

## AAK Group Policy: Palm Oil

Over 47 million tonnes of palm oil is produced worldwide and comprises a major food source all over the world. Palm oil is used in a wide variety of foods including crisps, cakes, biscuits and pastry. The vegetable oil production worldwide totals over 120 million tonnes per year and palm oil is the world's largest and most important vegetable oil. Although being entirely GM free and having the highest yield per hectare of any oil or oilseed crop, it is recognised that there are environmental pressures particularly as palm oil can only be cultivated in tropical countries such as Malaysia, Indonesia and Colombia. Palm oil sales are set to rise dramatically particularly in the growing economies of China and India. Sales in Europe and the USA have also grown recently due to palm oil being an effective substitute for partially-hydrogenated rapeseed and soy oil thereby eliminating trans fatty acids from many products and because of the demand for energy from renewable sources.

AAK is committed to the development, promotion and use of certified sustainable palm and fully supports the work of the RSPO (Roundtable on Sustainable Palm Oil) in this respect.

For many years, AAK has recognised the need to improve working practices in the many countries of origin from which palm oil comes. The initial direct action involved the formation of the RSPO. AAK is a founder member of the RSPO, which is a multi-stakeholder voluntary organisation promoting the development and use of sustainable palm oil. The RSPO started as an informal co-operation between several companies including AAK, together with WWF at the end of 2002. The organisation now has over 300 member organisations worldwide including many household name companies. The Principles and Criteria (P&C) for Sustainable Palm Oil took over a year to develop but were universally adopted at the third Roundtable, which took place in Singapore in November 2005. AAK was represented on the 25 person team that initially wrote the P&C and the company has since contributed to the development of various supply chain options. Of the four RSPO approved supply chain options, AAK is routinely operating two: a fully segregated supply chain for certified palm oil and the certificate "Book & Claim" option. The latter is operated by a wholly owned subsidiary GreenPalm. To date, the GreenPalm supply option has traded more oil than all the other three RSPO options combined.

AAK urges all its current supply chain partners to encourage the implementation and adoption of the RSPO's Principles and Criteria and expects them in turn to promote the concept of sustainable palm to their counterparties. AAK expects all its suppliers to be working towards the adoption and implementation of RSPO's P&C and eventually towards certification under the RSPO's scheme.

The policy at AAK is to strive to promote the use of Certified Sustainable Palm Oil (CSPO) amongst its diverse customer base. Wherever possible, the AAK Group offers its customers CSPO and this is expected to be increasingly the case as more certified oil becomes available and solutions to the problem of palm derivatives are tackled. Equally, AAK makes it clear to all its customers that they in turn can support the development of sustainable palm oil in countries of origin across the world by covering their palm oil purchases with GreenPalm certificates. This is especially relevant for situations where CSPO derivatives are not yet available.

In order to be a refiner of CSPO, facilities have to be audited and certified by the RSPO. The AAK refinery in the UK was the first refinery in the world to be so certified and other AAK refineries have followed suit whenever the opportunity to supply CSPO to the market place has arisen. Refinery certification is valid for one year although AAK will automatically apply for renewal at the appropriate time to ensure customers receive CSPO through a fully certified supply chain.

Yours faithfully  
AarhusKarlshamn AB (publ.)



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