

ROSSMANN-Brands Palm Oil Policy

Information letter for suppliers of ROSSMANN-Brands products regarding the use of palm oil

With this letter we would like to inform you about issues regarding palm oil and kindly ask you to implement our requirements in your own sustainability measurements.

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Scope

The following description of the ROSSMANN Palm Oil Policy refers to the understanding of sustainability which the company ROSSMANN set itself and which is valid regardless of any other declaration requirements that apply to palm oil-based ingredients, applicable for any food and non-food ROSSMANN-Brands products containing palm oil, palm kernel oil or derivatives.

The challenges of palm oil as a raw material

As the pioneer of drug stores in Germany, ROSSMANN is fully aware of its responsibility in terms of sustainable development.

In our private label ROSSMANN-Brands program we pay special attention to the use of certified sustainable palm oil. As ROSSMANN does not have own production facilities, a close cooperation with the suppliers of the ROSSMANN-Brands is especially important.

ROSSMANN has intensively studied the development of the Roundtable on Sustainable Palm Oil (RSPO) as well as the establishment of the "Forum for Sustainable Palm Oil (FONAP)". At the beginning, ROSSMANN was a silent member of the FONAP and became an active member in 2018. The company was able to meet the voluntary commitment criteria shortly after. The significant increase in the use of sustainable palm oil shows that for ROSSMANN, the sustainability aspect is extremely important. For example: Besides the use of certified palm oil as an ingredient, ROSSMANN buys RSPO smallholder certificates in order to foster the sustainable cultivation of oil palms. Furthermore, ROSSMANN is dedicated to improve certification steps in close cooperation with its suppliers and is involved in fund-raising or donation activities for palm oil projects. By virtue of its Palm Oil Policy, ROSSMANN will keep following this successful path. The objectives are as follows:

Objectives of ROSSMANN's Palm Oil Policy

With its Palm Oil Policy, ROSSMANN likes to point out that for coping with the complex challenges of sustainability in the palm oil sector, needed action goes beyond an intensive cooperation with the suppliers. There is far more necessary than raising certification standards. For ROSSMANN it goes without saying that all involved parties shall actively contribute to an improvement of the situation on the palm plantations that go beyond the current certification standards. The aim is to establish and implement new and permanent standards. Please refer to the section: "What does ROSSMANN expect from you as a ROSSMANN supplier?" for further information.

Background

Due to the huge worldwide demand for palm oil in the past ten years, the cultivation of oil palms has expanded more than (any) other crop.

The main challenges in terms of sustainability are as follows:

- Huge areas of the rainforest are being cut down and the "Lungs of the Earth" are being destroyed.
- Many greenhouse gases are emitted because of fire clearing. Every year, there are additional 5.2 billion tons of greenhouse gas emissions released into the atmosphere. This makes up roughly 13 percent of the total man-made CO₂-emissions per year.
- Rare animal species lose main areas of natural habitat such as orang-utans or many other species.

- Rainforests are unique ecosystems with a high diversity of plants that perfectly match with each other, which can only be found in the rainforests of Indonesia and/or Malaysia. This unique fauna is more and more threatened.
- Several independent reports reveal that palm oil production often involves large-scale violations of human rights. Not only the plantation owners are affected, but also their families, who live in the plantations – with no access to education and in total dependence.
- Indigenous groups are exploited and deprived of their livelihood when new cultivation areas for oil palms are established.

Please refer to the following websites for more information on the challenges of sustainability in the palm oil sector:

<https://www.forumpalmoel.org/home>

<https://rspo.org/>

<https://www.wwf.de/themen-projekte/landwirtschaft/produkte-aus-der-landwirtschaft/palmoel>

How ROSSMANN meets the challenges of sustainable cultivation in the palm oil sector

For ROSSMANN sustainable management means to conduct its business in a duly and socially responsible way as well as achieving economic success. ROSSMANN's social commitment and the responsible use of natural resources is what the company stands for.

Palm oil is a commodity where special attention is paid to its sustainability and origin. ROSSMANN is fully aware of the challenges in extraction and processing of palm oil, palm kernel oil and palm oil derivatives.

For its ROSSMANN-Brands, the company consequently chooses the following options: "Sustainable certification and substitution".

Substitution:

Wherever possible and reasonable in terms of sustainability, the company tries to avoid the use of palm oil in the ROSSMANN-Brands. Since 2016, ROSSMANN has started to change selected recipes (e.g. in food products) and switched to the use of alternative vegetable oils. The substitution of palm oil with other vegetable oils and its derivatives is subject to equal ecological and social criteria.

Certified Sustainable Palm Oil:

In cases a substitution is not possible, e.g., in certain detergents, cosmetic products or soap, only palm oil from a certified origin is used in production.

ROSSMANN sets a high priority to the use of sustainable raw materials. Therefore, the company is intensively working on that issue to keep finding sustainable alternatives and to use them in products. Furthermore, ROSSMANN wishes to promote the consciousness about this topic and to communicate it to upstream suppliers and business partners.

Reasons for a membership in the FONAP

ROSSMANN shares the goals that the FONAP seeks to achieve and the responsibilities in terms of sustainability.

ROSSMANN supports the idea of setting and achieving joint goals together with other members as well as to create a positive added value for the palm oil sector that goes beyond RSPO criteria. This coincides with the ROSSMANN's definition of "sustainable management". ROSSMANN is convinced about its definition of "sustainable management", because only an economically successful business is able to generate resources it can invest into an understanding of corporate responsibility that goes hand in hand with ecological, social, product-related and employee issues. Reversely, a company can only be economically successful if it exactly takes this responsibility.

Due to this understanding, sustainability is highly relevant for ROSSMANN. Sustainability in the palm oil sector offers a great potential, especially for distributors, who can create an ecological and social added value for the ROSSMANN-Brands.

Milestones in ROSSMANN's palm oil engagement

Usage of certified sustainable palm oil increases

ROSSMANN already started addressing this issue to its suppliers before 2015. In 2015 a detailed investigation showed that at least 31% of certified sustainable palm oil was used. This achievement drove the motivation and efforts to further increase the percentage of certified sustainable palm oil and to communicate the great urgency of this topic towards suppliers.

The subsequent development proves the success of this efforts, so that in 2022 approx. 99,4% of sustainable and certified palm(kernel) oil and its derivatives were used in accordance with the FONAP - criteria. To achieve the goal is what drives further efforts: To reach 100% certified palm oil in accordance with FONAP-criteria by 2025. By voluntarily purchasing RSPO smallholder certificates, ROSSMANN makes up the difference to 100%.

Acquisition of smallholder certificates & donations

ROSSMANN has selected support-worthy projects in close cooperation with partners, who exactly know about the conditions on-site. In this context, the purchase of smallholder certificates is a financial compensation if smallholders were forced to sell their certified palm oil cheaper to the conventional market, so they can keep producing palm oil in accordance with sustainability criteria. In addition, those projects are funded with donations that enable smallholders to make all necessary preparation in order to be able to sell certified sustainable palm oil.

Sensitization regarding the palm oil topic

ROSSMANN provides comprehensive information about palm oil, both on a specially created corporate ROSSMANN website (<https://unternehmen.rossmann.de/nachhaltigkeit/palmoel.html>) as well as on product-related websites of the ROSSMANN-Brands products and in the published ROSSMANN sustainability report which provides detailed information about palm oil related topics.

Communication towards business partners

ROSSMANN frequently and actively communicates its Palm Oil Strategy towards business partners via e.g. supplier dialogues and by emphasizing product requirements. All relevant suppliers are included in an annual "Palm Oil Evaluation Questionnaire". In this context ROSSMANN is catching up on non- or insufficiently certified palm oil quantities.

What does this Palm Oil Policy mean for you as a ROSSMANN supplier?

For ROSSMANN the following aspects are essential preconditions for any use of palm oil, palm kernel oil or palm oil derivatives.

For ROSSMANN-Brands products, only certified palm oil is allowed to be used following one of the below mentioned RSPO supply chain models:

- In case of refined and unrefined palm oil and palm kernel oil (without fractions and derivatives) the certification levels Identity Preserved (IP) or Segregated (SG) must be complied with.
- Fractions and derivatives (no matter if palm oil or palm kernel oil-based) must be certified according to the certification levels Identity Preserved (IP), Segregated (SG) or Mass Balance (MB).

Equal schemes in accordance with the certification systems such as RSB (Roundtable on Sustainable Biomaterials), ISCC (International Sustainability and Carbon Certification), Rainforest Alliance and POIG (Palm Oil Innovation Group) are also recognized.

It is ROSSMANN's explicit future goal that it will only support systems that can have a direct impact on the physical usage of certified palm oil within the supply chains. Furthermore, the aim is to establish additional standards in palm oil producing countries.

What does ROSSMANN expect from you as a ROSSMANN supplier?

ROSSMANN expects that suppliers actively implement and (further) develop the following „Three-Point Strategy“ and to convey it to the upstream supply chain:

- 1) Only the use of palm raw materials from sustainably certified sources is allowed, as indicated above.
- 2) Continuous communication of suppliers with raw material manufacturers and sub-suppliers in order to point out that there is a demand for sustainable palm oil.
- 3) Communication to all other parties involved that a realization of additional standards is an obligatory goal.

Focus point 3) In point three ROSSMANN wishes to underline, that all suppliers shall actively and frequently communicate towards their upstream suppliers, that expectations go beyond merely delivering certified palm oil raw materials. Every supplier should work on the following standards:

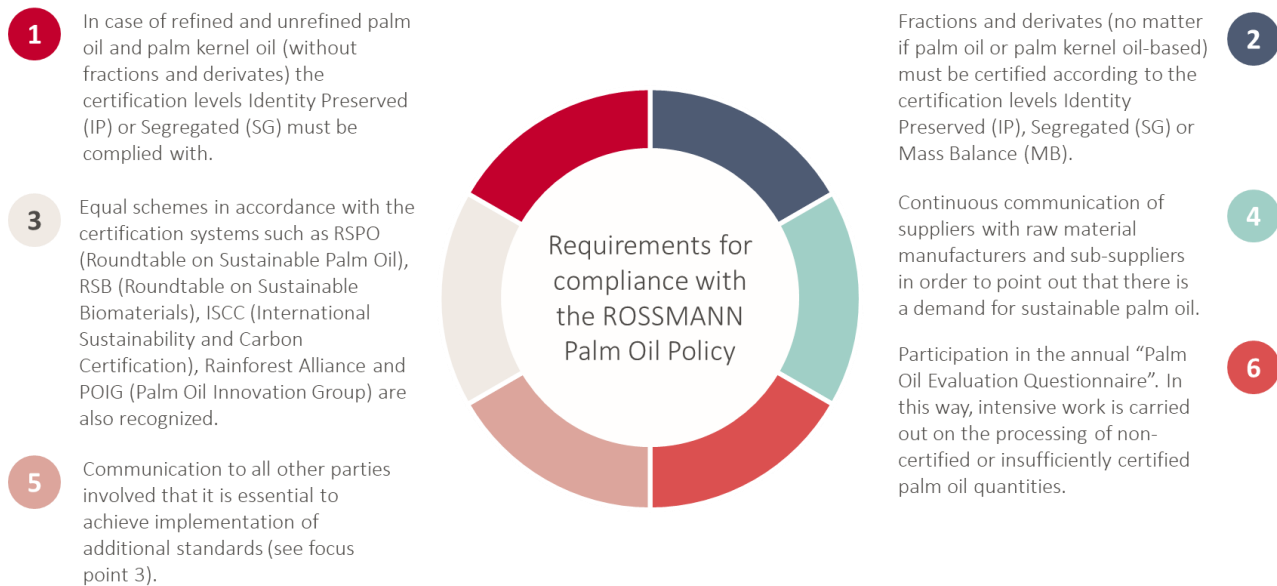
- Ban genetically modified organisms (GMO) in production.
- No use of hazardous pesticides (declared as hazard classes 1A or 1B by the World Health Organisation or mentioned in the Stockholm and Rotterdam Conventions) as well as Paraquat.
- Minimisation of synthetical fertilizers, e.g. by using organic fertilizers or monitoring the nitrogen and phosphorus contents in water.

- Clear reduction targets for water consumption on plantations and in mills as well as prevention of water pollution.
- Comply with strict guidelines in order to reduce greenhouse gases on every level, including oil palm plantations and mills.
- Processing of fresh-fruit bunches only from legal cultivation (please refer to <http://www.forumpalmoel.org> for the original wording).
- In the scope of supply chain management, the used palm oil, palm kernel oil as well as its derivatives should be traceable back to the mills at least and even better back to each plantation.
- Support for smallholders.
- Employment of young staff only outside from teaching hours; Prevent forced and child labour as well as human trafficking; Providing pensions and social insurance for all employees.
- Implementation of a so-called deforestation and conversion strategy with a binding declaration to ensure compliance. Conversion is a change of a natural ecosystem into a different land-use type or deep changes in the species composition and structure or function of a natural ecosystem. Deforestation is a type of conversion and means the loss of natural forests as a result of conversion of forests to agricultural or other non-forest land uses, conversion to plantations or severe or sustain degradation. The following aspects are also relevant here:
 - No oil palm cultivation on peatland and other areas with high carbon content.
 - Time bound and obligatory renaturation of „critical“ peatland ecosystems under guidance of experts.
 - HCS (High carbon stock) assessment: The development of plantations should be done in accordance with the standards and evaluation criteria for deforestation.
 - Measures for protecting RTE (Rare, Threatened, & Endangered)-species even outside the administrative area/ in the landscape.
 - In case plantations are further developed or extended: The local food security must be evaluated/guaranteed.

ROSSMANN has set 31.12.2020 as the cut-off date for non-deforestation and non-conversion of natural ecosystems. This means that ROSSMANN will not use palm oil from areas that have been converted or deforested after 31.12.2020. If there is an earlier deadline set for palm oil by other globally recognised standard certifications, ROSSMANN will follow accordingly.

ROSSMANN sets itself the goal of eliminating deforestation and conversion in palm oil supply chains by 2025.

All requirements at a glance



We kindly ask you to make sure that you get all information required by asking your palm oil pre-manufacturer, even repeatedly if necessary, if and how these aspects are conveyed, reviewed and implemented.

Burgwedel, 18.09.2023

Place, date

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