

PALM OIL ACTION PLAN: 2019 UPDATE

Mondelēz International sources palm oil predominantly from Malaysia and Indonesia, and to a lesser degree from other countries. MDLZ purchases around 0.5% of worldwide production so its direct impact on the supply chain is limited. Therefore, MDLZ seeks to use its influence by engaging with stakeholders to support the transition to sustainable practices, while calling for 100 percent transparency and 100 percent sustainability across the palm oil sector.

Palm Oil Sourcing Principles

MDLZ is concerned about the potential negative long-term environmental and social impacts of palm oil production, including deforestation and human rights. In 2013, MDLZ set out principles for palm oil production for suppliers to follow and committed to deliver an action plan to ensure a sustainably sourced palm oil supply. These updated principles continue to provide the framework for implementing MDLZ's Palm Oil Action Plan:

1. No deforestation: palm oil plantation development should not take place in Primary Forest, High Conservation Value (HCV) areas, High Carbon Stock (HCS Approach) forests, or use fire in plantation operations, after 31 December 2015 [See definitions annex]
2. No development on Peat lands (regardless of depth), after 31 December 2015
3. No exploitation of workers or communities: respect human rights as well as land rights, no forced labor, no child labor, or gender based discrimination.
 - a. On land rights, adhere to the principles of Free, Prior Informed Consent (FPIC)
 - b. On forced labor, adhere to the Consumer Goods Forum (CGF) Priority Industry Principles (PIPs):
 - i. Every worker should have freedom of movement,
 - ii. No worker should pay for a job,
 - iii. No worker should be indebted or coerced to work.

MDLZ expects suppliers to adhere to these principles at the parent group level within their own company, as well as oversight of their suppliers' adherence to these principles at parent group level. In addition to suppliers' published policies, MDLZ expects suppliers to demonstrate implementation progress against the most updated version of its Palm Oil Action Plan as a prerequisite of doing business.

These Principles and Action Plan are additional requirements applicable to sourcing palm oil but do not replace other standard contractual and policy requirements to which suppliers need to adhere. However, a compliance-led approach is no longer sufficient. Suppliers to MDLZ must not only focus on the physical supply of oil they source, but also hold their upstream suppliers accountable for good practices at group level. In order to create a culture of sustainability, suppliers must constantly improve their knowledge, sustainability strategies and implementation, and continue to build sector transparency and confidence in palm oil.

Palm Oil Action Plan – Supplier Expectations

Goals		Supplier Expectations
1. Governance	Accountability and implementation of MDLZ policies and principles.	<ol style="list-style-type: none"> 1. Publish group wide Policy in alignment with MDLZ’s Policy signed by chief executive or board of directors. 2. Implement policy via published roadmap, milestones and progress tracking. 3. Report on community consultation and FPIC (Free, Prior Informed Consent) where relevant. 4. Enable universal, group-wide concession mapping and monitoring for own operations and upstream suppliers.
2. Grievance Management	Grievance management in line with MDLZ requirements.	<ol style="list-style-type: none"> 1. Immediate alert to MDLZ regarding any outstanding grievance, risks found and alerts, regular reporting on mitigation and, where appropriate, remediation measures. 2. All grievances managed and progress tracked publicly. 3. Apply suspend then engage approach on verified cases of deforestation on concessions, based on best-available case reports. Suspended groups to be called out clearly in the public tracker. 4. Re-engagement protocol in place for suppliers who remedy their non-compliance including requirement for agreed recovery plans.
3. Environment	Traceability and risk-based approach to tracking and eliminating deforestation and peatland loss, leveraging mapping technology to prioritize traceability and remediation.	<ol style="list-style-type: none"> 1. Maintain traceability to mill and publish mill lists (with GPS, UML IDs), with group level owners clearly indicated. 2. Publish regular update of mill lists including removal of mills suspended from supply, with separate report to MDLZ indicating which mills are suspended. 3. Assess deforestation risk on GFW PALM tool and implement a roadmap to risk mitigate 100% mills in high risk areas. 4. Develop a mitigation plan for high-risk mills and concessions, track and report progress and consequences.
4. Labor	Assure protection of the rights of all workers, including migrant workers, in their own operations and engage upstream suppliers to do the same.	<ol style="list-style-type: none"> 1. Provide annual assurance, verified by a recognized third-party labor rights expert, of continuous improvement in labor rights performance in own operations. 2. Develop a roadmap with milestones to engage upstream suppliers to provide assurance of their labor rights performance in the same manner. 3. Incorporate PIPs in assurance of progress on labor in own operations and upstream supplier engagement.
4. Smallholders	Continue to engage smallholders in palm oil sustainability.	<ol style="list-style-type: none"> 1. Continue to indicate number of smallholders in own supply base and proportion engaged and/or landscape approaches supported. 2. Encourage upstream suppliers to know and report in the same manner.

MDLZ engagement is evolving to increase the speed of action across the sector.

Since publishing its first Palm Oil Action Plan in 2014, MDLZ has consistently engaged external stakeholders. The company continues to engage the Government of Indonesia, the RSPO, UNDP, Global Forest Watch, and the CGF Palm Oil Working Group, as well as NGOs with an interest in environmental and social aspects of palm oil production.

New provisions in this plan reflect the latest developments to speed this transition:

- In November 2018, the CGF published a [High Level Action Plan](#) to address forced labor risks in the palm oil supply chain. Key elements are embedded into the Supplier Expectations above. MDLZ urges suppliers to express their support for the CGF PIPs.
- In December 2018, MDLZ publicly supported a [Joint Statement](#) made by Wilmar and AidEnvironment. The company believes the principles outlined in the Joint Statement provide an opportunity for the palm oil sector and governments of producing countries to increase support for sustainable development in palm oil producing regions. Therefore, MDLZ will engage expert partners, Tier 1 suppliers, the CGF, governments in producing and consuming countries, and stakeholders to align and build sector-wide solutions for concession mapping and monitoring.

Annex: Definitions

Deforestation	Clearing a wide area of trees, primary forest, HCV or HCS for development for agriculture or plantation forestry or other purposes.
Primary Forest	Areas of undisturbed natural forest.
High Conservation Value (HCV)	Areas necessary to maintain or enhance one or more of: species diversity, ecosystems and ecosystem services, community needs or cultural values
High Carbon Stock (HCSA) forests	Areas with vegetation classes designated for protection by the High Carbon Stock Approach.
Peat	Soil containing more than 65% organic matter. Any depth.
Use of fire	Burning in the preparation of new plantings, re-plantings or any other developments.
Land rights	Land tenure rights of indigenous and local communities in line with the principle of Free Prior and Informed Consent.
Forced labor	Situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.
Child labor	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.
Verification	RSPO certified or equivalent, plus credible third-party verification of criteria outside recognized standards