

A photograph of a man in a palm oil plantation. The man is shirtless, wearing blue shorts and a blue cloth tied around his waist. He is standing in a field of young palm trees, holding a long metal tapping knife against the trunk of a larger, mature palm tree. The background is filled with lush green palm fronds and vegetation.

SUSTAINABLE PALM OIL PROGRESS REPORT 2020

Shaping a tasty future sustainably



“We want to do what is right and we feel responsible for what happens in our whole supply chain.”

Introduction

Food has a big impact on the ecological footprint of our society. How our food is cultivated, sourced and produced affects our soils, our natural habitats and water systems, our climate and our air. The current food system challenges the limits of our planet through deforestation and degradation of soil and biodiversity. Vandemoortele is aware of its **ecological responsibility as a food company**. We want to do business in a way that allows us to sustain our activities for years to come.

Vandemoortele is also committed to responsible business conduct. We **support economic, social and environmental sustainability** and we respect and protect our associates. We conduct our business lawfully and with integrity. By collaborating with farmers, suppliers and local communities, we aim to tackle environmental and social problems that exist in the upstream supply chain.



Balanced nutrition



Protecting nature



Enhancing lives

Sustainable palm oil industry

Palm oil plays a significant role in the taste and structure of our food products. Moreover, it has a high yield per hectare compared to other vegetal oils. That's why we **use palm oil in both our business lines** (bakery products and margarines, culinary oils and fats) and we will continue using it. But we actively contribute to a more sustainable palm oil industry and strive to reduce the ecological and social risks linked to palm oil sourcing. This is a priority for us, as the palm oil industry has been subject to significant criticism over the last few years.

Not only does the sourcing of palm have negative impacts like deforestation, decline of biodiversity and exploitation of local farmers, but the supply chain of palm oil is also very complex, making it less transparent for buyers.



Sustainable at heart

All our products are the result of a well-researched balance between **taste, quality, nutrition and sustainability**. We want to do what is right and we feel responsible for what happens in our whole supply chain. In 2020, we took a big step by launching a new sustainability strategy for the period 2021-2025, building on the achievements of our previous strategy.

Today we put **sustainability at the heart of our business**. We apply sustainability principles to our production processes, our working and management standards, our company culture, our attitudes inside and outside the company, and – not least – our consumer and professional brands and products. Business success should not be at the expense of the wellbeing of humans, animals or the environment. Moreover, we choose to do more than we legally

need to. Our ambition is to set the trend and to become a leader among peers. We realize that there is still a way to go, but we are proud to be shaping a future that is both tasty and sustainable.

Goals and commitments

Our new sustainability strategy sets three main goals: **Balanced nutrition, Protecting nature and Enhancing lives**. Our three goals are underpinned by twelve commitments that support our social, environmental and economic performance across the value chain. We make our ambitions achievable by expressing specific targets per commitment. This approach is in line with our aim to focus on those areas where we can have the most meaningful impact. One of our commitments is to source responsibly and to manage our supply chain carefully.





The context

Palm oil (PO) is an edible vegetable oil obtained from the pulped fruit of oil palms. Originally, palm trees were found only in West Africa, but now they are cultivated in many tropical regions around the world, including Indonesia and Malaysia, where 85% of the global palm oil supply is produced. The palm tree fruit has the size of a large olive and gets its reddish color from the high beta-carotene content. Palm kernel oil (PKO) is obtained by pressing the single seed or kernel contained in the fruit.

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 used by the oleochemical industry as a raw material. In Europe, palm oil is used primarily as biofuel: almost two-thirds of palm oil consumed in the EU is burned as energy. The next biggest consumers are the food and oleochemical industries. Meanwhile, in the tropical belt of Southeast Asia, Africa and parts of South America, palm oil is used as a common cooking fat.

Advantages of palm oil

The food industry prefers palm oil to alternative ingredients because of its **excellent sensory characteristics and functional properties**. Its higher melting point makes palm oil naturally solid at 20°C, lending a pleasant, smooth and creamy texture to many food products. When comparing the productivity of different vegetable oils (like soy, coconut, sunflower, rapeseed and palm oil), we see that palm oil has by far the **highest yield**, allowing up to 10 times more production per hectare than

other vegetable oils. Simply put, no other alternative edible vegetable or animal oil with the same functional properties exists in the same quantity.

Challenges

In the past, and still today, palm oil production has been at the detriment of nature. The best known impact of palm tree cultivation is deforestation: in almost 20 years we have lost 5.5 million ha of rainforest (twice the size of Belgium), which contained more than half of the Earth's plants and animal species. The draining of peatlands for palm oil expansion has led to fires in South East Asia, damaging the health of local people and ecosystems, and impacting the climate.

Among the social issues raised by palm oil production are land grabs from local communities, poor working conditions in plantations and extreme situations like forced labor or child labor. We believe that **awareness** of these issues is **the first step**, and we support various organizations that strive to create a **sustainable palm oil industry**.

Our 2020 achievements & 2025 ambitions

Sourcing certified palm oil

Vandemoortele joined the Roundtable on Sustainable Palm Oil (RSPO) in 2009. Since 2015, we have been committed to sourcing 100% certified sustainable palm oil for consumer and professional brands. We started by buying credits from RSPO-certified growers, crushers and independent smallholders. Last year, we decided to step up a gear: by 2025 we want all palm oil in our consumer and professional brands to be RSPO certified, at least at the level of the mass balance supply chain model. **In 2020, we reached 26% RSPO certified (minimum MB) palm oil.**

Improving traceability

Within our supply chain, more than 1,000 mills deliver palm oil to us, and each mill receives raw materials from different plantations. Full traceability is therefore a complex exercise and an ambitious goal to pursue. **In 2020, we could already trace 99% of our palm oil to the mill it came from.*** By 2025, that should be 100%. To aim even higher, we want to be able to trace 75% of our palm oil to the right plantation by 2025.**

* The % of traceability to mill is based on collected data and is achieved only if the following information is available: mill parent company, mill name, mill coordinates and mill RSPO status

** Traceability to plantation is based on our suppliers' scores.



NDPE policy

We require all **our key palm oil suppliers to have an NDPE policy** (No Deforestation, No Peat and No Exploitation). This policy is the starting point for a sustainable palm supply chain and describes the measures we need to take as an industry. Since 2017, 100% of our key palm oil suppliers have an NDPE policy.

Better grievances management

Every now and then, we receive a grievance that is linked to our supply chain. Until 2020, we handled such complaints ad hoc. **In 2021 we will draw up a grievance policy**, so we can deal with grievances in a structured way. We will also draft an action plan for every relevant complaint. By 2025, we want to reach 100% verified palm grievances with an action plan.

Dialogue with suppliers

In 2020, we carried out our second EPI survey (Engagement Policy Implementation), provided by Earthworm Foundation. The survey is conducted on an annual basis about our suppliers' NDPE practices, from traceability and transformation on the ground to grievance mechanisms. It served as a starting point for a positive dialogue with our palm oil suppliers to pilot the implementation of NDPE commitments across our supply chain, and to foster continuous improvement.

What is a grievance?

The word grievance refers to a formal complaint regarding an unfair treatment. We talk about grievances regarding the palm oil supply chain when transgressions are established against our NDPE policy (No Deforestation, No Peat and No Exploitation).

How do you deal with such issues?

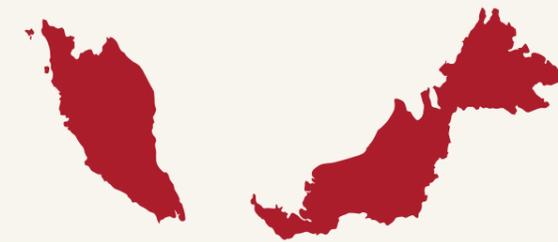
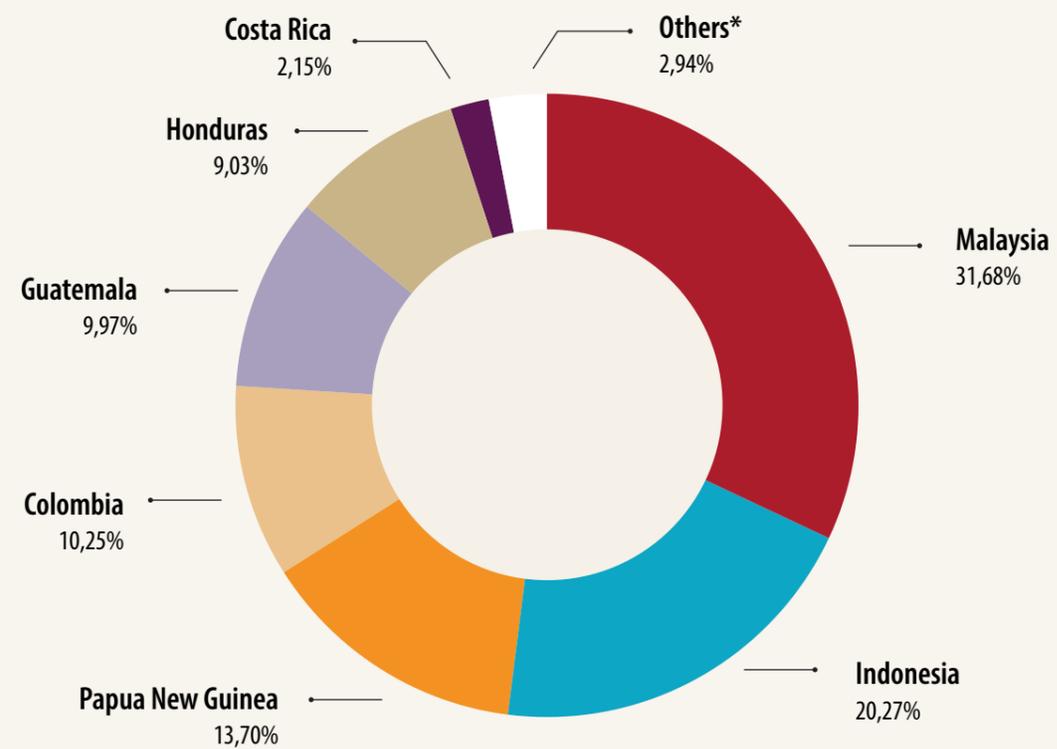
We are developing our own grievance mechanism. This is a structured process to tackle issues and NDPE transgressions along the supply chain.

Why do you need an action plan for grievances?

As a company we aim to manage our supply chain responsibly. Being committed to the NDPE policy, we have to take actions to maintain our compliance. One of the last steps of our grievance mechanism is to formulate an action plan to solve the raised grievance.

Palm oil volume per producing country

In 2020, we continued to map our palm oil supply chain. Our supply base consists of 7,876 mills in the first semester and 3,102 mills in the second semester of 2020, located across several countries.



MALAYSIA	
S1	S2
38%	24%



PAPUA NEW GUINEA	
S1	S2
14%	13%



INDONESIA	
S1	S2
26%	12%



COLOMBIA	
S1	S2
9%	12%



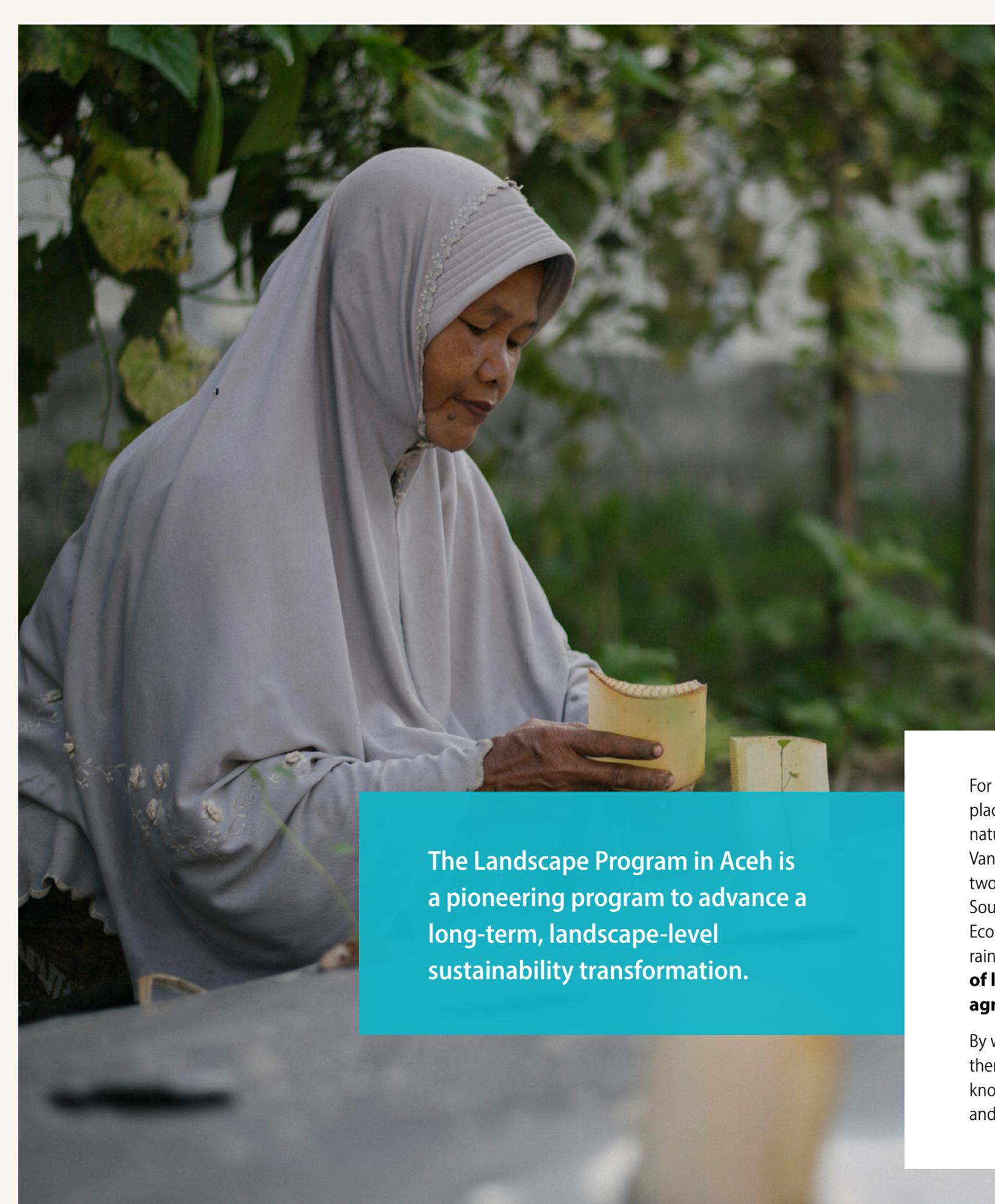
GUATEMALA	
S1	S2
7%	14%



HONDURAS	
S1	S2
4%	16%

OTHERS	
S1	S2
2%	8%

Others include Nicaragua, Philippines, Ivory Coast, Gabon, Cambodia, Ghana, Panama, Solomon Islands, Peru, Brasil (*)



THE ACEH LANDSCAPE, INDONESIA

Supporting priority landscapes in our supply chain

Our efforts for a better future and a more sustainable palm oil industry are not limited to our offices. We reach out directly to local farmers in high-risk areas of our supply chain. Since 2018, Vandemoortele supports the Landscape Program in Aceh (Indonesia), an initiative of the Earthworm Foundation (EF).

The Landscape Program in Aceh is a pioneering program to advance a long-term, landscape-level sustainability transformation.

For Earthworm Foundation, Landscapes are places where collaboration enables to regenerate nature and improve people's lives. The program Vandemoortele supports has focused until 2020 on two priority areas in Indonesia: Aceh Tamiang and Southern Aceh. Both areas overlap with the Leuser Ecosystem, one of the largest unbroken tracts of rainforest in Southeast Asia. Both are also **in danger of losing their precious tropical forests to agricultural expansion.**

By working with local stakeholders to provide them with the right tools, capacity building and knowledge, the project aims to reduce deforestation and demonstrate to the world the feasibility

of balancing commodity production, forest conservation, sustainable livelihoods and good social and labour practices at scale.

To accomplish this, the program focuses on integrated land use planning, NDPE support and training for companies, and intensive capacity-building for local communities on the forest frontier.

In 2021, we will continue to co-finance the transformation work in the Aceh Landscape.



Key successes attained in the Aceh landscape

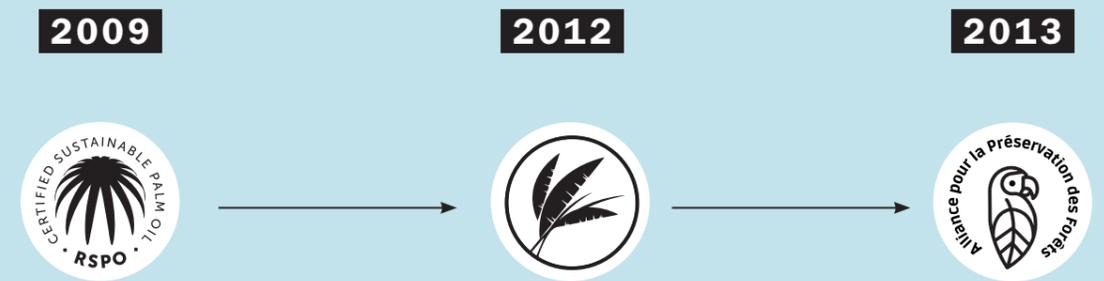


- A **52% drop in deforestation** since the beginning of the program in **Aceh Tamiang** (2016), and **71% in Southern Aceh** (2017). The decline is attributed to numerous factors including, but not limited to, the EF Aceh Program.
- **94% of palm oil plantations and mills provided with an NDPE policy** (No Deforestation, No Peat and No Exploitation) and implementation trainings in 5 thematic workshops (100% in Aceh Tamiang, 82% in Southern Aceh).
- **2,095 households directly impacted by Participatory Conservation Plans** in 5 forest frontier villages and 305 people trained through the Livelihood Program.
- **3 agricultural demonstration plots** providing continuous rural training opportunities.
- Working partnerships established with **2 district governments**, with the support of more than 20 private sector actors and contributors.



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. Considering 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.



Since **2009**, we have been a member of the Roundtable for Sustainable Palm Oil.

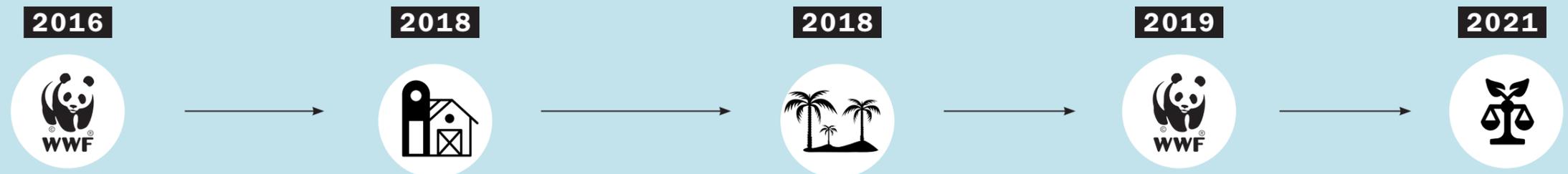
In **2012**, we became a founding member of the Belgian Alliance for Sustainable Palm Oil.

In **2013**, we became a founding member of the Alliance pour la Préservation des Forêts.



In **2014**, we joined Earthworm Foundation which works towards a palm oil cycle that respects both people and the planet, advises us on our corporate palm oil policy and strategy. Together with Earthworm and our suppliers, we seek to make a real difference on the ground, setting clear goals and taking concrete action.

In December **2014**, we launched the Vandemoortele *Palm Oil Sourcing Charter* for the protection of forests and against the exploitation of workers. This Charter expresses our commitment to using only 100% certified sustainable palm oil for our branded consumer products, while also ensuring that all the palm oil we buy can be traced back to its source.



WWF recognises our efforts as "Well on the path" in its Palm Oil Buyers Scorecard **2016**.

Since **2018**, we have published online traceability lists of the mills in our palm oil supply chains.

In **2018**, we participated in the landscape APT programme.

WWF recognises our efforts as "Well on the path" in its Palm Oil Buyers Scorecard **2019**.

In **2021** we signed the industry statement to call for a strong EU law to protect forests and natural ecosystems

Our KPIs

KPI	Status 2020	Target 2025
% physically sustainable certified (min MB) palm oil	26%	100%
% palm traceable to mill	99,4%	100%
% palm traceable to plantation	45,8%	75%
% key palm oil suppliers have NDPE policy	100%	100%
% verified palm grievances have an action plan	NA	100%

Glossary

High Conservation Stock Forests (HCS)

High carbon stock (HCS) forests include primary forests, high, medium and low-density forests and regenerating forests.

High Conservation Value (HCV) area

HCV areas are areas that contain items of biological, social or cultural value that it is important to conserve, including rare, threat-ened and endangered species and their habitat.

Peatlands

Peatlands are areas with soil that contains more than 65% organic matter (= swamp soils composed of dead vegetation accumulated over thousands of years). They store high amount of carbon, and when they are cleared or drained, they release huge amounts of greenhouse gases and become very vulnerable to fires.

The Roundtable on Sustainable Palm Oil (RSPO)

The Roundtable on Sustainable Palm Oil is a multi-stakeholder association gathering more than 4,600 stakeholders, in 94 countries, from all sectors of the palm oil sector – oil palm growers, processors, traders, consumer goods manufacturers, retailers, banks, investors, environmental and social non- governmental

organisations, and civil society organisations. By convening stakeholders to seek solutions to the challenges of the palm oil sector, RSPO has created a platform to transform how palm oil is produced, traded, and sold. RSPO membership has more than doubled in the last five years and today, approximately 19% of all palm oil produced globally is certified to RSPO standards. RSPO's standards work to protect primary and secondary forests, ensure the habitats of wildlife are not harmed, and safeguard workers, communities, and indigenous people in oil palm producing regions.

RSPO Credits

An RSPO Credit is proof that one tonne of certified palm oil was produced by an RSPO certified company or independent producer and has entered the global palm oil supply chain. By purchasing credits, buyers encourage the production of certified sustainable palm oil.

RSPO Mass Balance (MB)

Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.

RSPO Segregated (SG)

Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain.

Sources: www.rspo.org | www.highcarbonstock.or | www.hcvnetwork.org



Contact

Vandemoortele NV

Ottergemsesteenweg-Zuid 816

9000 Ghent

Belgium

[linkedin.com/company/vandemoortele](https://www.linkedin.com/company/vandemoortele)

www.vandemoortele.com
