



Arla Foods' Responsible Sourcing Policy for Palm

Arla Foods acts responsibly and we strive to make our products in the most sustainable way possible. Palm products have 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.

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

Our commitments

To complement our efforts to reduce emissions, Arla commits to sourcing deforestation and conversion-free palm supply chains with a target date of 31 December 2025.

With regards to palm products embedded in cattle feed used on Arla farms, the target date is extended to 2028 to achieve conversion-free supply chains.

Specifically, we commit to:

1. Sourcing palm that is not produced on land that has been deforested or converted from all other natural ecosystems, including natural woodlands, grasslands, swamps, peatlands, riparian areas and wetlands
2. No burning, including for replanting old plantations
3. No infringements on the rights of workers, indigenous peoples or vulnerable communities

Please see Arla's group [Commitment to No Deforestation and No Conversion](#).

Scope

The scope of this no deforestation and no conversion policy includes ingredients which contain palm products that Arla purchases directly, as well as indirect palm embedded in feed used by farmers that supply Arla. This covers all entities, operations, and geographies under Arla's management control.

The latest cut-off date for palm (and Arla's general group policy) is **31 December 2020**. Some volumes of palm may be subject to earlier cut off dates depending on their origins in compliance with regional or national legislations, certification requirements or pre-existing sector-wide cut-off dates, for instance a November 2018 cut-off date applies to all RSPO-certified products. In such instances where earlier cut-off dates exist, these supersede Arla's group cut-off date.

Approach

Arla's approach is to ensure all direct and indirect palm products are deforestation and conversion-free is to source either segregated, certified, and traceable palm products and ingredients where there is no deforestation and conversion risk.

Palm products within ingredients and cattle feed are considered deforestation and conversion-free if they meet one of the following criteria:



- RSPO¹ Identity Preserved or Segregated certified
- confirmed as deforestation-free when volumes can be traced to countries of origin that are not defined as high risk for both deforestation and conversion, according to WWF's Deforestation Fronts²
- traced back to the origins and externally monitored and verified as deforestation and conversion-free, according to criteria outlined by the Accountability Framework initiative (AFI³)

Arla's overall ambition is to support transparent, and environmentally and socially responsible palm production, over and above the incoming EU Deforestation Regulation (EUDR). Arla is a member of RSPO and only purchases palm oil from suppliers who are also members of RSPO.

Although credits/book and claim models do not count towards DCF claims, Arla purchases RSPO credits to cover volumes of palm with an unknown risk of deforestation and conversion, including palm volumes embedded in cattle feed.

Arla's principles for suppliers

We expect our direct and indirect suppliers to uphold Arla's commitments to no deforestation or conversion activities linked with palm in their supply chains. In addition to Arla's other group policies relevant for suppliers, this includes:

- certification of plantations and mills, as well as refineries and processing plants, or verification of palm supply chain
- alignment on Arla's target and cut off dates
- for direct Arla suppliers, alignment with Arla's [Code of Conduct for Suppliers and Business Partners](#), including respect for workers, local communities and human rights

Arla also encourages suppliers to report publicly on progress, including the status of deforestation and conversion-free palm products within their own supply chains as well as actions to reduce and mitigate greenhouse gas emissions. Where possible Arla aims to foster cross-supply chain collaboration to tackle deforestation and conversion, and support fair and reasonable transformation of supply chains.

Monitoring and follow up

Arla's procurement of palm follows our guidelines on [Responsible Sourcing](#). Supplier assessment, follow up and cases of non-compliance on human rights and deforestation issues will be handled according to these processes.

Grievance and remediation issues are handled seriously and respectfully. Any issues can be raised through Arla's online [whistleblower portal](#).

Reporting on progress

Our progress on sourcing only responsibly produced palm oil and palm-based products is shared publicly in our annual report⁴.

This policy is effective from October 2023 and replaces all previous versions.

¹ Round Table on Responsible Palm Oil (<https://rspo.org/>)

² WWF Deforestation Fronts 2021 report. Russia and China are considered high-risk primarily due to risk of re-export.

³ https://accountability-framework.org/wp-content/uploads/2022/09/AFI-LUC-and-Emissions-Guidance-09_2022.pdf

⁴ <https://www.arla.com/company/investor/annual-reports/>



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