



Palm Oil Sourcing

Progress Report (April 2018)

Palm Oil is an important raw material for Kerry Group and its customers. Despite the well documented challenges within the industry, we recognise the crucial role that palm oil plays in the social and economic development in some regions of the world. Therefore, we remain committed to the responsible sourcing of this commodity from producers who share our views on sustainable production and who can demonstrate compliance with the Group's requirements.

Assessment Process

Since the publication of the Group's Palm Oil Policy in July 2016, Kerry has made significant progress in understanding and mapping the origin and supply chain of its global palm oil volumes. As Kerry has no direct interaction with palm oil mills, plantations, suppliers or growers of fresh fruit bunches, we have conducted our engagement with direct suppliers who represent 99% of our total global volumes. These suppliers are processors and/or refiners, some of whom own mills and plantations, while others buy palm oil from the market for further processing in their own facilities. As part of the engagement process, we have evaluated our direct supply base against the criteria below. This assessment is for the full year 2017.

1. **Forest protection** (policy/management/independent verification). No development on HCS/HCV/zero burning.
2. **Protection of peatlands** (policy/management/independent verification). No development regardless of depth.
3. **Improvement of livelihood** (policy/management) protect/respect the position and rights of smallholders and indigenous communities.
4. **Traceability** (policy/management/independent verification). Ability to trace volumes back to mills and/or plantation & smallholders.
5. **Transparency of policy and progress update frequency** (policy/independent verification). Ability and willingness to share data publicly.



Results

Based on the work undertaken by Kerry to date, we have identified that almost 88,000 tones, representing 96% of our total global volumes has been sourced from suppliers that operate in accordance with the requirements set out in the Group's palm oil policy.

In our 2017 update, we highlighted the need for some suppliers to improve performance against one or more of the five criteria outlined above. Since then, we have had ongoing engagement with these vendors, outlining our requirements for continued improvement in the relevant areas. We are pleased to report that many of these suppliers continue to engage constructively with us and are meeting compliance with the Group's policy. However, we have identified one supplier where despite engagement, required progress has not been made and Kerry will move to exclude this vendor from our supply base in 2018, when present contracts have expired. We continued to source all palm oil volumes used within our consumer foods division, Kerry Foods, through RSPO physical certification systems or using GreenPalm certificates, which have now been replaced by RSPO Credits. We remain on track to use only physically certified sustainable palm oil in all Kerry Foods' branded products by year end 2018, in line with the commitment in the Group's palm oil policy.

We note the growing concerns regarding labour conditions and the use of migrant workers and this continues to be a focus area for us in our discussions with suppliers. Our understanding of the sustainability impacts within our supply chain has been aided by continued progress on traceability for both palm oil and palm kernel oil. The graphs below illustrate the progress made in understanding the source of our CPO and CPKO volumes.

Kerry has also made significant progress in establishing traceability within our supply chain for both our palm oil.

Working with Smallholders

The Group's palm oil policy makes a clear call out with regard to the improvement of livelihoods. At Kerry, we understand that the inclusion of smallholders is vital in ensuring that the economic benefits of palm production are shared with local communities and with smallholders accounting for up to 40% of total palm oil volumes, they are a key stakeholder in creating a more sustainable industry.

In 2017, Kerry partnered with IOI to support smallholder farmers. Based in Sabah, Malaysia, this programme is designed to improve production practices at both farm and mill. With the support of our implementation partner, Wild Asia (a Malaysian based not-for-profit organisation), the programme aims to boost the productivity of small-scale growers and support them in the implementation of more sustainable agricultural practices. The programme will also assist both small growers and the selected mill in preparing for certification requirements. For Kerry, it will provide a more direct influence on practices at mill and farm level in the project area and alongside our broader requirements on palm oil, will deliver a positive impact for communities and workers within our supply chain.

Figure 1: Global Crude Palm Oil Traceability to Mill

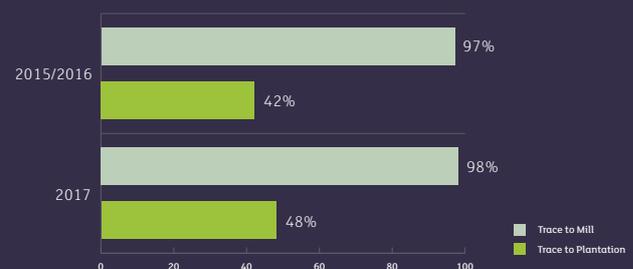




Figure 2: Global Crude Palm Kernel Oil Traceability to Mill

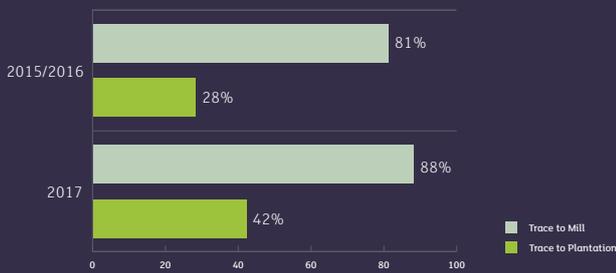


Figure 5: Kerry Volumes by Country of Origin

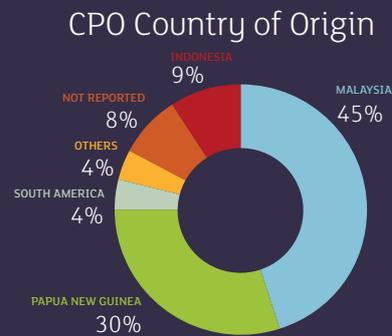
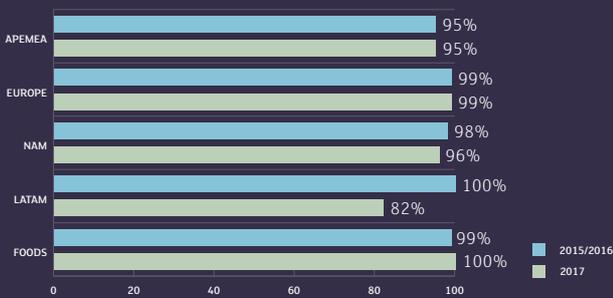


Figure 3: Palm Oil Traceability by Kerry Consuming Region



CPKO Country of Origin

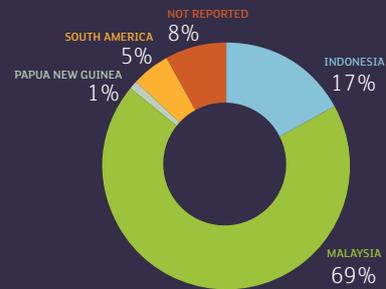
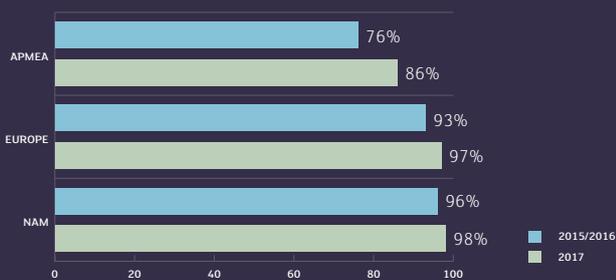


Figure 4: Palm Kernel Oil Traceability by Kerry Consuming Region



Conclusion

Like many users, Kerry is working to support more sustainably produced palm oil and we continue to make progress on the traceability and sustainability of our volumes. Although the industry has embraced many of the well-known challenges and is working towards continuous improvement, there are still many outstanding issues in producing countries where further improvement is required. We believe that these can only be tackled through the constructive participation of all industry stakeholders, including government in the producing countries. As a member of RSP0, Kerry will continue to play an active role in the process and will seek to promote improvements that support sustainable production practices.