

Royal FrieslandCampina Zero Deforestation & Conversion policy

19 July 2024

1. Application of this policy

1. This policy is applicable to Koninklijke FrieslandCampina N.V., hereafter FrieslandCampina, to all subsidiaries of FrieslandCampina and to all legal entities in which FrieslandCampina has management control throughout the world.

2. Position of this policy

1. This policy provides the expectations of FrieslandCampina in respect to deforestation and conversion as part of sustainability requirements as defined in the 'Business Practices for Business Partners' policy. This policy forms an integral part of the 'Business Practices for Business Partners' policy and the Responsible Supplier Policy.
2. This policy also relates to the 'Human Rights' policy where business partners must commit to respect internationally recognized human rights, as this policy includes the deforestation related human rights aspects.
3. FrieslandCampina used the Accountability Framework as a guideline to create this policy.

3. Acknowledgement

1. FrieslandCampina acknowledges that the raw materials and products it sources and produces, and financial investments it makes, can pose a material risk for conversion of natural ecosystems, deforestation and associated human rights violations.
2. FrieslandCampina acknowledges that supply chain measures to prevent these issues can indirectly cause the conversion of natural ecosystems and deforestation elsewhere, for the same or another commodity.¹
3. FrieslandCampina acknowledges that successful implementation of this policy not only requires the full commitment of its direct suppliers, but also from stakeholders that are directly or indirectly involved in the supply chain.

4. FrieslandCampina's Zero Deforestation & Conversion Commitment

1. FrieslandCampina is committed to ensure that its sourcing, production and financial investment do not cause or contribute towards gross conversion of natural ecosystems in 2030, and shall ensure any earlier date if required under this policy or by local or international legislation applicable to FrieslandCampina's direct or indirect supply chain.
2. The following definitions apply
 - a) Natural ecosystems are defined as ecosystems that substantially resemble one that is or would be found in a given area in the absence of major human impact, in terms of species composition, structure, and ecological function. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present. These natural ecosystems include for example forests, wetlands and savannas.
 - b) Conversion is defined as the change of a natural ecosystem to another land use or profound change of its species composition, structure, or function, where:
 - deforestation is one form of conversion (conversion of natural forests);
 - conversion includes severe degradation or the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure, or function;
 - change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.
 - c) Gross is defined as total without deduction for reforestation or other offset.

¹ This is called indirect land use change, ILUC

3. Natural ecosystems include high carbon stock forests as defined by the High Carbon Stock Approach² and areas of high conservation value as defined by the HCVRN.³

5. What one can expect from FrieslandCampina:

1. FrieslandCampina will create transparency of its supply chain and traceability of the products sourced directly and indirectly to facilitate risk management concerning the compliance to this policy:
 - a) FrieslandCampina will identify supply chain actors in its supply chain to a level that enables identification of sourcing areas of high risk of conversion.
 - b) For sourcing areas that FrieslandCampina considers of high risk, FrieslandCampina will identify supply chain actors in its supply chain to the level of the farm, plantation or forest management unit and create traceability of the products sourced, except for supply from smallholders. For supply from smallholders the supply chain actors are identified to the level of the local jurisdictional level.
2. FrieslandCampina will work with direct suppliers and other relevant stakeholders to ensure compliance with this policy and mitigate high risk of incompliance.
3. FrieslandCampina will disclose its process to create transparency, traceability, identify high risk areas and assess (high risk of) incompliance as the outcome of the process.
4. FrieslandCampina will evaluate and update the process to create transparency, traceability, assess incompliance and assess risk every year.

6. FrieslandCampina expects its direct suppliers to:

1. Ensure FrieslandCampina's direct and indirect supply does not originate from a converted natural ecosystem as protected by this policy, based on a cut-off date of 1 January 2020 unless local legislation or international standards that apply to FrieslandCampina's direct and indirect supply require an earlier cut-off date.
2. Comply with and implement this policy across both their entire corporate group operations and their own supply chains, or implement an equivalent or stronger policy, except for member farmers. For member farmers, FrieslandCampina expects sector organisations to implement a policy in the supply chain of the sector that is at least equivalent to this policy.
3. Have effective control mechanisms in place to determine compliance or non-compliance to this policy and be on request able to provide sufficient evidence of these mechanisms and their outcomes.
4. Remediate non-compliance that they contributed to within their corporate group operations and their supply chains, irrespective of the buyer of the materials.
5. Recognize the issue of indirect conversion of natural ecosystems and deforestation (ILUC) and contribute at best effort to solutions.
6. Publicly commit to a policy that gives equivalent effect to ensure their sourcing, production and financial investments do not cause or contribute towards gross conversion of natural ecosystems.
7. Apply additional guidelines as defined in paragraph 8, 9 and 10 in case a supplier supplies commodities that FrieslandCampina considers to have the largest risk for conversion of natural ecosystems. These commodities are: soy products (soybeans and soybean meal), palm products (palm oil, palm kernel oil and palm kernel expellers) and paper based packaging (beverage carton, corrugated carton, solid board and folding carton), subject to any more stringent local or international legislation that is applicable to these commodities in FrieslandCampina's supply chain.

² The High Carbon Stock Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed <https://highcarbonstock.org/>

³ An area of High Conservation Value is a biological, ecological, social, or cultural value of outstanding significance or critical importance: <https://hcvnetwork.org/>

7. Additional to the Human Rights policy, FrieslandCampina expects direct suppliers to:

1. Respect the legal or customary land-tenure and use rights of indigenous and local communities, as well as their rights to give or withhold their free, prior and informed consent (FPIC) for operations affecting their land or resources.
2. Comply with and implement this addition to the Human Rights policy across both their entire corporate group operations and their own supply chains, or implement an equivalent or stronger policy.
3. Protect human rights defenders, whistle-blowers, complainants and community spokespersons against retaliation.
4. Have an administrative grievance mechanism in place, aligned with the UN Guiding Principles on Business and Human Rights and which is accessible to those who wish to report a concern related to this policy.

8. Specifically concerning the Soy products, FrieslandCampina expects direct suppliers to also:

1. Ensure FrieslandCampina's direct and indirect supply does not originate from a converted natural ecosystem as protected by this policy, based on a cut-off date of 31 December 2016.
2. Work towards 100% of FrieslandCampina's direct and indirect supply from high risk areas to be traceable from the farm or plantation to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
3. Work towards 100% of FrieslandCampina's direct and indirect supply from low risk areas to be traceable from the area to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
4. Ensure that 100% of FrieslandCampina's direct and indirect supply from high risk areas originates from certification standards that comply to this policy, to be achieved ultimately 31 December 2025.
5. Work towards public disclosure of relevant data to facilitate independent impact assessment of the certification standards as used by the direct supplier. This concerns maps and coordinates of all farms and plantations owned by the soy product growers as used by the direct suppliers, as well as audit reports from certification standards, to be achieved ultimately 31 December 2025.

9. Specifically concerning Palm products, FrieslandCampina expects direct suppliers to also:

1. Ensure FrieslandCampina's direct and indirect supply does not originate from a converted natural ecosystem as protected by this policy, based on a cut-off date of 30 November 2009.
2. Work towards 100% of FrieslandCampina's direct and indirect supply from high risk areas to be traceable from the farm or plantation to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
3. Work towards 100% of FrieslandCampina's direct and indirect supply from low risk areas to be traceable from the area to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
4. Where locally available, ensure that 100% of FrieslandCampina's direct and indirect supply originates from certification standards that comply to this policy to be achieved ultimately 31 December 2025. Where no supply is locally available with certification standards that comply to this policy, develop supply that complies to similar standards, to be achieved ultimately 31 December 2025.
5. Work towards public disclosure of relevant data to facilitate independent impact assessment of the certification standards as used by the direct supplier. This concerns maps and coordinates of all farms and plantations owned by the palm product growers as used by the direct suppliers, as well

as audit reports from certification standards, to be achieved ultimately 31 December 2025. For Palm kernel expeller, a by-product from palm (kernel) oil production with a relatively low economic value, FrieslandCampina supports the process of her direct suppliers and value chain partners to identify and mitigate risks concerning this policy.

10. Specifically concerning the Paper based packaging, FrieslandCampina expects direct suppliers to also:

1. Ensure FrieslandCampina's direct and indirect supply does not originate from a converted natural ecosystem as protected by this policy, based on a cut-off date of 31 December 1994.
2. Work towards 100% of FrieslandCampina's direct and indirect supply from high risk areas to be traceable from the forest management unit to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
3. Work towards 100% of FrieslandCampina's direct and indirect supply from low risk areas to be traceable from the area to FrieslandCampina's processing plants, using a verifiable robust chain of custody system, to be achieved ultimately 31 December 2025.
4. Ensure that 100% of FrieslandCampina's direct and indirect supply originates from certification standards that comply to this policy, to be achieved ultimately 31 December 2025.
5. Work towards public disclosure of relevant data to facilitate independent impact assessment of the certification standards as used by the direct supplier. This concerns maps and coordinates of all forest management units owned by the timber plantations as used by the direct suppliers, as well as audit reports from certification standards, to be achieved ultimately 31 December 2025.

11. Glossary

- **Conversion:** the change of a natural ecosystem to another land use or profound change of its species composition, structure, or function where deforestation is the conversion of forest.
- **Cut-off date:** the date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.
- **Certification standard:** documented agreements containing precise criteria to be used as rules, guidelines or definitions as used by certifying organisations.
- **Direct supplier:** supplier with a supply contract with FrieslandCampina.
- **Free, prior and informed consent (FPIC):** a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows them to give or withhold consent to a project that may affect them or their territories.
- **Forest management unit:** A unit of forest managed under a single management plan. A forest management unit may consist of single or multiple parcels.
- **Indirect supplier:** supplier that delivers to the supply chain of a direct supplier.
- **Indirect Land Use Change (ILUC):** the change in land use outside a production area that is induced by changing the use or production quantity of a feedstock that was produced in that area.
- **Natural ecosystem:** ecosystem that substantially resembles one that is or would be found in a given area in the absence of major human impact, in terms of species composition, structure, and ecological function. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present. These ecosystems can be for example forests, wetlands and savannas.
- **Remediation:** both the process of providing redress for a negative impact and the substantive outcomes that can counteract, end or mitigate the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, restoration, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

- **(Product) Traceability:** the ability to follow a product or its components through stages of the supply chain (e.g., production, processing, manufacturing, and distribution).
- **(Supply chain) transparency:** the identification of actors in a company's supply chain and the relationships among them.