



Palm Oil Policy Statements

April 2021

KEY MESSAGE

Continental Bakeries group started its journey to sustainable palm oil in 2011 and has reached 93% Roundtable of Sustainable Palm Oil (RSPO) certified palm oil procurement in 2020. We are committed to sourcing 100% segregated RSPO palm oil for all our food products by the end of 2023.

We believe in supporting a more regulated palm industry that safeguards workers and surrounding nature in producing regions. Simply banning palm oil is not the solution to its potentially negative ecological or social impacts. Therefore, we aim to further improve the traceability of our palm oil supplies and to enforce the multi-actor collaboration for sustainable palm oil development.

Table of Contents

KEY MESSAGE.....	1
CONTEXT	2
OUR JOURNEY TO SUSTAINABLE PALM OIL.....	3
OUR COMMITMENT.....	4
OUR APPROACH	4
AFFILIATIONS	6

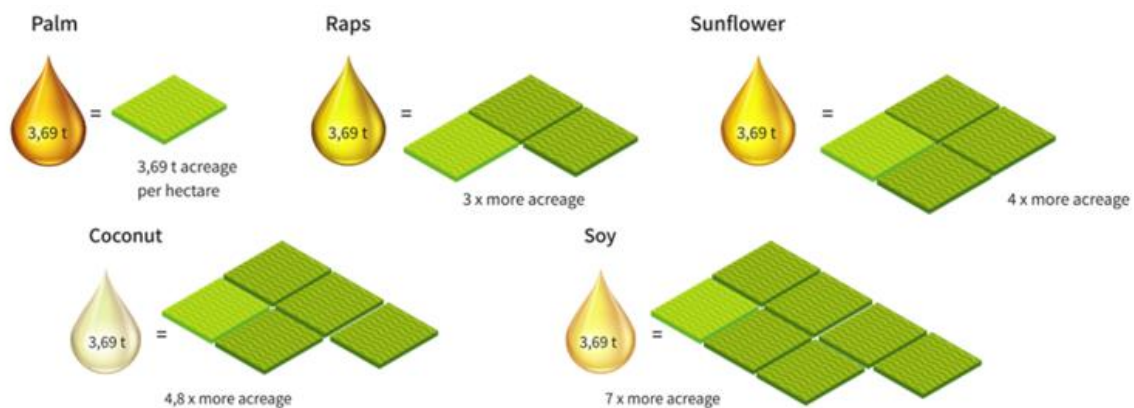
CONTEXT

Specialized in the production of biscuits, bread substitutes, and toast, Continental Bakeries group is a significant buyer of crude palm oil and kernel palm oil for food use. As the most used vegetable oil for food and non-food purposes across the world, palm oil is a dominant oil ingredient in the food industry due to its excellent sensory characteristics and functional properties. The global demand for palm oil has been increasing significantly, as no alternative edible vegetable exists in sufficient quantities whilst offers the same functional properties.

However, after the environmental and social concerns of palm field expansion being revealed years ago, there are advocates of palm oil ban and palm-oil-free (POF) products. As an active member of RSPO and other sustainable raw material platforms, Continental Bakeries is aware of the public concerns, yet we choose palm oil as our main oil ingredient given the following reasons from the environment, health, and social aspects:

Environment

The increasing demand for oils and fat, plus the high productivity of palm, has encouraged the expansion of palm oil production. It has been a major driver of deforestation and peatland conversion in South-East Asia and Africa, accelerating greenhouse gases emission and biodiversity loss. In such case, why don't we just switch to alternative vegetable oil?



Land use for vegetable oil to replace one hectare of palm oil production (source FONAP)

While providing 36% of the global vegetable oil production, palm occupies only 10% of the land. It is the most efficient oilseed crop in the world (an average of 3.7MT oil per hectare per year), requiring much less land use than any other vegetable oils (USDA 2020). Soybeans and coconut for example, also grow in ecologically sensitive regions and are prone to the same downsides as with production of palm oil. Cultivating them to substitute palm would require 5 to 7 times more land and consequently, more greenhouse gas would be produced, and more species would be put at risk. And even rape seed oil would not be able to meet the rising global demand for plant-based oil. Therefore, replacing palm oil with other vegetable oils would merely displace the problem and in some cases even make it worse.

Although there is no sustainable alternative to palm oil, we must ensure it has been sustainably grown. In line with the vision of RSPO, Continental Bakeries believe that the key is collectively



fostering a sustainable palm sector and eliminating unregulated palm production which aggravating biodiversity degradation.

Health:

Palm oil is perceived as an unhealthy fat in some public opinions. However, there is no scientific evidence associating palm oil consumption with any specific health concern. World Health Organization recommend a reduction of saturated fatty acid (SFA) intake from all sources, not only palm oil but also, for instance, butter and cream. It is important to maintain the total fatty acid composition, in particular the ratio of SFAs to unsaturated fatty acids (UFAs) of the foods consumed. In fact, palm oil has a rather balanced composition in terms of fatty acids (around 50% SFAs/50% UFAs). In foods, the intake of palm oil and other vegetable oils and fats which have different fatty acid profiles together determine the total fatty acid composition of the final diet. Other nutrients that are also naturally present in palm oil, such as vitamin E and A, are beneficial to one's health. Scientific evidence indeed shows that a moderate intake of palm oil within a healthy diet presents no risks for health (PMC).

Especially during food processing, palm oil is highly stable even during frying and baking due to the synergistic activity of β -carotene and tocotrienol. The use of naturally stable oils such as palm oil and blends of composite oils (margarine) is always practiced in Continental Bakeries' production to ensure that maximum benefits are derived from the oils.

Social:

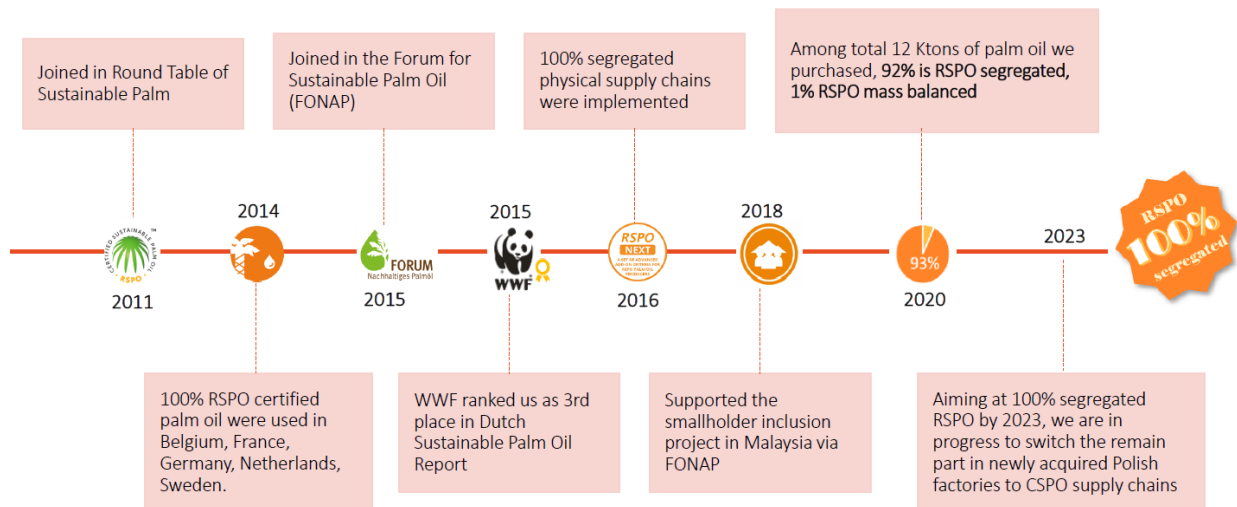
Some palm oil production region remains exploitation of human rights in the form of poor working conditions, social injustice, and conflicts over land. On the other hand, palm oil development also contributes to employment, income generation, and socio-economic development in the producer countries. The non-mechanized harvesting of the palm fruit needs to be performed about 15 times a year, creating large numbers of jobs. Millions of smallholder farmers in Southeast Asia and Africa also rely on the revenue from palm production.

Therefore, simply boycotting palm oil is not always the solution. Through RSPO certification scheme and smallholder inclusion projects, a more regulated industry that safeguards workers and communities is what we are supporting.

OUR JOURNEY TO SUSTAINABLE PALM OIL

A condition for Continental Bakeries to opt for palm oil is that it has to be cultivated in a sensible and sustainable manner. This is why in 2011, we joined the Roundtable on Sustainable Palm Oil, which has set up environmental and social norms that companies must fulfill when producing RSPO-certified palm oil. These criteria aim at minimizing the effects of palm growing on the environment and the welfare of workers and indigenous communities in producer regions. Meanwhile, shifting to segregated physical supply chains of Certified Sustainable Palm Oil (CSPO) brings us greater transparency. In our segregated supply chains, we exclusively use CSPO and it also applies to other ingredients containing palm oil, such as margarine and chocolate.

We have been fostering the sustainability of palm oil sourcing for many years. Below are some highlights in this journey:



OUR COMMITMENT

Continental Bakeries group are committed to sourcing 100% RSPO segregated palm oil in all our food products by the end of 2023. Although purchasing RSPO certified palm oil is the most significant action a company can take, we will not only work on our supply chains but also step further and foster the development of the sustainable palm oil sector. Thus, we also aim to:

- Increase traceability of our palm oil supply up to mill level
- Ensure our palm oil consumption is free from deforestation or human right exploitation
- enforce on-the-ground investment for sustainable palm cultivation in producing countries.

OUR APPROACH

To achieve the above commitments and ambition, we are collaborating with NGOs, business stakeholders, and industry experts, focusing on three approaches:

Sourcing RSPO segregated Palm oil

Continental Bakeries will remain an active member of RSPO and increase the purchasing coverage of RSPO Mass Balance and Segregated palm oil. Shifting to segregated physical supply chains of Certified Sustainable Palm Oil (CSPO) brings company greater transparency. In our segregated supply chains, we exclusively use CSPO and it also applies to other ingredients containing palm oil, such as margarine and chocolate.

Enforcing upstream traceability and NDPE principles

Continental Bakeries are engaging with our top suppliers to map their supply chains to mill level, identifying key upstream sourcing areas. Our emphasis on transparency will enable us to generate



positive changes beyond our operations. By the end of 2022, we aim to publish the mill list and trace back 90% of our palm oil consumption. On top of that, we are also demanding our primary suppliers to commit to the “No Deforestation, No Peat, No Exploitation (NDPE)” principles:

1. No deforestation, including no development of High Carbon Stock (HCS) and High Conservation Value (HCV) areas and no use of fire to clear or prepare the land
2. No development on peatlands
3. No exploitation of workers or communities, human rights are respected and the Universal Declaration of Human Rights supported

Annually, we have upstream sustainability monitor procedures to gather the updates from our suppliers. We are delighted to see that many of our supply partners have been soundly performing NDPE principles through various approaches, such as publishing NDPE commitment and mill lists, monitoring palm farms with satellites and paying premium to smallholders.

Collaborating in local transformation projects

We are aware that our ambition is hard to be achieved solely by certification. We collaborate with industry experts and stakeholders to co-invest in local transformation projects on the ground. These include smallholders’ programs in Malaysia led by the FONAP. This project helps the smallholder palm farmers adopting sustainable palm cultivation practices and participating in RSPO certification scheme with smartphone app. In close collaboration with local governments and NGOs, our goal is to co-create positive and tangible impact among oil suppliers, smallholders, and communities. In the next three years, we will strengthen the investment into on-the-ground projects in the area of smallholder inclusion and forest conservation.



Continental Bakeries group believes that the clear commitment and integrated approaches will guide us a step further to raw material sustainability. We will share our progress in our annual sustainability reports.

Lastly, we also respect that our clients might have different policies regarding palm oil and their target consumer group can have other favorable oil ingredients. Thus, we also offer many palm-oil-free options, such as Swedish cookies, organic sandwich biscuits and biscuits based on butter, amongst many others.

AFFILIATIONS

Roundtable for Sustainable Palm Oil

The objective of the Roundtable for Sustainable Palm Oil is to promote the growth and use of sustainable palm products through a system of certification and audits, based on credible standards and commitments of stakeholders across the entire supply chain (plantations, processors, traders, NGOs,...). For more information, visit www.rspo.org/certification

Forum for Sustainable Palm Oil

The Forum for Sustainable Palm Oil currently has 51 members, including companies, non-governmental organisations, associations, the German Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for Economic Cooperation and Development (BMZ). The aim of the FONAP is to significantly boost the proportion of certified palm oil, palm kernel oil and their derivatives and fractions on the German, Austrian and Swiss market. Together the member companies are working towards the goal of ensuring that as soon as possible all the palm oil and palm kernel oil available on these markets is certified. For more information, visit <https://www.forumpalmoel.org/home>



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