



DEFORESTATION PREVENTION POLICY OF ŽEMAITIJOS PIENAS, AB

1. GENERAL PROVISIONS

1.1. This policy defines the obligations of ŽEMAITIJOS PIENAS, AB and its subsidiaries and affiliated companies (hereinafter collectively referred to as “the Company”) to ensure that raw materials in the supply chain are not related to deforestation or forest degradation. The policy was drawn up in accordance with Regulation (EU) 2023/1115 of the European Parliament and of the Council on the making available on the Union market and the export from the Union of certain commodities and products (hereinafter referred to as “the Regulation”).

1.2. The policy applies to all of the Company's purchases and production processes that use the raw materials listed in the Annex to the Regulation.

1.3. In the Company, the Policy is applied to raw materials such as cocoa and cocoa-related products, and its application will be expanded accordingly if the Company starts using other raw materials specified in the Annex to the Regulation.

1.4. The Policy shall enter into force upon the entry into force and implementation of the Regulation in the Republic of Lithuania, but not earlier than 30/12/2025, and will apply to all new supply transactions from this date.

2. DEFINITIONS USED

2.1. ‘Deforestation’ means the conversion of forest to agricultural use or other non-forest use land.

2.2. ‘Forest degradation’ means damage or reduction of the structure, functions, and species diversity of a primary forest. 2.3. ‘Due diligence’ means a structured process for gathering information, assessing and mitigating risks.

2.4. ‘Raw material’ means any of the raw materials specified in the Annex to Regulation (EU) 2023/1115, including, but not limited to, cattle, cocoa, coffee, palm oil, soya, wood, and other raw materials used in the production or supply chain.

2.5. ‘Cocoa products’ means all products containing cocoa or cocoa-based ingredients, including chocolate, chocolate icing, desserts or processed materials.

3. OBLIGATIONS OF THE COMPANY

The Company shall:

3.1. not supply, process or use raw materials derived from areas where deforestation was carried out after 31/12/2020;

3.2. ensure that all raw materials used are produced in accordance with the legislation of the relevant country of origin;

3.3. require that suppliers provide all necessary information about the origin, place of production, certificates and legal compliance of the raw material;

3.4. collaborate actively with responsible supply chain partners to ensure sustainability;

3.5. monitor and assess continuously suppliers’ compliance with these requirements and take corrective action if non-compliance is identified;

3.6. comply with all applicable laws and regulations;

3.7. apply the principle of zero tolerance to any violations related to deforestation or illegal origin of raw materials;

3.8. require that suppliers provide confirmation that the raw materials supplied meet the requirements of the Policy and the Regulation.

3.9. In case of violation of this Policy, the Company reserves the right to terminate cooperation or apply other measures aimed at ensuring compliance with the Policy.

4. REQUIREMENTS FOR SUPPLIERS

- 4.1. The Company will only select suppliers who:
- 4.1.1. ensure that their supply practices do not contribute to deforestation and forest degradation;
 - 4.1.2. provide reliable and verifiable information on the origin of the products;
 - 4.1.3. cooperate in carrying out supply chain inspections and provide the necessary data for the implementation of the Regulation;
 - 4.1.4. sign declarations of conformity and undertake to comply with this Policy and the Regulation.
- 4.2. The Company will exercise due diligence and:
- 4.2.1. collect all necessary information about the origin of the raw material, determine the exact geographical location from which the raw material came, inspect the documents of ownership, permits and taxes;
 - 4.2.2. assess whether there exist any legal or ethical risks (taking into account the supplier's experience, location characteristics and previous breaches, and will be guided by the EU risk classification once it is published);
 - 4.2.3. in case of doubts, will take additional actions, i.e. will request to provide more documents or will carry out an independent audit; if the risk is too high and cannot be mitigated, the Company will stop the purchase or will terminate cooperation.
- 4.3. The Company will approve suppliers only after it is identified that they comply with the provisions of the Policy.

5. DATA STORAGE AND REPORTING

- 5.1. All information relating to the due diligence shall be kept for at least 5 years.
- 5.2. Prior to each supply of regulated raw materials, a due diligence statement shall be submitted to the information system of the European Commission.
- 5.3. The records shall be stored in the electronic document management system and shall be accessible only to the responsible employees and competent control authorities.

6. FINAL PROVISIONS

- 6.1. The Company shall take all possible measures to comply with this Policy, prepare and approve appropriate detailed internal procedures and instructions.
- 6.2. All employees involved in supply, purchase and quality control shall be trained on the requirements of the Regulation. The training shall be carried out at least once a year or in the event of a change in legal regulation.
- 6.3. The Company will appoint a person responsible for the implementation of the Policy by a separate order.
- 6.4. The Policy shall be reviewed at least once a year.
- 6.5. The Policy shall be made public on the website and communicated to suppliers and interested parties.

Last version updated on: 25/06/2025

APPROVED BY:
ORDER No. ID-25-01225 OF 25/06/2025
OF THE GENERAL DIRECTOR OF
ŽEMAITIJOS PIENAS, AB