

Sustainable Sourcing Policy for Palm Oil (NDPE Policy)

Introduction:

Barry Callebaut strives to source and promote the production of sustainable palm oil. As the most versatile and land efficient vegetable oil crop, palm oil is found in a number of products, including food. At Barry Callebaut, we use palm oil, palm kernel oil, and their derivatives.

The rapid expansion of oil palm has been key in lifting millions of people out of poverty and promoting economic development, especially in rural areas. However, it has also contributed to deforestation, loss of biodiversity, and degradation of natural ecosystems. Human rights concerns have also been identified, including land and social conflicts with local and Indigenous communities, as well as labor issues on plantations. Yet, when produced in a sustainable manner, the industry supports millions of livelihoods and can be produced without putting pressure on critical forests and natural ecosystems.

Purpose and Scope:

In 2016, Barry Callebaut embarked on its [Forever Chocolate](#) ambition to make sustainable chocolate the norm by 2025.

This NDPE Policy sets out our goals as we progress to no deforestation, no development on peat, and no exploitation of the rights of local communities, including Indigenous peoples, the workers and small producers upon whom the industry relies (“NDPE commitments”). It complements our [Supplier Code](#), [Deforestation Policy](#) and [Deforestation-Free Protocol](#).

This policy applies to all our direct and indirect suppliers of palm oil, palm kernel oil and derivatives used globally in our operations, subsidiaries and joint ventures. We expect our suppliers to communicate these requirements throughout their palm oil supply chain and meet these expectations by adopting forest and peatland monitoring and human rights due diligence systems, procedures to respond to grievances and address non-compliance and credible independent verification systems.

We recognize that alone we cannot address all the environmental and human rights challenges within the palm sector. We therefore work closely with our

suppliers, customers and NGOs as well as participate in industry initiatives aimed at transforming the palm oil supply chain.

Goals:

Protecting Forests, Peatlands and Other Natural Ecosystems:

Deforestation and degradation of natural ecosystems are one of the biggest threats to our planet. Deforestation occurs when forests are converted to other uses such as agriculture. Forest degradation arises when forest ecosystems lose their capacity to provide important ecological services to people and nature. Peatlands and other natural ecosystems provide critical ecological services such as carbon sequestration and biodiverse habitats, as well as support livelihoods. Their intact functioning provides significant benefits to communities and agriculture. Barry Callebaut's Forever Chocolate goal of being forest positive by 2025, requires the complete elimination of deforestation in our supply chains, as well as restoring deforested and degraded areas. To deliver this goal, we expect our palm suppliers to adhere to the following:

- Eliminate deforestation and conversion of natural forests, legal or illegal, for conversion to palm oil production;
- Conserve and monitor High Carbon Stock (HCS) forests as defined by the [HCS Approach](#);
- Conserve and monitor High Conservation Value (HCV) areas as defined by the [HCV Resource Network](#), including the protection of native animals and plants, especially rare, threatened and endangered species;
- No development on peatland, regardless of depth;
- Apply [RSPO Best Management Practices](#) for existing oil palm plantations on peat;
- Implement restoration and compensation activities where deforestation, conversion or degradation has occurred;
- Zero tolerance for burning practices or use of fire for land clearing/replanting;
- Progressively reduce greenhouse gas (GHG) emissions on existing operations.

Barry Callebaut's cut-off date for deforestation free is 31.12.2015.

Eliminating Human Rights Violations and Child Labor:

We believe we have a responsibility towards all our stakeholders – farmers, employees, shareholders, customers, consumers, suppliers, and the communities where we operate. To ensure human rights are respected across our operations, we expect our suppliers to adhere to the following:

- Respect internationally recognized human rights in line with the [Universal Declaration of Human Rights](#); [United Nations Guiding Principles on Business and Human Rights](#) (UNGPs), the [International Bill of Human Rights](#) and the [ILO Declaration on Fundamental Principles and Rights](#);
- Put in place, and implement, systems for human rights due diligence as set out under the UNGPs;
- Prohibit and eliminate all forms of forced labor, child labor¹ and human trafficking, including, but not limited to, any form of bonded labor;
- Protect workers' rights and ensure safe and healthy workplaces free from forced or compulsory labor as required by our Supplier Code of Conduct;
- Put in place an effective grievance mechanism accessible to all rights-holders and stakeholders;
- Respect the rights of Indigenous and local communities, including the right to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on lands and the use of resources to which they hold legal, communal or customary rights, in line with the [UN Declaration on the Rights of Indigenous People](#);
- Respect the rights and support the inclusion of smallholders into the supply chain;
- Protect environmental and human rights defenders and prohibit threats, harassment, intimidation, the use of violence, or retaliation against anyone who raises a concern or participates in an investigation;
- Provide remediation through mutually agreed procedure, where Human Rights violations have occurred.

¹ According to the ILO, Child Labour refers to work that deprives children (any person under 18) of their childhood, their potential and their dignity, and that is harmful to their physical and/or mental development. It refers to work that is mentally, or morally dangerous and harmful to children; and/or interferes with their schooling by: depriving them of the opportunity to attend school, obliging them to leave school prematurely or/and requiring them to attempt to combine school attendance with excessively long and heavy work.

Implementing our Policy

Certification

Certification, through the Roundtable for Sustainable Palm Oil (RSPO), has played a key role in bringing the sustainable palm oil market far forward. We will continue to support the production and sourcing of RSPO-certified palm oil through a combination of physically certified palm oil (Segregated, Identity Preserved, and Mass Balance) and credits (Book & Claim). Simultaneously, we will continue to build upon the work of the RSPO through additional programs and initiatives.

Traceability

All palm ingredients used by Barry Callebaut are indirectly sourced via third-party suppliers and traders. Traceability data is a prerequisite to be able to monitor deforestation, natural ecosystems and social conditions on the ground. Suppliers are therefore expected to submit their updated annual mill lists as well as plantation data when available.

Barry Callebaut shares publicly its mill list on [our website](#).

Supplier Outreach and Engagement

We conduct an annual supplier evaluation and engagement exercise to assess implementation progress in key areas and flag any NDPE non-compliances detected in supply chains. Key areas assessed include upstream supplier NDPE monitoring and verification, grievance management, transparency and reporting.

We analyze traceability and supplier evaluation data annually to form the basis of our monitoring of NDPE compliance. Discussions based on the results are held with the suppliers to understand any potential non-compliance and how to work better together towards achieving NDPE goals.

Technology and Satellite Imagery

We use a professional service for monitoring deforestation and supply chain relationships in near real-time from plantation to refinery. We receive monthly reports with deforestation alerts and grievance monitoring reports to help us obtain actionable insights into potential regulatory and NDPE violations.

Grievance Mechanism

Barry Callebaut's Grievance Mechanism complements our existing processes and provides third parties an avenue to raise concerns that our policies may not be upheld within our supply chain.

Multi-stakeholder Engagement and Partnerships

Addressing key challenges in our palm oil supply chains requires working with other stakeholders. We collaborate with partners, participate in various industry initiatives and continue to look for partnership opportunities to achieve our goals and have a lasting impact.

Response Strategy

Any non-compliances related to this policy, including cases of deforestation, human rights violations and other grievances raised, are communicated to the respective supplier(s) and verified following our Grievance Procedure.

Verified non-compliances are added to Barry Callebaut's Grievance Tracker. We aim to resolve all complaints and non-compliances through a transparent and effective grievance mechanism. This includes developing a time-bound corrective action plan with our suppliers. We only consider supplier suspension or termination in exceptional cases or where the supplier is unwilling to collaborate.

Transparency and Reporting

We strive to demonstrate transparency and accountability to our stakeholders. We report on our progress against this policy regularly and in a transparent manner through our website, annual Forever Chocolate Reports, and on-going dialogue with key stakeholders. We will also collect data to report using the No Deforestation, Peat, Exploitation Implementation Reporting Framework (NDPE-IRF) with direct suppliers to ensure all volumes are covered by the NDPE-IRF reporting.