Sourcing sustainable palm (kernel) oil
A perspective from FrieslandCampina

RT10 – October 2012

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We provide millions of people around the world with all the good things milk has to offer.
### Our position

2011 dairy revenue, in billions of euros

<table>
<thead>
<tr>
<th>Company</th>
<th>Dairy revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nestlé - Switzerland</td>
<td>18.6</td>
</tr>
<tr>
<td>2. Danone - France</td>
<td>14.9</td>
</tr>
<tr>
<td>3. Lactalis - France</td>
<td>13.5</td>
</tr>
<tr>
<td>4. Fonterra - New Zealand</td>
<td>11.3</td>
</tr>
<tr>
<td>5. FrieslandCampina - Netherlands</td>
<td>9.7</td>
</tr>
<tr>
<td>6. Dairy Farmers of America - USA</td>
<td>9.3</td>
</tr>
<tr>
<td>7. Dean Foods - USA</td>
<td>8.4</td>
</tr>
<tr>
<td>8. Arla Foods – Denmark/Sweden</td>
<td>7.4</td>
</tr>
<tr>
<td>9. Kraft Foods - USA</td>
<td>5.5</td>
</tr>
<tr>
<td>10. Meiji Dairies - Japan</td>
<td>5.3</td>
</tr>
<tr>
<td>11. Unilever – Netherlands/UK</td>
<td>5.2</td>
</tr>
<tr>
<td>12. Saputo – Canada</td>
<td>4.9</td>
</tr>
<tr>
<td>13. DMK – Germany</td>
<td>4.6</td>
</tr>
<tr>
<td>14. Sodiaal - France</td>
<td>4.4</td>
</tr>
<tr>
<td>15. Yili – China</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: Rabobank, July 2012

### Strategy route2020: Growth & value creation

#### Aspiration

To bring the essential nutrients of natural dairy to people worldwide.

#### Value-drivers

- Innovation & cost focus
- Sustainability & innovation
- Milk valorisation & innovation
- To be the most attractive dairy company for member farmers

#### Benefit platforms

- Daily nutrition & functionality
- Nutrition & health
- Long & healthy

#### Capabilities

- Talent management
- Milk processing
- Dairy development

#### Foundation

- Our way: people & value
- Chain synergies
- Chain synergies

- The way we work & safety
**Our CSR Mission:** There is a fundamental need in the world for nutritious foods. Dairy is one of the most nutrient-dense food stuffs. As an international dairy leader we aspire to demonstrate our commitment to responsible production and leadership in the CSR domain by providing:

- **Health & Nutrition:** Combating obesity & nutrient deficiency
- **Sustainable Value Chains:** Improving resource utilisation
- **Dairy Development:** Helping 40,000 small farmers Asia, W-Africa
- **Responsible Dairy Farming:** Setting the standard

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**FrieslandCampina CSR Strategy House**

**CSR Mission and Vision**

FrieslandCampina CSR Business Case
CSR Strategy, 4 priorities, KPIs

- **Health & Nutrition:** Combating obesity & nutrient deficiency
- **Sustainable Value Chains:** Improving resource utilisation
- **Dairy Development:** Helping farmers Africa, Asia
- **Responsible Dairy Farming:** Setting the standard

**CSR Governance Board – 4 implementation teams**

- CSR Performance Measurement
- Annual Reporting
- Stakeholder dialogue
- Partnerships
- Employee & Dairy Farmer Engagement
- CSR Training programs
- Annual CSR Team Award
- Business Practices for Suppliers
- Code of Conduct
- Foqus
- Policies & Position Papers
FrieslandCampina & RSPO

• Developments sustainable palm monitored by category team oils&fats since 2005
• FrieslandCampina RSPO member since 2007
• Global sustainable palm policy approved by executive board October 2010
• Start implementation policy in January 2011

FrieslandCampina’s global sustainable palm policy

Switch palm oil from conventional to segregated *)
Switch palm fractions to mass balance (in future: segregated) *)
Switch palm kernel oil to mass balance (in future: segregated) *)
Switch palm-based emulsifiers to mass balance/segregated

*) if not available yet: buy mass balance or buy greenpalm certificates

Why a policy?
• Execute FrieslandCampina’s CSR strategy

Why this policy?
• One uniform global FrieslandCampina policy
• Attend to customers’ requirements
• Show entrepreneurship
• Clear policy, no window dressing
FrieslandCampina’s portfolio

Product portfolio:
- Palm oil
- Hydrogenated palm oil
- Palm oil fractions
- Palm kernel oil
- Hydrogenated palm kernel oil
- Palm kernel stearine
- Emulsifiers

Main applications:
- Fat powder for bakery
- Fat powder for soups and sauces
- Topping
- Non-dairy creamer
- Cappuccino foamer

Prerequisites (internal)

- Commitment senior management/EB
- Committed (dedicated) project team
- Multidisciplinary team (procurement, QA, supply chain, sales, marketing)
- Time & money to ensure proper implementation
- Understanding of RSPO supply chain models and claims
- Ability to work with different implementation pace per geographic region
Prerequisites (external)

- Market enablers
  (e.g. certified plantations; new mass balance rules RSPO)
- Alignment with suppliers / supplier commitment to CSR
- Physical availability of MB or SG oil in the destination region
- Critical mass required for further roll out
- All players in the supply chain need to take their responsibility and cooperate: "It takes two to tango"

Implementation (preparatory phase)

2007
Inventarisation with suppliers on future availability sustainable palm oil

2008
Internal alignment: translate RSPO developments to our company. First customers showed interest for sustainable palm products

2009
Decision all palm (kernel) oil suppliers should be RSPO member

2010
Alignment supplier base / draft policy
October: approval policy by executive board
Implementation (realisation phase)

- November 2010: Policy letter to all suppliers
- November 2010: Training sales/QC/logistics: claims, marketing, ERP system change. Prepare QC system: MB/SG specifications
- December 2010: FrieslandCampina Kievit plant, The Netherlands, RSPO SCCS audited and certified. Start purchase SG palm oil in Europe
- August 2011: FrieslandCampina Satro, Germany certified
- September 2012: FrieslandCampina DMV, The Netherlands certified

Status quo October 2012 sourcing sustainable palm (kernel) oil

- **EUROPE**: Almost 100% SG or MB palm (kernel) oil and emulsifiers
- **SOUTH EAST ASIA**: Malaysia: MB palm oil, Indonesia: Implement MB 2013, Thailand: Greenpalm certificates, Vietnam: Greenpalm certificates
- **AFRICA**: Nigeria: Greenpalm certificates
Further action 2013

- RSPO-SCCS certification of other FrieslandCampina plants (depending on marketing policy operating company)
- Ongoing discussion with suppliers globally on availability SG/MB oil. Special attention for further roll out in Asia
- Monitor together with suppliers applicable surcharge for SG/MB as critical mass is growing

It takes two to tango:
Let’s dance!