segregated.

PALM OIL TRACEABILITY

Maintain **100%** traceability up to the mill level* in our palm oil supply chain.

**IN 2018,
WE ACHIEVED
98,5% TRACEABILITY
BACK TO MILL
for all palm oil purchased for
our consumer, and private,
branded products.**

*Mill traceability is achieved if the following information is available: mill parent company, mill name, mill coordinates, and mill RSPO status.

ENGAGEMENT AND MONITORING OF OUR SUPPLY CHAIN

Supplier engagement is the process we use to make sure our suppliers are operating in compliance with our **Palm Oil Sourcing Charter**.

We put focus on our strategic suppliers, closely following their progress against our commitment. We also continue to follow up on any sustainability issues involving our direct suppliers.

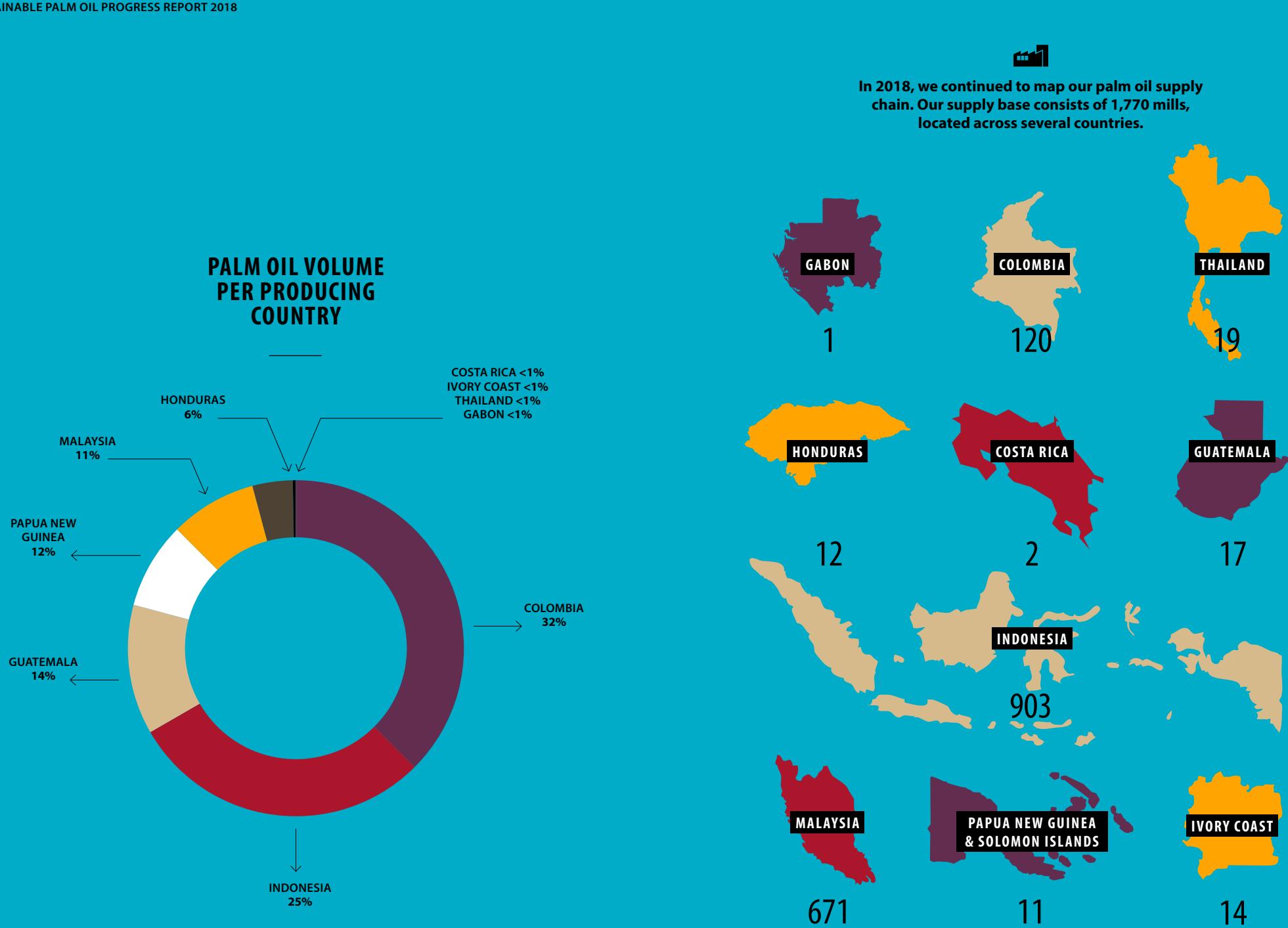
A direct, regular dialogue is maintained to monitor how our suppliers are managing and resolving these issues. We track our suppliers' improvements year by year with the use of a specific tool: an online questionnaire platform for suppliers. Suppliers are able to inform us of their progress in terms of their commitment, traceability levels, implementation plans, grievances, or monitoring systems.

Almost **100%** of our purchased palm oil volumes are covered by suppliers committed to a NDPE (no deforestation, no peat, no exploitation) policy, in line with our **Palm Oil Sourcing Charter**.

In line with our Palm Oil Sourcing Charter, **100%** of our purchased palm oil volumes are sourced from suppliers committed to a "**No Deforestation, No Peat, No Exploitation**" (NDPE) policy.

To help implement our commitment, **VANDEMOORTELE** is working with **Earthworm Foundation**, formerly known as The Forest Trust, which has extensive experience helping companies to manage and source raw materials responsibly.





Together with our strategic suppliers, we are identifying possible risk areas within our palm oil supply chain, so that we can engage in transformation projects to strengthen our impact on the ground.

SINCE 2018

VANDEMOORTELE has been supporting a field programme in Indonesia run by the local Earthworm team: **The Areas for Priority Transformation Programme**, or Areal Prioritas Transformasi in the local language, Bahasa Indonesia. The project is currently active across three regions, where Indonesia's precious tropical forests are under threat due to expanding agriculture, which is in turn critical for much-needed economic development

YULIA

Indonesia field team member,
Earthworm:

"WE WANT TO DESIGN STRATEGIC INTERVENTIONS FOR COMMUNITY-BASED CONSERVATION USING A PARTICIPATORY APPROACH WHILE ALSO OFFERING ALTERNATIVE LIVED OPTIONS TO SMALLHOLDERS."

APT IS WORKING TOWARDS
FIVE KEY OBJECTIVES:

1. FOSTERING

local government leadership in economic and spatial planning

2. INTRODUCING

conditions that will stop deforestation inside oil palm concessions

3. PREVENTING

deforestation outside concessions by forming community-based conservation plans and providing alternative livelihood options

4. STRENGTHENING

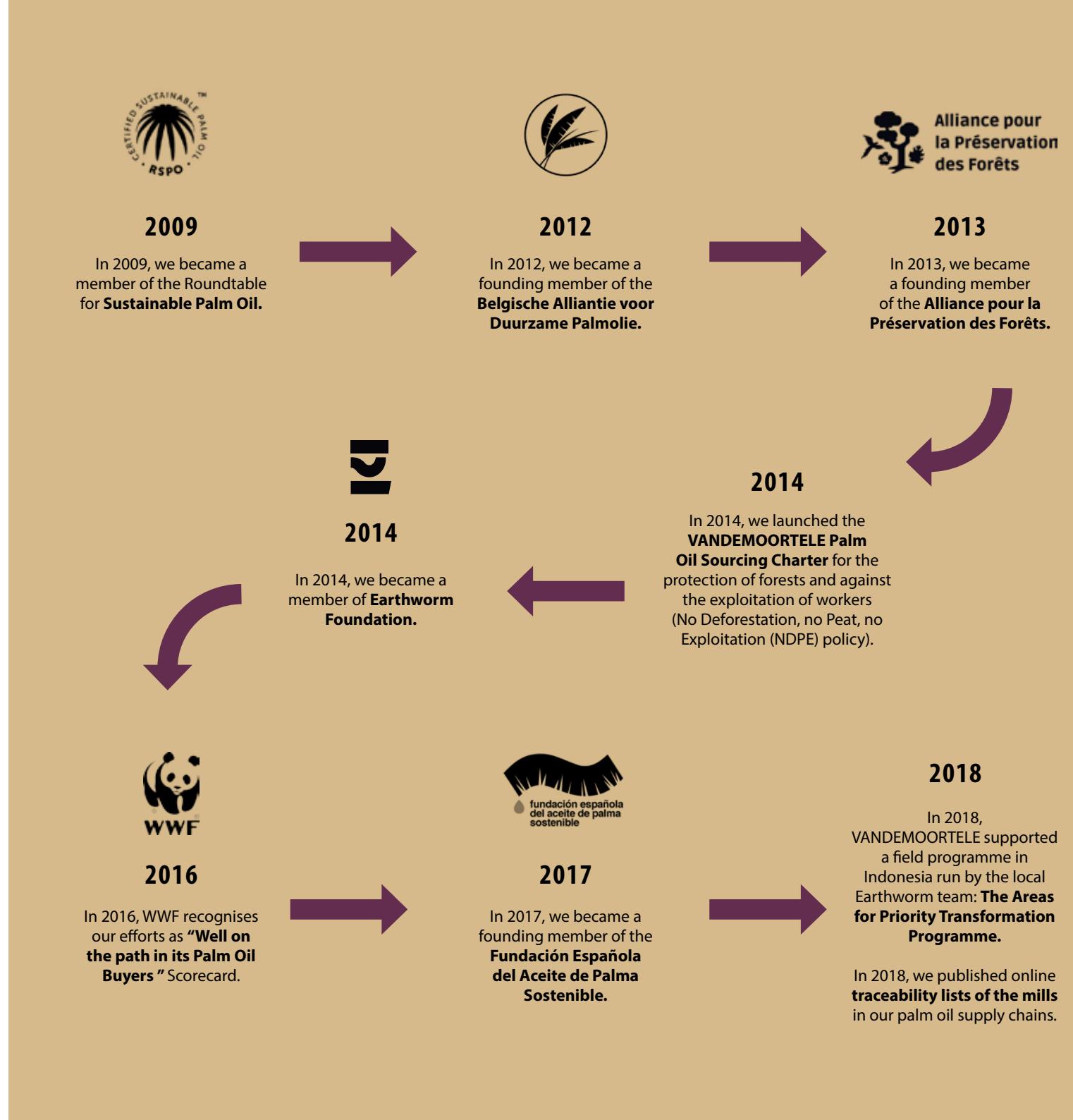
current mill and plantation practices with a view to implementing or improving NDPE commitments

5. FINDING

innovative ways to monitor and evaluate progress and impacts in real time

PARTICIPATION IN PALM OIL SECTOR INITIATIVES

Although palm oil can be grown on relatively small areas of land, the intensive level of production in recent years has led to natural forests being cleared, threatening biodiversity and increasing the exploitation of the local population. We recognise the urgent need to steer the palm oil industry back in the right direction. In light of this, we have developed long-term partnerships with various organisations committed to raising awareness of these issues within the industry. For the same reason, we continue to play an active role in initiatives promoting the use of sustainable palm oil around the world.





Outlook 2019 and beyond

BY 2020

Our core objective remains a deforestation- and exploitation-free palm oil supply chain by 2020.

**WE WILL MAINTAIN
100% SOURCING
OF RSPO-CERTIFIED
PALM OIL**

for our consumer brands.

**WE WILL
CONTRIBUTE TO WORK
TOWARDS ACHIEVING
100% TRACEABILITY
BACK TO MILL.**

**WE WILL CONTINUE
TO CONTRIBUTE TO THE
TRANSFORMATION**

on the ground by co-financing the landscape APT programme in Indonesia.

**WE WILL CONTINUE
TO SUPPORT AND
PARTICIPATE IN
INITIATIVES**

that support the uptake of sustainable palm oil in Europe.

Our KPI's



KEY PERFORMANCE INDICATORS

KPI	TARGET	STATUS 2018	APPROACH
Certified sustainable palm	100% by 2015	100%	For our consumer brands we use 100%-certified sustainable palm oil .
Traceability to the mill for palm oil	100% by 2015	98,5%	98,5% of the palm oil we buy can be traced back to its source.
Suppliers' commitment	100% by 2020	100%	100% of our volumes are covered by suppliers committed to a NDPE policy.



**READ MORE ABOUT VANDEMOORTELE'S
SUSTAINABLE DEVELOPMENT**

www.vandemoortele.com/en/sustainable-development

**READ VANDEMOORTELE'S SUSTAINABILITY
REPORT**

www.vandemoortele.com/sites/default/files/2019-03/Sustainability_Report_2018_DIGITAL.pdf

**VISIT VANDEMOORTELE'S PAGE ON
EARTHWORM FOUNDATION**

www.earthworm.org/members/vandemoortele

**CHECK OUT VANDEMOORTELE'S
RSPO CERTIFICATE AND ANNUAL
COMMUNICATION ON PROGRESS**

www.rspo.org

**FIND MORE FACTS AND FIGURES ABOUT
PALM OIL**

www.duurzamepalmolie.be

Belgian Alliance for Sustainable Palm Oil

www.alliance-preservation-forets.org/

French Alliance for Forest Preservation

www.taskforceduurzamepalmolie.nl

Dutch Alliance for Sustainable Palm Oil

www.aceitedepalmasostenible.es/

Spanish Alliance for Sustainable Palm Oil