



General statement on Arla Foods' position on palm oil

Arla Foods acts responsibly and we strive to make our products in the most sustainable way possible. Palm oil has many uses and benefits, and palm oil based products and ingredients are used in some of the products produced by Arla, although quantities may vary over time.

Palm oil production can have an unjustifiable impact on the environment and society if not responsibly managed. Arla is committed to responsible and sustainable palm oil sourcing for the benefit of consumers, the environment, local communities, the business and its brands.

Arla's principles for the purchase of palm oil

- Arla's ambition is to buy only segregated, certified, and traceable palm oil products and ingredients.
- Arla has decided to buy Green Palm certificates for all palm oil that is not delivered according to a physical certified supply chain in the intervening time.
- Time frame, see below.

As a basic step, Arla only purchases palm oil from suppliers who are members of the RSPO and who source their raw material from producers who also are members of RSPO.

We require all our suppliers of physical palm oil to be progressing on certification of their plantations and mills, as well as refineries and processing plants. We expect them to communicate a time-bound plan for achieving this, and to report progress towards their goals in an annual communication of progress (ACOP).

Furthermore, we want to strengthen our commitment to work towards a more sustainably produced palm oil supply chain by including additional specific demands on the suppliers and their sub-suppliers. This includes demands of no deforestation, no new development on peat lands, achievement of full traceability to the source (e.g. smallholders, a group of smallholders or a plantation) and respect for workers', local communities' and human rights. See also appendix.

We demand that our suppliers place the corresponding demands within their supply chains, including time bound plans and measurable milestones, in order that their suppliers also commit to sustainable palm oil production and supply chain.

We also expect our suppliers to report publically the environmental impact of their full supply chain and their progress to reduce and minimise GHG emissions.

Arla's time frame

Arla will only use segregated certified palm oil-based products by the end of 2015.

If Arla, depending on lack of availability, cannot fulfil this commitment, the company has decided to buy Green Palm certificates for all palm oil that is not delivered according to a physical certified supply chain.

Arla request full compliance with additional criteria of no deforestation, not exploiting new peat land and with traceability from plantation / smallholder / mill level by the end of 2015. The ambition is traceability from plantation / smallholder not later than 2017, and time bound plans are requested to be presented 2016.

Suppliers of food additives and compounds which use palm oil as an ingredient, will be expected to use only certified segregated palm oil by no later than the end of 2016, and to comply with the additional demands no later than by the end of 2017. Our focus is where the palm oil is a major ingredient in the finished product.

Monitoring and follow up

Procurement of palm oil follows Arla's general procurement management process. Assessment of suppliers, monitoring of development, follow up and handling of deviations will be handled according to these processes.

Arla's achievements so far

2011 and 2012: Green Palm certificates were purchased corresponding to the entire volume of palm oil and palm oil based products used in Arla's supply chain.

2013: approximately 20 % of the total volume used, for both Arla branded products and 3rd party production, was certified segregated. The remaining volume was covered by Green Palm certificates.

In 2014, 80 % of the total volume of palm oil was certified segregated. The remaining volume will be covered by Green Palm certificates.

In 2015, 90 % of the volume was certified segregated. We had to buy Green Palm certificates for the remaining 10% due to lack of the availability of certified segregated palm compound in a few complex products. Of the same reason we will need to buy a small number of certificates for 2016 as well.

The continued progress we make in achieving our ambition will be shared publically in our annual Responsibility Report as well as in our annual code of progress report to RSPO.

Next steps

By no later than the end of 2017, all palm oil and palm oil products will come from 100 % RSPO certified growers, that have been independently verified as implementing the additional demands set out in Appendix 1.

Viby, January 2016
Arla Foods Corporate Responsibility

Appendix

Arla and RSPO

Arla applied for, and was granted, membership in the multi-stakeholder organisation Roundtable on Sustainable Palm Oil (RSPO) in December 2012.

The RSPO certification standard is developed through a global, transparent, multi-stakeholder dialogue and requires 3rd party certification. It includes strict principles and criteria and is seen as a viable solution and a credible base on which to build.

We want to participate in the development of the standard's ambitions within its framework and we want to support progressive and proactive growers and millers.

We demand that breaches (violations) of the standard to lead to clear and immediate action plans with defined time frames.

We support the RSPO's vision of 100 per cent sustainable palm oil production and the development presented in April 2014, driven by POIG (Palm Oil Innovation Group) as we truly believe this is in the best interests of the environment and climate, endangered species, local communities, indigenous people as well as people working in the palm oil supply chain.

Furthermore, we follow the development of RSPO Next programme.

Explanations / Clarifications of demands

Traceability means

- Traceability to mills, plantations or smallholders / group of smallholders, meaning information about geographic origin of all raw materials to mills should be registered and documented to traceable area of origin and supplier/group of suppliers.

No deforestation means

- No clearance of rain forest or HCS forests
- Areas of high carbon and high conservation value (HCV) shall be protected
- Farms and plantations shall comply with local legislation
- Farms and plantations shall comply with RSPO's criteria for sustainable production

Protection of peat land means

- No new peat land, regardless of depth, shall be introduced to palm oil cultivation
- Existing plantations on peat land shall implement best practices to protect the environment and minimise carbon emissions
- Existing plantations shall comply with RSPO's criteria for sustainable production and with local legislation

Respect for workers' rights, human rights and the local communities rights

- Not exploit workers or community
- Respect ILO Convention 169
- Respect and support UN Declaration of Human Rights and on Indigenous People's Rights
- Comply with local and international legislation