



Palm Oil Sourcing Policy

Oil palm is a versatile and efficient crop which has become increasingly important for many industries, including the food industry. It has some crucial benefits over other oil producing commodities including a higher yield, which makes it a more land efficient crop. It is also an important agricultural product in many poorer regions of the world and is a key source of income for numerous smallholder farmers. Much of the palm oil produced today comes from plantations in South East Asia, where rapid industry expansion has contributed to the loss of natural rainforest and threatens environmentally sensitive areas.

Kerry Group does not source crude palm oil and as such does not have direct contact with palm mills or plantations. However, we do purchase processed palm oil through various producers around the world. Like many other food companies we are not a significant user of palm oil and our global consumption is less than 0.1% of the total world production. Nevertheless, processed palm oil and palm derivatives are being used in our factories and products around the globe and as such it represents an important raw material for Kerry.

We want to ensure that the palm oil we use does not contribute to further deforestation or environmental harm and that the rights of workers and local communities are respected. Kerry Group has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2010 and fully endorses the principles and criteria it has laid out, including the voluntary addendum of RSPO Next. We purchase all palm oil from processors who are committed to RSPO membership. Within our consumer foods' division, where we are the end user of palm oil, 100% of our sourcing is currently certified sustainable or covered by GreenPalm certificates. By 2018, all of the palm oil we use in Kerry Foods' branded products will be RSPO certified under the mass balance or segregated supply chain models.

Within Kerry's B2B business, where we produce Taste and Nutrition solutions to meet customer requirements, we face a more challenging environment. The global supply chain for palm oil is a complex one and there are significant regional differences in availability of certified product. Certified palm oil derivatives, for instance Oleochemicals, still face challenges in terms of market acceptance due to the high processing cost of the oil and its fractions. It is Kerry's view that these challenges can only be overcome as the global use of certified sustainable palm oil becomes the norm.

To ensure the sustainability of all palm oil used by Kerry Group, we are committed to procuring only from sources which are aligned to our [Global Supplier Code of Conduct](#) and that embrace and are publicly committed to the following:

Forest Protection

- Only from legal sources.
- No development of High Carbon Stock forests and High Conservation Value areas.
- No burning in the preparation of new plantings, re-plantings or any other developments.
- Progressively reduce greenhouse gas emissions on existing plantations.

Protection of Peatlands

- No new development on peat areas regardless of depth.
- Apply Best Management Practices for existing plantations on peat (as per the RSPO Manual on Best Management Practices - BMPs).

Improvement of Livelihoods

- Protect the position of smallholders in the palm oil supply chain.
- Respect the rights of local and indigenous communities to give or withhold their Free, Prior and Informed Consent for the development of lands they own legally, communally or by custom.

In line with our 'Towards 2020' programme, we are working with suppliers to achieve traceability on the origin of our palm oil and palm oil derivatives. Due to the perishable nature of the palm fruit, mills typically receive Fresh Fruit Bunches (FFB's) from within a 50km radius. Therefore, by mapping the mills that supply Kerry Group we can also identify the associated production areas. In these areas, we will work with suppliers and other relevant stakeholders to ensure time-bound action plans exist to implement the above requirements and will favour the adoption of a landscape approach. We will also require verifiable progress reports from processors to demonstrate that our criteria are being met.

This policy applies to 100% of palm oil, palm kernel oil and their fractions sourced directly by Kerry Group. We will issue public updates on our performance in respect of this policy at least annually on our Group website and in our annual report.