



PALM OIL ACTION PLAN: 2020 UPDATE

Mondelēz International sources palm oil predominantly from Malaysia and Indonesia, and to a lesser degree from other countries. We purchase around 0.5% of worldwide production so our direct impact on the supply chain is limited. Therefore, we seek to use our influence by engaging with stakeholders to support the transition to sustainable practices across the palm oil sector.

We have updated our Palm Oil Principles and Action Plan and combined them into this single document which lays out all our supplier expectations in one place and incorporates the latest sustainability developments in the palm oil sector.

Palm Oil Sourcing Principles

We are concerned about the potential negative long-term environmental and social impacts of palm oil production, including deforestation and human rights. In 2013, we set out principles for palm oil production for our suppliers to follow and committed to deliver an action plan to ensure a sustainably sourced palm oil supply. We are updating these principles, which will continue to provide the framework for implementing our Palm Oil action plan:

1. No deforestation: palm oil 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 31st December 2015 [See definitions annex]
2. No development on Peat lands (regardless of depth), after 31st 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.

We expect our 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, we also expect suppliers to demonstrate implementation, progress vis-a-vis the most updated version of our Palm Oil Action Plan. This is a prerequisite of doing business with us.

These Principles and Action Plan are additional requirements applicable to how we source palm oil but do not replace other standard contractual and policy requirements to which the suppliers need to adhere. However, a compliance-led approach is no longer sufficient.



We call upon our suppliers to not only focus on the physical supply of oil they source, but also know and hold accountable for good practices the group level companies that are in their supply. In order to create a culture of beneficial practices within their supply chains, our 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, consequences



<p>4. Human Rights</p>	<p>Assure respect of the rights of all workers including migrant workers in their own operations and engage third party suppliers to do the same</p>	<ol style="list-style-type: none"> 1. Have a publicly available policy to respect workers' human rights, including labor rights, in own operations and upstream supply chain, in line with the framework of the UN Guiding Principles on Business & Human Rights 2. Have strategy and management systems in place to perform human rights due diligence and address worker's rights in own and upstream operations 3. Incorporate CGF's Priority Industry Principles against forced labor in assurance of progress in own operations and third-party supplier engagement 4. Set up workers grievance/complaint mechanism and make it readily available to all workers including migrant workers in their native language in all own palm oil operations (refinery, mill and plantations), and ensure workers do not face retaliation when speaking up. Set the same expectation for all the 3rd party mills, refinery and plantations the supplier is directly working with 5. Develop a roadmap with milestones to engage third-party suppliers to provide assurance of their progress towards implementing human rights due diligence 6. Provide assurance report every three years, verified by a recognized third-party labor rights expert organization, of continuous improvement in implementing human rights due diligence in own operations and upstream supply chain 7. Regular assurance report to include an overview of workers' grievances and how they were addressed
<p>5. Smallholders</p>	<p>Continue to engage smallholders in palm oil sustainability.</p>	<ol style="list-style-type: none"> 1. Continue to indicate # of smallholders in own supply base and proportion engaged and/or landscape approaches supported 2. Encourage third-party suppliers to know and report in the same manner



We are evolving our engagement to increase the speed of action across the sector.

Since publishing our first Palm Oil Action Plan in 2014 we have consistently engaged external stakeholders. We continue 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.

In the 2020 update of this Plan, we strengthened our supplier expectations on human rights – spelling out the due diligence steps we expect our palm oil suppliers to follow in order to identify and mitigate risks in their own operations and supply chain, in line with the framework of the UN Guiding Principles on Business & Human Rights and our own commitment to respect the rights of people across the value chain.

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