



Palm Products Sourcing and Procurement

Relates to: Fonterra Global Environmental Policy

1. Purpose

This Global Standard defines the requirements for sourcing and procuring [palm products](#).

Fonterra is committed to the responsible sourcing of palm products; to working with stakeholders to ensure the fair and ethical treatment of suppliers; to avoid deforestation; and to protect conservation values in our palm products supply chain.

2. Scope

2.1 This Global Standard applies to all the entities and individuals outlined in the Scope section of the Fonterra Global Policy Principles and Framework.

2.2 This Global Standard applies to the sourcing and procurement of all palm products, this includes but is not limited to palm kernel oil, palm kernel expeller and any other derivatives of the palm crop.

3. Requirements

3.1 Sourcing Palm and Palm Related Products

3.1.1 Palm products must always be sourced from members of the [Roundtable for Sustainable Palm Oil \(RSPO\)](#) who are committed to the execution of the RSPO Principles and Criteria.

3.1.2 Business units which are not currently directly sourcing palm oil from RSPO certificated supply chains must commit to developing time-bound actions to meet this requirement. *Refer to 6.2 for further detail.*

3.2 Palm Oil Products

3.2.1 Palm oil products must always be RSPO certified products. Fonterra palm oil product specifications and purchase orders should specify “SG” Certification or higher.

3.2.2 Ingredients that Fonterra purchases (indirect palm oil procurement) that contain palm oil of less than 5% by total volume are not considered within the scope of this Global Standard.

3.3 Supplier Environmental and Social Performance

3.3.1 All suppliers of palm and palm related products within Fonterra’s supply chain must:

- a. meet the expectations outlined in the [Fonterra Supplier Sustainability Code of Practice](#);
- b. be publicly committed to policies which give equivalent effect to “No Deforestation, No Peatland Development, and No Exploitation” and have business processes in place to enact these commitments;
- c. consider and account for the impacts of their activities on the community and the environment;
- d. manage suppliers within their own supply chains to comply with this Global Standard;
- e. work collaboratively with communities, farmers or other stakeholders to value and protect biodiversity and ecosystem services;
- f. advocate avoiding negative impacts on threatened or at-risk ecosystems and species;
- g. invest in restoring ecosystems and habitats;
- h. support farmers to protect and enhance biodiversity and ecosystem services in accordance with the latest science;
- i. recognise the overall importance of forests and other natural ecosystems;
- j. respect legally designated protected natural areas, including no conversion of High Conservation Value areas;
- k. seek to eliminate deforestation of primary forest associated with Fonterra’s value chain;
- l. protect the rights and livelihoods of local communities associated with forest products within our value chain;

- m. identify, protect, and enhance High Conservation Values;
- n. recognise community land rights through Free Prior and Informed Consent (FPIC) and participatory mapping;
- o. use the [High Carbon Stock Approach \(HCSA\)](#) in any plantation development to identify, protect, and restore the natural forests in the landscapes in which they operate;
- p. follow a best practice, science-based approach to managing existing plantations on peat;
- q. invest in restoring and enhancing critical peatland in the landscapes in which they operate;
- r. not allow any new development to occur on peat (regardless of depth);
- s. actively work to identify risks or negative consequences within their supply chain (including suppliers, parent companies, groups, and regions);
- t. work proactively with stakeholders to ensure compliance with this Global Standard.
- u. monitor forest cover change and deforestation within the landscapes that contain their supply catchment areas;
- v. ensure a fair, safe, and healthy working environment for all employees within their palm operations;
- w. ensure that suppliers take appropriate steps to measure, identify, prevent, and address child labour issues;
- x. take steps to minimise the carbon footprint of their operations;
- y. work with smallholders mill catchment areas to encourage adoption of good environmental management practices, improve productivity, and develop fair business arrangements;
- z. ensure the inclusion of women in plantation with a specific focus on engaging in challenges currently faced by women (Equal pay for equal work, equal access to information and resources);
- aa. not use fire to clear land;
- bb. put in place processes to identify and manage suppliers which are found to have had forest fires within their concession or developed peatlands; including:
 - i. working with non-compliant suppliers to develop time-bound action plans
 - ii. following all compensatory restoration requirements where appropriate
 - iii. suspending suppliers that found to be non-compliant with agreed action plans.

3.4 Supplier Transparency and Traceability

3.4.1 Suppliers of palm products must be able to trace all products to mills, and:

- a. have time-bound plans in place and demonstrate meaningful progress towards traceability of all products to plantation, with an aim of full traceability to plantation¹;
- b. provide maps and coordinates of their operations, including all owned and third-party supplier mills and refineries, and concession maps where legally permissible;
- c. publicly report progress on compliance with this Global Standard for all palm products; and
- d. use credible third-party verification or certification of environmental and social performance.

3.5 Engagement and Collaboration

3.5.1 Fonterra business units within the scope of their control are expected to:

- a. work with partners to identify new and innovative opportunities to improve the sustainability of palm products within their supply chain;
- b. prioritise sourcing from those organisations demonstrating an active commitment to sustainability; and
- c. continue to review and implement change to ensure alignment with intent as new knowledge, technologies and practices emerge.

¹ Palm kernels are sourced from very wide catchment areas, may be transported across long distances from source, and may be passed through numerous traders before being processed. This complex supply chain presents a significant challenge for traceability. Fonterra recognises this challenge and will take this into consideration when verifying plans and demonstrated progress of suppliers.

4. Accountability

- 4.1 In addition to the accountabilities set out in IMS Std 2.001 Leadership, Roles, and Responsibilities, the following specifically applies to environmental management:

Function	Accountability
Fonterra Management Team (FMT)	Accountable for ensuring appropriate policies and processes are in place to effectively manage Fonterra's palm related risks and opportunities in pursuit of the Co-operative's strategic objectives.
Business Unit Leaders	Accountable for overseeing and managing palm outcomes and impacts within their business unit, site, or function, including embedding alignment with this Global Standard and sourcing commitments into strategic and operational planning.
Palm SME Functions (e.g., Procurement, palm product users)	Accountable for supporting effective consideration, management and oversight of palm risks and opportunities within their area of subject matter expertise; maintaining and embedding appropriate best-practice guidance across the business; aligning with the expectations established in this Global Standard.
Environmental and Sustainability Managers	Accountable for managing palm outcomes within their remit, including identification of opportunities to improve performance and effective management of environmental risks in collaboration with SME functions.

5. Compliance

- 5.1 The Fonterra Global Policy Principles and Framework details the expectations to comply with this Global Standard.
- 5.2 Suppliers who do not meet the requirements set out in section 3, will be required to explain to procurement why they have not met these requirements.
- 5.3 Fonterra procurement will work with the supplier to ensure that compliance is met. If this is not possible a suitable alternative supplier must be identified and accepted by the business unit.
- 5.4 Where a business unit is unable to comply with the requirement to source 100% RSPO segregated palm oil the following processes apply:
- A time-bound transition action plan must be developed, submitted to (via the online exemption request process) and approved by the Palm Governance SteerCo within six months of the Global Standard publication date. At a minimum the plan is to include:
 - Estimated costing and impact on current EBIT and forecast EBIT in 24 months
 - Summary of vendor engagement and resolution to date
 - Transition timeframe
 - Considerations of supply chain constraints and supply; **alternatively**
 - If it is not feasible (as determined by SteerCo), for the business unit to develop a time-bound transition action plan and transition sourcing to 100% RSPO segregated palm oil, an exemption must be requested and approved by the Palm Governance SteerCo.
 - Any exemptions will enter the public domain via the RSPO Annual Communication on Progress and may be used in media analysis.
Refer to the Standards Exemptions_SharePoint site to request an exemption.

6. Monitoring

- 6.1 Compliance with this Global Standard is monitored via Fonterra's Three Lines of assurance activities.
- 6.2 Fonterra will monitor suppliers annually using credible third-party assessors to identify any areas of non-compliance with this Global Standard.
- 6.3 Fonterra will disclose the use of palm products and performance of palm products suppliers in relation to this Global Standard, including steps taken to address non-compliance with this Global Standard.

7. Definitions

- 7.1 Definitions for RSPO palm-related terms can be found [here](#).

Term	Definition
Free Prior and Informed Consent (FPIC)	The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.
High Carbon Stock Approach (HCSA)	An approach relating to high carbon stock that must be used in any plantation development to identify, protect, and restore the natural forests in the landscapes in which they operate.
Palm products	Products include palm oil, palm kernel oil, palm kernel expeller and any other derivatives of the palm crop. This includes ingredients which contain palm oil.
Palm Governance SteerCo	Comprises of: The Director Global Sustainability, Stakeholder Affairs & Trade, Director Category, Strategy & Innovation, and Director/s from the applicable region and business unit. The SteerCo meets on a quarterly basis as needed.
Roundtable for Sustainable Palm Oil (RSPO)	The RSPO is an organisation set up to support manufacturers of palm oil products and palm plantations/mills to adhere to a set of standards to ensure palm oil and its directivities are grown and sourced in a sustainable manner with minimal detriment to the environment, people, and animals.

8. Related Information

[Fonterra Supplier Sustainability Code of Practice](#)

9. Approvals

This Global Standard is approved by the **Director Global Sustainability, Stakeholder Affairs & Trade**.