



## Our Approach to Responsible Sourcing: Deforestation Commodity Policy

Relevant Sustainable Development Goals (SDGs) relating to this policy:



Version 1

Published February 2023

## **1. Definitions & Descriptions**

**Biome** - a large naturally occurring community of flora and fauna occupying a major habitat.

**Fairtrade Foundation** - a charity based in the United Kingdom that aims to empower disadvantaged producers in developing countries by tackling injustice in conventional trade, in particular by promoting and licensing the Fairtrade Mark, a guarantee that products retailed in the UK have been produced in accordance with internationally agreed Fairtrade standards.

**Forest Stewardship Council (FSC)** - an international non-profit, multistakeholder organisation established in 1993 that promotes responsible management of the world's forests via timber certification.

**Identity Preserved** – where products containing palm oil can be traced back to RSPO-certified mills and plantations. Under the Identity Preserved model, the palm oil can be traced directly to the RSPO-certified plantation where the oil palm was grown.

**Mass balance** – when a mix of certified and uncertified palm oil, both monitored by volume and counts only the certified volume as sustainable. For example, a mill may produce 100 tonnes of certified oil, and 50 tonnes of uncertified oil. Both are processed together in the mill and of the 150 tonnes at the end, only 100 tonnes is then sold on as certified sustainable palm oil.

**Programme for the Endorsement of Forest Certification (PEFC)** - an international, non-profit, non-governmental organization which promotes sustainable forest management through independent third party certification. It is considered the certification system of choice for small forest owners.

**Rainforest Alliance** - Founded in 1987 as an international non-profit organisation, the Rainforest Alliance works to conserve biodiversity, develop and promote sustainability, and foster the rights and welfare of workers, their families and communities in more than 100 countries.

**Roundtable on Sustainable Palm Oil (RSPO)** - a global, not-for-profit organisation with voluntary members which aims to bring together stakeholders from across the palm oil supply chain to develop and implement global standards for sustainable palm oil.

**Science-based targets** - a set of goals developed by a business to provide it with a clear route to reduce greenhouse gas emissions.

**Segregated** - where products containing palm oil can be traced back to RSPO-certified mills and plantations. Under the Segregated Supply Chain Model, this can be traced to multiple RSPO-certified mills or supply bases

**UK Soy Manifesto** - is a collective industry commitment to work together to ensure all physical shipments of soy to the UK are deforestation and conversion free, fully implemented immediately where possible and no later than 2025.

**Zero deforestation** – Zero deforestation means no forest areas are cleared or converted. It allows for sustainable management of forest ecosystems, and includes the allowance for harvesting timber at a sustainable level which does not negatively impact biodiversity (such as under the Forest Stewardship Council standard).

## **2. Context**

Addressing deforestation is a fundamental challenge for current and future generations, which requires urgent action. Forests have a critical role in hosting most of the planet's terrestrial animals but they also sequester carbon, regulate global temperatures and provide livelihoods for hundreds of millions of people.

In line with Princes' long held approach to sustainable sourcing, we have a responsibility to protect vital ecosystems in the countries from which we source ingredients (e.g., palm oil) or finished products (e.g., canned corned beef).

While Princes' impact is relatively small in terms of global trade, our actions and voice can influence how commodities are produced and traded and we have a duty to tackle the issue of deforestation.

In key areas we have engaged with suppliers and environmental stakeholders for many years but accept we need to go further and faster to continually improve supply chain management, mitigate any risks and enhance transparency from field to fork.

### **3. Key Commodity Sourcing Responsibilities & Principles**

#### **3.1 Brazilian Beef**

Cattle rearing and ranching for beef production occurs globally, with North America, South America and the European Union being the largest producing regions. Princes brand corned beef is sourced from European and Brazilian sources.

The 2009 Greenpeace Brazilian Cattle Agreement with the four largest Brazilian beef companies and [Forest Code \(2012\)](#) are initiatives established to help protect forests in these regions. The Cattle Agreement requires close monitoring of cattle suppliers and seeks to ensure that cattle ranching does not further contribute to deforestation or human rights abuse. Signatories are required to undertake annual audits to demonstrate compliance and transparency. The Forest Code seeks to protect natural Brazilian ecosystems by requiring landowners to safeguard a portion of forest or native vegetation for conservation when developing their land.

While these initiatives have seen improvement, we believe there remain serious limitations. The Cattle Agreement did not mandate the monitoring of the many thousands of indirect suppliers of cattle in lower tiers of the supply chain prior to purchasing by our suppliers, while the Forest Code is an important compliance matter in addressing illegal activity but still permits legal deforestation.

The issues above are ones we have engaged on for some time with suppliers, customers and Non-Governmental Organisations (NGO) and will continue to do so. Our suppliers in Brazil have taken many steps to address these issues and we will use our influence to encourage them to go further. We believe that encouraging suppliers this way is the right approach to effect positive change and it is one we consistently use throughout our global supply chains.

For beef suppliers from Brazil we require the following:

1. Suppliers were a signatory to the 2009 Greenpeace Cattle Agreement, undertake and publish an independent annual audit of their purchases. Our expectation is 100% compliance to the agreement in the annual audit.
2. They are committed to ensuring zero deforestation (including legal deforestation) in their entire Brazilian supply chain, and the implementation of digital blockchain technology to make transparent the movement of cattle in their chains prior to the final point of purchase. This must be in place for all of Brazil no later than 2030 and for the Amazon biome it must be in place in 2025.
3. They have an active risk mitigation programme in place ahead of the 2025 blockchain date in order to minimise the chances of cattle with links to deforestation or human rights abuse entering their chain.

4. The supplier has a process in place for real time monitoring of fires within the Amazon biome.
5. They have an active supplier engagement programme in place encompassing improvements to sustainable rearing and management of livestock and providing training and incentives to cattle farmers to adopt progressive practices to minimise environmental impact.
6. They are publicly committed to Science Based Targets at 1.5 degrees for Greenhouse Gas emissions reduction encompassing their own operations and supply chain.
7. Supplier is engaged in bilateral dialogue with one or more established environmental NGOs to assist and guide their approach to sustainability and management of direct and indirect suppliers.
8. Positive end customer evaluation of supplier performance covering traceability, risk management of direct and indirect supply chains, NGO engagement and a commitment to zero deforestation.

### 3.2 Palm Oil

Grown only in the tropics, the oil palm tree produces high-quality oil used in cooking but it is most widely used in food products, detergents, cosmetics and, to a small extent, biofuel.

Palm oil is a very productive crop. It offers a far greater yield at a lower cost of production than other vegetable oils. Global production of, and demand for, palm oil continues increasing rapidly. Plantations are spreading across Asia, Africa and Latin America. But such expansion comes at the expense of tropical forests which form critical habitats for many endangered species and a lifeline for some human communities.

Princes uses Palm Oil within our edible oils business and it (or derivatives thereof) is also present in a small number of ingredients we source for our manufactured food products.

Since 2013, all palm oil, palm kernel oil or derivatives thereof in our products – whether directly purchased by Princes or any appointed third party on our behalf – has been Roundtable on Sustainable Palm Oil (RSPO) certified at Identity Preserved, Segregated or Mass Balance levels.

**By the end of 2025 all the palm oil we use in our edible oils and foods business will be certified at RSPO Segregated level.**

Where palm oil is purchased directly by Princes or our partners in our oils business we are confident we will attain this. We will seek to source to the same standard for ingredients in our food manufacturing but accept that this may be challenging as many of these ingredients are supplied to a wide range of manufacturers and our

ability to influence suppliers on sub components within ingredients may be limited given our relatively small use. For context in 2022 we used less than one tonne across circa 15 ingredients from 20 suppliers.

Concurrent to this policy, our technical teams will continually seek to find alternatives or remove palm oil from our products wherever possible.

Any products we manufacture for third party brands or retailers will be compliant with the requirements of the brand owner.

Princes is not a direct member of the RSPO, but is categorised under 2017 RSPO Secretariat rule change as a subsidiary company of an existing member. Our manufacturing sites that handle Palm Oil will retain all relevant accreditation necessary and at a group level we hold Distribution Licences for Princes Limited and Princes Foods B.V. (Rotterdam).

### 3.3 Soy

Soy beans are an excellent source of protein and an important part of many people's diets globally. Livestock farming and aquaculture uses large volumes of these beans for animal feed. Soy can also be crushed to produce oils and appears in many foods in the form of derivatives such as soy lecithin.

Various aspects of soy production generate greenhouse gases that contribute to climate change. Tropical countries including Brazil, Argentina and Paraguay have seen significant emissions from deforestation and losses to biodiversity from conversion of high-quality habitats, especially tropical forests, driven partly by the development of soy. For example, Brazil has lost around 800,00sq km of the Amazon rainforest since 1970.

Work undertaken in 2022, has identified that Princes has an 'exposure' of c.12,000 tonnes<sup>1</sup> of soy within its supply chains up stream of our manufacturing operations and third party finished goods suppliers. Our exposure to soy is complicated and our influence upon it is limited as animals fed soy for our meat, farmed fish or dairy requirements are often several 'tiers' separate from Princes and our direct suppliers.

Regardless, there is consensus within the food sector that improvements are required within soy management and accelerating to zero deforestation.

In November 2022 Princes joined the UK Soy Manifesto.

**Signatories to the UK Soy Manifesto commit to soy within their supply chains being deforestation free by 2025 and to work together to achieve this goal.**

This includes requesting that their suppliers adopt the same commitments and incorporate these requirements within commercial contractual All signatories commit to publicly disclosing on their progress annually.

### 3.4 Cocoa

Most cocoa farmers are smallholders with low incomes and low productivity. They live in developing communities, with depleted soils and older, less productive trees. Child labour and gender inequality are salient risks found in this sector.

Whilst we don't currently procure cocoa directly, or as an ingredient within our product range, should this change our requirement will be for **all cocoa to hold Rainforest Alliance certification.**

We have chosen Rainforest Alliance certification because our aim is not only to make sure farmers receive a fair price for their cocoa, but to also make sure that we are tackling key social and environmental issues, including child labour and deforestation. Those aims match the mission and goals of Rainforest Alliance where there is a focus on how farms are managed and certification is awarded to farms that meet comprehensive social, economic and environmental standards.

Addressing these issues is vital to making sure the industry is sustainable in the long term.

### 3.5 Coffee

Coffee is an important source of employment and income for rural populations in some of the poorest countries in the world, smallholder farmers produce the majority of the world's coffee. We don't currently purchase any coffee but recognise that this might be used as an ingredient in the future within our supply chains.

We are committed to working with our suppliers to avoid deforestation and land conversion for coffee.

**We believe the best way to achieve this is by sourcing certified sustainable coffee which has been certified by Fairtrade.**



### 3.6 Paper, Card & Wood

**Our requirement is that all card, paper or wood materials used in our product packaging must be Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified across our Group by 2025.**

The above policy stipulates our requirements of suppliers and company targets as they relate to our products and product packaging as they are placed onto the market.

While this is our priority and current scope of commitment, we are mindful of potential impacts relating to these commodities in other areas of our business, e.g. use of wood in pallets used by transport companies, or food offerings from third party providers at our manufacturing operations.

Where we can use our influence with these businesses to influence more sustainable options in line with this policy we are committed to doing so.

**[ENDS]**