



Orkla Policy for Sustainable Palm Oil

Background

Palm oil is the most traded vegetable oil worldwide, and is commonly used as an ingredient in a variety of consumer goods. Most of global production comes from Indonesia and Malaysia, where increased demand for palm oil has led to the expansion of palm oil plantations, in turn resulting in the clearing and destruction of rainforest. This deforestation has created significant challenges related to greenhouse gas emissions, wildlife and human rights.

Since 2008, the Orkla companies have taken significant steps to reduce their use of palm oil and support the certification initiatives organized by the multi-stakeholder organization Roundtable on Sustainable Palm Oil (RSPO). To achieve sustainable production of palm oil, it is necessary to solve complex environmental, social and governance challenges that require the collective efforts of producers, traders, buyers and governments. In 2015, Orkla joined the RSPO as a Group member because we see the RSPO as an important initiative which brings together industry, civil society and local governments in a joint effort to make sustainable production the norm for the palm oil sector.

We want to do our utmost to protect the rainforest, prevent violations of human rights and ensure compliance with other ethical requirements in the palm oil supply chain. Therefore, we have clear time-bound commitments for Orkla's sourcing of palm oil.

Commitment

Orkla is committed to breaking the link between our products and tropical deforestation.

We will replace palm oil with alternatives that are better from a nutritional perspective and support the development of certified, sustainable palm oil. We will work towards achieving a traceable supply chain where palm oil is sustainably produced. All palm oil sourced by Orkla shall be produced in accordance with the following principles:

- No tropical deforestation:
 - Rainforests shall be preserved
 - Forest areas of high carbon value and high conservation value shall be protected
 - Farms and plantations shall comply with local laws and strict criteria for sustainable production
- Protection of peat land:
 - Peat lands shall not be used for the cultivation of palm oil
 - Existing plantations on peat land shall observe best management practices with regard to protecting the environment and workers' health and safety
- Respect for human and workers' rights:
 - The interests and rights of local communities affected by palm oil cultivation shall be protected in accordance with local and international law, such as ILO Convention 169 and the UN Declaration on the Rights of Indigenous Peoples
 - Cultivation of palm oil shall be carried out with respect for human and workers' rights and otherwise in compliance with the ethical requirements set out in the Orkla Supplier Code of Conduct



We will support the work of the RSPO and increase the uptake of RSPO-certified oil. We will also actively engage in dialogue with suppliers and other relevant stakeholders to promote best practice and report on progress in a transparent manner.

Some Orkla companies manufacture products on behalf of other companies. We will invite these customers to join us in our efforts to secure a sustainable palm oil supply chain.

Supplier requirements

When purchasing palm oil, palm kernel oil, or derivatives from palm oil or palm kernel oil, we will require our suppliers to meet the following standards:

- The supplier must comply with the Orkla Supplier Code of Conduct. This code of conduct describes our expectations with regard to responsible operations, and covers important topics such as child labour, forced labour, unionisation, discrimination, living wages, occupational health and safety, regulated working hours, contractual working conditions, environmental systems, emissions, handling of hazardous chemicals, water consumption and corruption.
- All raw materials used in the supplier's production processes must come from legal sources.
- The supplier must not be involved in the clearing of tropical rainforest in connection with its own or its subcontractors' activities. Forest areas that have a high conservation value and that bind large amounts of carbon, must be protected. In connection with production in tropical regions, we want our suppliers to apply the definitions of "High Conservation Value"¹ and "High Carbon Stock"² as their basis for assessing which parts of the rainforest should be conserved.
- The supplier must not be involved in the new cultivation of peatland through either its own or its subcontractors' activities. Existing plantations on peatlands must be compliant with high operational standards. We encourage our suppliers to explore possibilities for restoring peat in collaboration with experts and local communities.
- The supplier must not use fire as a method of clearing land and establishing new agricultural areas.
- The supplier must respect the rights and interests of indigenous peoples and local communities affected by its activities, including their traditional land rights. If the supplier or its subcontractors wish to establish agricultural operations on land owned by other persons, they must obtain the latter's free, prior and informed consent for such operations in advance.
- The supplier must put in place procedures for resolving any conflicts that may arise with indigenous peoples and local communities affected by its activities to ensure a balanced, transparent process.
- The supplier must actively communicate its requirements to its subcontractors and monitor them to ensure that they comply with the requirements. The suppliers should work purposefully towards achieving traceability of their supplies back to plantation.
- The supplier shall actively and continuously improve its practices with the aim of establishing best practices for deforestation-free, sustainable production.

Actions

In order to be able to source palm oil in compliance with these criteria, Orkla will:

- Require that our suppliers document traceability and sustainable production, and that they work purposefully to avoid involvement in tropical deforestation or other breaches of our supplier requirements

¹The High Conservation Value Network, <https://www.hcvnetwork.org/>

²High Carbon Stock (HCS) Toolkit: <http://highcarbonstock.org/the-hcs-approach-toolkit>



- Engage in collaboration with relevant industry and certification bodies, including the RSPO, to increase traceability, improve transparency within the supply chain and ensure sustainable production practices
- Engage in dialogue and collaboration with NGOs, consumers and customers to build awareness, knowledge and commitment to sustainable palm oil
- Regularly report on progress

Milestones

Accomplishments so far:

- From 2008 to 2015, the Nordic companies in Orkla Foods and Orkla Confectionery & Snacks reduced the consumption of palm oil by approximately 90%. For the branded consumer goods companies as a whole, the reduction was approximately 70% (Orkla Foods, Orkla Confectionery & Snacks and Orkla Care).
- In 2014, Orkla selected key suppliers who share our targets for traceable, sustainably produced palm oil by 2017 and who had robust plans for achieving these targets.
- In 2015, Orkla became group member of the RSPO and implemented a traceability system.
- By the end of 2015, 40% of the palm oil, blends and derivatives purchased by Orkla was RSPO certified, sustainable palm oil or offset by Green Palm certificates:
 - 18% RSPO SG
 - 8% RSPO MB
 - 13.5% RSPO Green Palm certificates

No later than by the end of 2017:

- All palm oil purchased by Orkla shall be sustainably produced. By sustainable production we mean that the farming and production practices should be in line with the requirements of this policy, with no deforestation, no cultivation of peat land and respect for human rights.
- Orkla shall be able to trace purchases back to the producing mill, and have sufficient information about the farmers supplying to these mills to be able to assess the risk of non-compliance with Orkla's policy requirements.
- All palm oil purchased for Orkla's own brands should be RSPO certified, preferably at the Segregate level.
- All palm oil purchased for private label production should be RSPO certified or offset by RSPO Credits.