

# Social and Environmental Policy for Purchasing Palm Oil Products

## Private Labels GPA

### Table of Contents

Table of Contents .....	1
<b>1. PURPOSE .....</b>	<b>3</b>
<b>2. SCOPE.....</b>	<b>3</b>
<b>3. TERMS, EXPRESSIONS, AND DEFINITIONS.....</b>	<b>3</b>
<b>4. GENERAL GUIDELINES.....</b>	<b>4</b>
4.1 Context .....	4
4.2 Commitments by GPA .....	5
4.3 Monitoring and control of suppliers' adherence to the Policy .....	6
<b>5. GUIDELINES FOR SUPPLIERS.....</b>	<b>7</b>
5.1 Adherence to this Policy.....	7
5.2 Transparency on the presence of palm oil.....	8
5.3 Traceability down to the origin .....	8
5.4 Monitoring the social and environmental criteria for palm oil.....	8
5.5 Audits .....	9
<b>6. OMBUDSMAN.....</b>	<b>9</b>
<b>7. REFERENCES.....</b>	<b>9</b>



## 1. PURPOSE

GPA formalizes through this document its Palm Oil Policy, which is applicable to Suppliers of Private-Label products; in other words, this document will guide the existing relationships between the Private Labels department and its suppliers that use palm oil and its derivatives in products, in addition to presenting the general criteria and also criteria of compliance, integrity and sustainability required from these suppliers.

The purpose of this document is to set forth guidelines and provide managers, employees and suppliers with guidance to ensure the compliance of GPA's Private-Label products with the standards applicable to the palm oil chain as regards legal, environmental and social terms.

Compliance with these guidelines is mandatory for all suppliers of Private-Label products that use palm oil, and is a condition precedent for providing goods to GPA and maintaining long-term relationships with the Group's business units.

If a supplier refuses to apply these guidelines or to implement any required corrective actions, GPA may terminate the business relationship with such supplier.

This policy reinforces GPA's commitment to actions to fight deforestation and climate change based on improvements in its supply chain.

## 2. SCOPE

GPA's Palm Oil Policy applies to all GPA Suppliers of Private-Label products that use palm oil and/or its derivatives in the composition of Private-Label products, both food and non-food, whether produced in Brazil or abroad.

## 3. TERMS, EXPRESSIONS, AND DEFINITIONS

**Palm Oil:** oil produced from the fruits of the palm tree known as palm tree, *dende* tree (in Brazil such tree is known as "*dendezeiro*"). In this policy, the term "palm oil" refers to both crude palm oil and all its derivatives.

**RSPO - Roundtable on Sustainable Palm Oil:** RSPO is an international non-profit organization the purpose of which is to promote the cultivation and use of products containing sustainable palm oil through credible global standards.

**Supply Chain Certificate (SCC):** this is the category of RSPO certification for the location that handles, transforms or grinds palm oil. It guarantees the compliance with all the sustainable palm oil chain standards and that the oil sold as sustainable was actually produced by certified plantations.

**Certified Sustainable Palm Oil (CSPO):** palm oil with sustainable production certificate, which guarantees that the oil was produced according to legal requirements, complying with the

principles of respect for human rights, impacted communities and workers involved, as well as the protection and conservation of the environment.

**Private Labels:** GPA's own brands that encompass several types of products. They are produced by outsourced and approved suppliers.

**Deforestation/ Conversion of native vegetation:** total or partial removal of natural and/or native vegetation (in the case of Conversion of native vegetation), resulting from: (i) conversion to agriculture or other non-forest land use; (ii) conversion to a planted forest; or (iii) severe and continuous degradation.

**Importer:** a company that is part of the supply chain responsible for importing palm oil of foreign origin into Brazil.

#### **Types of CSPO:**

**Book & Claim (Tracked CSPO certificates):** when buyers can buy certificates for a certain quantity of palm oil that is produced sustainably to offset the use of conventional palm oil. This type of certification is not monitored and there is not need to audit the plants for SCC.

**Mass Balance:** when there is blended oil from both certified and non-certified plantations. The amount shown on the certificate is only that of oil from the certified crop. This type of certification has administrative monitoring.

**Segregated:** when the oil comes from a number of 100% certified suppliers, but information on plantations is not clarified. This type of certification is physically monitored.

**Identity Preserved:** when the oil comes from a single supplier that is 100% certified with origin of the crop and from all players in the chain duly informed. This type of certification is physically monitored.

## **4. GENERAL GUIDELINES**

### **4.1 Context**

Palm oil is the most widely used vegetable oil in the world, being present in a variety of products - food and non-food, including products from GPA Private Labels. World production is concentrated in Indonesia and Malaysia, followed by Thailand, Colombia and Nigeria. Brazil is also a producer ranked in the 9th position, but it still depends on imports to supply the demand (in 2015, 60% of the supply came from domestic Brazilian production, while 40% came from imports). [source: Brazilian Ministry of Agriculture, Livestock Breeding, and Supply (MAPA), 2018]

Being highly productive, palm oil crops can produce up to 10 times more oil than other oil crops; in addition, it has interesting organoleptic properties for the industry, such as a longer shelf life of products and numerous possibilities of application, since the refining process of palm oil

makes it a neutral oil. Thus, palm oil began to be present in the composition of various types of products and today it is found in most supermarket products such as cookies, snacks, ice cream, chocolates, soups, margarine, soap, shampoo, among others.

Despite the widespread use of palm oil, risks associated with palm oil production are still omitted, such as deforestation of rainforests to make room for crop areas. This generates great environmental damage, particularly regarding biodiversity and greenhouse gas emissions, with tropical rainforests in Southeast Asia being the most damaged biome, where more than 80% of the world's palm oil production is concentrated. [source: Brazilian Ministry of Agriculture, Livestock Breeding, and Supply (MAPA), 2018]

However, native forests and vegetation provide important ecosystem services to keep life on the planet possible. In addition to providing habitat for half of all known plant and animal species and livelihood for millions of people in rural and traditional communities, rainforests play a role in distributing rain that feeds rivers and regulates climate.

Palm cultivation is adapted to typical climatic conditions in humid tropical regions and adapts to different types of soil, including in anthropized areas, that is, areas that have already been influenced by human beings, such as deforestation. In this context, the Brazilian Amazon presents itself as the most important area for cultivating palm trees in Brazil, with the State of Pará having a privileged situation for good production results and also for the wide availability of already deforested areas that would be suitable for palm tree cultivation.

From 2004 to 2010, the amount of land destined for planting palm trees in Brazil has doubled, considering only degraded land, showing that this industry is expanding and has a potential for even greater future growth. (Biodieselbr, 2018)

## **4.2 Commitments by GPA**

GPA seeks to be a transformative agent of society, adopting the best practices in its business. In line with its purpose of making supply chains more responsible and eliminating deforestation in its chains, in 2016 GPA started efforts to engage its suppliers of Private Labels, and since then it has been monitoring the presence of palm oil. Through this document GPA formalizes its Palm Oil Policy, applicable to suppliers of Private Label goods.

Considering the Brazilian and global scenarios about palm oil and its close connection with risks in the social and environmental spheres, GPA is strategically positioned about this topic.

In line with the purpose of making its supply chains more responsible and sustainable, we cooperate with the mitigation of social and environmental risks to build a relationship of trust with its customers and stakeholders; hence, GPA enforces this policy of purchasing palm-oil products for all its suppliers of Private Label products, aiming to implement the following commitments:

1. Ensuring the transparency of the palm oil supply chain used for Private Label products from the refinery (and whenever possible from the plantation itself);

2. Assisting in the training and development of suppliers of Private Label products by providing them with training and engagement and contextualization workshops for them to comply with the Policy;
3. Monitoring the performance of Suppliers of Private-Label products regarding compliance with this Policy, through the development of performance indicators on the presence of palm oil in products and the compliance of palm oil with GPA's Policy;
4. Encouraging suppliers to seek palm oil whose production is free from deforestation or conversion of native vegetation, and that respects local communities and workers' rights, as explained in section 5.4.
5. Encouraging socially and environmentally responsible production practices with Brazilian palm producers, together with GPA suppliers;
6. Providing transparency on the implementation and progress of this policy to stakeholders, through performance indicators that present the amount of palm oil present in products and their corresponding information, such as the amount of oil used, disclosed origin, and CSPO certification;
7. Cooperating with critical players in the palm oil chain to improve the practices of every player. Through its parent company, GPA monitors conversations with POTC (Palm Oil Transparency Coalition) organizations.

### **4.3 Monitoring and control of suppliers' adherence to the Policy**

The company monitors its suppliers to check whether they are adhering to the Policy through controls, monitoring of suppliers' data, and audits.

For each supplier, GPA maintains updated documentation regarding adherence to the Policy, the business agreement that contains the suppliers' Ethics Charter, and pieces of evidence such as documents and certificates of palm oil purchases.

GPA structured the suppliers' responsibilities into 4 pillars detailed in chapter 5. GPA develops Key Performance Indicators (KPIs) for the periodic monitoring of compliance with the Policy, including:

- Number of suppliers eligible for the Policy
- Number of products containing palm oil
- Total volume of palm oil in Private Label products
- % of certified palm oil in Private Label products
- % of suppliers who send information on the origin of palm oil

GPA seeks to monitor both the adherence of its suppliers to its Policy and the implementation of its policy in their activities and compliance with its commitments. When technologies evolve or new information becomes available, GPA adjusts its monitoring program, as well as its controls, in a process of continuous improvement.

## 5. GUIDELINES FOR SUPPLIERS

The commitment to responsible palm oil brings GPA closer to its suppliers. It is acknowledged that this is a continuous-learning process, which is why we seek to establish long-term, business-oriented, and value-sharing relationships.

To guarantee this kind of commitment from suppliers of Private-Label products, four pillars for the implementation of the policy were listed:

1. Adherence to this Policy
2. Transparency on the presence of palm oil
3. Traceability down to the origin
4. Monitoring the social and environmental criteria for palm oil

### 5.1 Adherence to this Policy

All suppliers of Private-Label products must adhere to the policy by signing the agreement.

In addition, all resale suppliers must comply with all current laws and regulations, know the values and respect the ethical principles set forth in the [Code of Ethics](#) and the [Diversity and Human Rights Policy](#).

According to the [Ethics Charter for Suppliers](#), these must follow the standards set forth therein, under any circumstances, within the Group's supply chain, its subsidiaries and subcontractors, in order to ensure respect, dignity, health and safety at work, in addition to comply with legislation and management standards on environmental issues, besides eliminating active or passive corruption by public agents, extortion or fraud.

All GPA suppliers undergo a thorough process of checking, which includes consulting the slave labor and embargo lists of the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA). Such lists are regularly updated and made available by the competent authorities. If any supplier is found in one of such lists, such supplier will be subject to be suspended and have his/her/its payments blocked.

To check the compliance with the social principles of the **Ethics Charter for suppliers**, each supplier of Private-Label products is required to adhere to the Social Ethics process, in which the supplier undergoes an audit under the ICS method so that it is possible to assess both the supplier and the factory.

GPA believes that in order to follow a journey of adaptation and transformation in the value chain of any raw material, it is important that all links are committed. For this reason, GPA encourages suppliers to adopt internal policies regarding the social and environmental vulnerability chain in which palm oil is found.

## **5.2 Transparency on the presence of palm oil**

The Transparency pillar deals with the suppliers' level of knowledge about the presence of palm oil in Private-Label products.

When registering a new product, every supplier must provide specifications on the presence of palm oil in the product, as well as the list of ingredients.

Every supplier must report when information on purchases of palm oil and/or derivatives used in Private-Label products is required, such as information on the plant(s), purchase volume, origin of the oil, and palm oil certifications.

Every supplier must pay attention to the diversity of ingredients derived from palm, and always keep GPA updated on any changes made to product ingredients.

## **5.3 Traceability down to the origin**

The Traceability pillar deals with the supplier's knowledge of the origin of palm oil used in recipes of Private-Label products. The origin is a determining point of the GPA Policy because, depending on the origin, the palm oil sustainability certification will be required as explained in pillar 5.4 - Monitoring the palm oil social and environmental criteria.

Every supplier must search for information on the palm oil origin and inform GPA if the palm oil used in Private-Label products is of domestic or foreign origin. In case of an imported palm oil, it must be traced to the importer and identify the country or countries of origin. In case of a domestic palm oil, it must be tracked down to the refineries. Tracking to the plantation is considered a good practice.

Every supplier must ensure that the production process allows full traceability between the raw materials and the Private-Label products manufactured, keeping records that enable the monitoring of the quantities of palm oil used and related information.

Every supplier is recommended to seek RSPO sustainable chain of custody (SCC) certification, with "mass balance" being the minimum level, with the aim of ensuring the integrity of the certified palm oil supply chain.

## **5.4 Monitoring the social and environmental criteria for palm oil**

The Monitoring pillar addresses the social and environmental criteria bound to the production of palm oil used in Private-Label products. Considering the context of palm oil production as explained in section 4.1, the pillar unfolds in two possibilities depending on the palm oil origin:

**a)** Every supplier is recommended to buy, whenever possible, palm oil or derivatives of domestic origin in view of the geographical proximity and the lower social and environmental risk

associated with the purchase of domestic palm oil compared to the risks involved in foreign products.

CSPO certification of palm oil of domestic origin is recommended to ensure responsible practices since cultivation.

**b)** If a supplier purchases palm oil of foreign origin, every supplier of Private-Label products must ensure that the entire volume of palm oil used in Private-Label products is certified by RSPO with the Mass Balance, Segregated or Preserved Identity level (CSPO certification). This criterion aims to guarantee responsible practices since plant cultivation.

## 5.5 Audits

To ensure transparency and traceability for the entire chain, GPA reserves the right to carry out chain audits on suppliers if it believes there is any failure in monitoring or information, or to check the information provided by suppliers. If a supplier is not complying with the Policy, a corrective action plan will be presented. If such supplier does not comply with said corrective action plan, GPA may terminate the business relationship.

## 6. OMBUDSMAN

GPA makes the **Ombudsman's Channel** available to its employees, suppliers, service providers, customers, social institutions, partners and defenders of the environment and human rights.

It is the official tool for receiving complaints, dissatisfactions and reports of violations for non-compliance with the Social and Environmental Policy for Purchasing Products with Palm Oil and seeks to solve problems efficiently and quickly.

Violations to this Policy, the Company's Code of Ethics or any topic in the Supplier's Ethics Charter can be reported through the following channel: [ouvidoria@gpabr.com.br](mailto:ouvidoria@gpabr.com.br). It will be investigated in a confidential manner, allowing even anonymity of whistle-blowers.

Ombudsman (from Monday to Saturday, from 8 am to 8 pm)

<b>GPA</b>	0800 55 57 11	<a href="mailto:ouvidoria@gpabr.com">ouvidoria@gpabr.com</a>
<b>GPA Malls</b>	0800 55 57 11	<a href="mailto:ouvidoria@gpamalls.com">ouvidoria@gpamalls.com</a>
<b>Multivarejo</b>	0800 55 57 11	<a href="mailto:ouvidoria@multivarejogpa.com.br">ouvidoria@multivarejogpa.com.br</a>
<b>Compre Bem</b>	0800 777 3377	<a href="mailto:ouvidoria@comprebem.com.br">ouvidoria@comprebem.com.br</a>
<b>Assaí</b>	0800 777 3377	<a href="mailto:ouvidoria@assai.com.br">ouvidoria@assai.com.br</a>

## 7. REFERENCES

- Ethics Charter of GPA's suppliers

- Diversity and Human Rights Policy
- Environmental Management Policy
  
- DIAGNOSIS OF THE SUSTAINABLE OIL PALM PRODUCTION, developed by the BRAZILIAN DEPARTMENT OF AGRICULTURE, LIVESTOCK AND SUPPLY - MAPA, Brasilia, 2018.
- The increase in palm oil production in Brazil and its impact on the field. - Biodieselbr, 2018.
- Palm tree and Sustainability. Brazilian Association of Palm Oil Producers (ABRAPALMA).