

Palm Oil Q&A

1. What is palm oil?

- Palm oil is produced from the fruit pulp of the oil palm tree (*Elaeis guineensis*). The fruit is about the size of a large olive, rich in oil (45%-65%) and is naturally reddish in color because it has a high carotenoid content.
- Palm oil is extracted by heating and pressing the pulp of the fruit. The refining process purifies crude palm oil, which then provides a highly versatile oil with important functional properties.
- Palm oil can be separated into different fractions—liquid (oil) and solid (fat)—which can then be processed and/or mixed to make specific tastes and textures in foods.
- The fruit has a single seed or kernel used to produce another type of oil—palm kernel oil—which has a completely different structure from palm oil (fruit palm oil).

2. Why does Ferrero use palm oil?

- Ferrero uses palm oil because of its many versatile and distinctive benefits:
 - 1) *Stability at high cooking temperatures.* Palm oil maintains its characteristics even at high temperatures and performs better than other oils and fats.
 - 2) *High stability over time.* Palm oil helps to maintain the product's taste during shelf life because of its higher stability to oxidation compared to other vegetable oils.
 - 3) *Neutral taste and smell.* Deodorized palm oil can be used in many different foods without affecting taste. Due to its neutral taste, it doesn't mask the flavor of other ingredients.
 - 4) *Versatility.* Palm oil is a very versatile vegetable fat due to its ability to be fractioned in different parts—liquid and solid. The possible mixes of these fractions provide different textures and flavors.
 - 5) *Smooth and creamy texture.* Food products with palm oil have an excellent mouth feel with specific characteristics for each product. For example, palm oil contributes to the smooth and creamy texture and spreadability in chocolate spreads.

3. Does palm oil have adverse health effects?

- Contrary to some misperceptions, it is incorrect to say that palm oil is harmful to health. In food products, palm oil is used because of its intrinsic properties and qualities without having to resort to the hydrogenation process. Hydrogenation, in fact, leads to the creation of fatty acids called “trans fats”, which are recognized by scientists as being harmful to health. Furthermore palm oil's fat composition is equally distributed between saturated fat (50%) and unsaturated fat (50%).

4. Why don't you replace palm oil?

- Palm oil is the best option to give our products the right consistency and structure whilst enhancing the taste of other ingredients, without resorting to the hydrogenation process. It is important to note that, even if other vegetable oils (e.g., sunflower, rapeseed, soy, etc.) have a lower saturated fat content, they would need to be hydrogenated in order to obtain the same creaminess and consistency of flavor that palm oil delivers.

5. Is the palm oil used in Nutella hydrogenated?

- No, the palm oil used in Nutella and other Ferrero products does not contain hydrogenated fats, nor is it subjected to the hydrogenation process.

6. Why are the ingredients in North American Nutella different than those in European Nutella, e.g., palm oil vs. vegetable oil?

- The content of Ferrero's labeling is in strict compliance with relevant local legislations.
- Ferrero uses palm oil in its products around the world. There is no difference in the oil it uses in its European products than in its North American products.
- The European Union has issued a new labeling law (EU regulation 1169/2011), to be fully enforced by December 2014, which will require all manufacturers to indicate the type of vegetable oil used in its products. Until this new law, manufacturers in Europe used the generic term "vegetable oil" for the oil/fat ingredients in their products.
- Ferrero has anticipated the compliance with this new law, and as of August 2014, has declared the specific oil used in the product, such as palm oil, on all relevant labels. Its recipes have not changed.

7. a. Why in Canada does Ferrero use "modified" palm oil when in other countries it uses other types of oil?

- Ferrero confirms that the ingredients it uses are the same on a global level. The way that nutritional values and ingredients are reported can differ very slightly from country to country due to country-specific legal labelling requirements.
- In Canada, the palm oil used in Ferrero products is declared as 'modified palm oil.' In Canada, by law, the type of oil used, e.g., palm oil, palm kernel oil, coconut oil, peanut oil, needs to be declared by the common name in the ingredient list. Since the oil in Ferrero products is modified palm oil, it must be declared as such in the ingredient list.

b. What does "modified" mean?

- According to Canadian regulations on food products' labeling, palm oil that has been modified by the complete or partial removal of a fatty acid shall be shown on the label as "modified palm oil". For example, the palm oil in Nutella is declared as "modified palm oil" because the triglycerides, structures naturally-occurring in the palm oil, have been refined to optimize the spreadability of Nutella.

c. Is “modified” hydrogenated?

- The palm oil used in Ferrero products does not contain hydrogenated fats. Hydrogenation, in fact, leads to the creation of fatty acids called “trans”, which are recognized by the authorities and by the scientific world as being particularly harmful to health.

8. From where does Ferrero source palm oil?

- The Ferrero Group currently sources palm oil from Malaysia, Papua New Guinea and Brazil. In its journey towards responsibility it remains open to supplies from other countries where growers are committed to complying with the *Ferrero Palm Oil Charter*.

9. Does ‘sustainable’ palm oil exist?

- Palm oil can be sustainable via the Roundtable on Sustainable Palm Oil (RSPO) and through all further proper and robust sustainability initiatives to responsibly sourcing it.
- In 2004 the *Roundtable on Sustainable Palm Oil* organization was formed, a multi-stakeholder association designed to promote the development and use of sustainable palm oil. Ferrero was one of the founding members.
- RSPO developed a global standard for sustainable palm oil known as the RSPO Principles and Criteria. Among the eight Principles are: the commitment to transparency, environmental responsibility, and the responsible consideration of employees and communities affected by growers and mills.
- Currently there are 1,217 members from more than 50 countries. RSPO certified sustainable palm oil accounts for 15% of global palm oil production. An increasing number of members have committed to switch to 100% certified sustainable palm oil.
- Furthermore, an example of these initiatives contributing to further strengthen the sustainable palm oil industry is the Ferrero Palm Oil Charter, a “no-deforestation” policy, aiming to source palm oil from known sources without contributing to deforestation, species extinction, high greenhouse gas emissions or human rights violations.

10. What is Ferrero’s commitment towards sourcing sustainable palm oil?

- Ferrero is on track to achieve 100% traceable segregated, RSPO-certified palm oil by the end of 2014, nearly one year ahead of the original scheduled date.
- Ferrero has created the Ferrero Palm Oil Charter in order to source palm oil from known sources without contributing to deforestation, species extinction, high greenhouse gas emissions or human rights violations.

11. What is the *Ferrero Palm Oil Charter*?

- Ferrero’s responsibility does not stop at RSPO certification achievement. It has chosen to go beyond RSPO and strengthen its commitment to source palm oil responsibly through the *Ferrero Palm Oil Charter*.

- The purpose behind this Charter is to address the leading causes of deforestation and to create the correct balance between environmental conservation, community needs and economics.
- Through the Charter Ferrero is committed to ensuring that its palm oil suppliers:
 - i. Provide fully traceable oil, while including smallholder farmers.
 - ii. Do not clear *high carbon stock forests*.
 - iii. Do not use fire to clear land.
 - iv. Do not plant on peat soil.
 - v. Protect orangutans and other endangered species by maintaining *High Conservation Value* areas.
 - vi. Report on the greenhouse gas emissions of their production.
 - vii. Respect human rights, including the right to free, prior and informed consent of indigenous and local communities.
 - viii. Recognize, respect and strengthen the rights of workers.
 - ix. Do not use paraquat.
 - x. Actively fight corruption.

12. Are any animals, mainly orangutans, harmed by Ferrero's sourcing of palm oil?

- Ferrero has adopted a 'no-deforestation' policy. This policy is monitored through the *Ferrero Palm Oil Charter*, which requires the sourcing of palm oil from known sources that do not contribute to deforestation, species extinction, high greenhouse gas emissions or human rights violations.
- Ferrero cares strongly for the preservation of the orangutans and other animals that live in the forests in its sourcing countries. It works very hard to ensure that all of its palm oil comes only from farmers who also respect the natural habitats. In fact, one of Ferrero's Palm Oil Charter commitments refers to the protection of orangutans and other endangered species by maintaining *High Conservation Value* areas.
- Both the *World Wildlife Fund* and *Greenpeace* have recognized Ferrero's efforts in palm oil sustainability, who has been labelled as "forest friendly" in Greenpeace's "The Tiger Challenge".

13. Does Ferrero deploy monitoring to ensure that farmers are complying with its Charter?

- Ferrero has developed a methodology with TFT, formerly *The Forest Trust*, to evaluate how the Charter is being implemented by its suppliers and to help growers move beyond RSPO requirements. For example, it has committed to no a no-deforestation policy through the protection of *High Carbon Stock* forests and *High Conservation Value* areas, as well as the inclusion of smallholder farmers in responsible supply chains.
- Drawing from available environmental and social information, Ferrero monitors selected plantations vis-a-vis the Charter principles. These priority plantations are then given recommendations to strengthen a range of practices. Importantly, all visits as of July 2014 have found no evidence of deforestation within the plantation areas from where Ferrero sources palm oil.

14. Is the palm oil in Ferrero products traceable?

- Ferrero believes that the palm oil in its products should be traceable back to the plantations, and it should be sourced from plantations that practice no deforestation or exploitation, thereby not linked in any way to environmental degradation and social injustices.
- Traceability is critical to achieving this. Knowing exactly from where it sources palm oil is the only way Ferrero can assess practices on the ground and understand if improvements are necessary. As of July 2014, 90% of Ferrero's palm oil was traceable back to the plantation.