

30 July 2024

Dear Customer,

As you may be aware EU regulation 2023/1115, also known as the “Deforestation regulation” or the “EUDR” will start to apply from the 30<sup>th</sup> of December 2024.

This regulation intends to stop deforestation linked to certain commodities being imported to and produced or further processed in the EU. The products are cattle, coffee, cocoa, oil palm soy, wood and rubber, of which oil palm and soy are very relevant for AAK. If you do not buy any products based on any of these commodities this does not apply to you and you don't need to read further. If you do, we would like to inform you as follows:

### **What does this regulation mean for AAK?**

In summary, the regulation obliges first importers of commodities into the EU like AAK, (referred to as “operators” in the EUDR text) to provide a due diligence statement, including geolocation coordinates to ensure proof of deforestation free supply and proof of legality for all products that are placed on the EU market. Assuring compliance is complicated and requires a substantial effort from AAK and its suppliers. We are however confident that we have taken all necessary measures to ensure compliance and continue deliveries to you in 2025.

### **What are the actions taken by AAK?**

Since the regulation entered into force on June 29<sup>th</sup> 2023 AAK has:

- Actively collaborated with its suppliers to ensure that EUDR requirements can be met.
- Mapped which components will be available as EUDR compliant and which ones will not.
- Reviewed our products containing palm or soy and re-formulated the ones that need re-formulation.
- Reviewed our supply chain and production setup and made plans for how to manage necessary changes.

- Made decisions on necessary investments to manage changes in our production setup.
- Started to test an IT-system to manage the geolocation data and traceability through AAK manufacturing units.

### What does it mean for you as a customer?

1. In terms of product quality and specification, for most of you there will be no change. Most of our products will remain the same. Some products will however be either re-formulated or even discontinued and replaced by new products. If you are buying a product that will be re-formulated or discontinued you have already been informed or will soon be contacted separately by your sales representative.
2. If you are buying a relevant product, meaning a product which is included in annex 1 of the regulation, you will receive a reference number and a token that can be used to access the DDS in the EU IT-system, Traces. Products which are produced from oil palm and soy materials that are placed on the EU market before the application date, 30<sup>th</sup> of December 2024, will not require a due diligence statement and may be placed on the market also after the application date, if it can be proven that the raw material was imported to the EU before this date. AAK will in these cases provide you with that proof.
3. EUDR compliance comes at a cost and all products based on palm and soy will come with a premium versus non-compliant material. At this point we can only estimate what the premiums will be. Premiums are estimated close to RSPO SG premiums and may differ between products.

More information on the implementation of the regulation is available through this link: [Deforestation Regulation implementation - European Commission \(europa.eu\)](https://ec.europa.eu/euro-observatory/en/deforestation-regulation-implementation)

We hope that this information is of use to you and remain at your disposal for any questions related to the EUDR.



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