



## Unilever Sustainable Palm Oil Sourcing Policy – 2016

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Unilever uses palm oil in food products as well as in a range of home and personal care products. Palm oil is a nutritious, versatile raw material, and the most land-use efficient among vegetable oils. However, its production has long been associated with deforestation, which contributes to climate change, biodiversity loss, soil erosion and water pollution and it is also linked to human rights abuses. For Unilever, it is important that our consumers and customers have the confidence that the palm oil used in our products has been sustainably sourced.

Unilever's Sustainable Palm Oil Sourcing Policy (hereafter the Policy) aims to drive the transformational change needed in the palm oil supply chain. Specifically, to deliver more efficient land use and forest protection, while increasing our positive social impact, with a focus on the inclusion of smallholders to support improvements in their productivity and incomes.

### Scope

Unilever uses about 1 million tonnes of crude palm oil and its derivatives and about 0.5 million tonnes of crude palm kernel oil and its derivatives. Through this unique use pattern, we impact approximately 5 million tonnes or 8% of global palm oil production. We are the largest user of physically certified palm oil in the consumer goods industry and are committed to transform our own supply chain and to transform the wider palm oil sector.

The Policy applies to all of the palm oil Unilever buys, including crude palm oil, palm kernel oil, derivatives and fractions. It applies throughout Unilever's global operations, including our investments in plantations and refining, and to all our suppliers and their entire operations, including traders and their third parties. The Policy is designed to drive sustainable market transformation, through collaboration beyond our own supply chains with key suppliers, governments, NGOs and the broader industry on the implementation of our five key principles.

This Policy is effective immediately, and we require suppliers to comply with our Principles for Sustainable Palm Oil throughout their operations.

### Principles for Sustainable Palm Oil

The foundation of our Policy is our set of Principles for Sustainable Palm Oil (hereafter referred to as the Five Principles). These are designed to build upon the RSPO [Principles & Criteria](#) and New Planting Procedure, as well as adhere to all relevant national and international laws and conventions. As leaders in our industry, we are committed to driving the RSPO forward and have committed to requirements that go beyond the current RSPO Principles & Criteria:

#### **I No deforestation<sup>1</sup>**

- No conversion of High Conservation Value (HCV) areas.

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<sup>1</sup> Further context and detail is included in our [Position on Eliminating Deforestation](#).



- No conversion of High Carbon Stock (HCS) forests<sup>2</sup>.
- No burning in the preparation of new plantings and re-plantings
- A progressive reduction in greenhouse gas emissions associated with existing plantations.

## **II No development on peat**

- No new development on peat regardless of depth.
- Application of [RSPO Best Management Practices](#) for existing plantations on peat.
- Work with experts and stakeholders to explore options for peat restoration where feasible.

## **III No exploitation of people or communities<sup>3</sup>**

- Adherence to Unilever's [Responsible Sourcing Policy](#), which stipulates mandatory requirements on human rights and protection of workers, particularly attention to be paid to migrant workers on plantations.
- Application of the principles of Free, Prior and Informed Consent (FPIC) to ensure protection and promotion of the rights of indigenous peoples and vulnerable communities.
- Responsible handling of all complaints or breaches identified using generally accepted grievance procedures or conflict resolution
- Responsible development of new land areas, which does not result in 'land grabbing'.
- Promote equality between women and men in sustainable production of palm oil including gender equity in access to inputs, resources, training and decision-making rights in rural areas

## **IV Driving positive social and economic impact for smallholders and women while protecting forests**

- Facilitate the inclusion of smallholders into the supply chain.
- Support adherence by smallholders to the Five Principles laid out in this Policy.
- Support interventions to increase smallholder yields and incomes, and address social issues, while protecting forests.
- Encourage and support industry initiatives to ensure that processes and mechanisms are developed to eliminate gender discrimination in the workplace and to promote a gender-friendly work environment.

## **V Transparency**

- Encourage suppliers and their third parties to be transparent about their supply chains.
- Disclose to Unilever any complaints made.
- Report to Unilever any breaches of the Responsible Sourcing Policy.
- Disclose to Unilever any new plantings.

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<sup>2</sup> Unilever recognises the HCS approach developed by TFT and Greenpeace in collaboration with a number of partners. This is currently being utilised by a growing number of producers on concession developments in fragmented landscapes. The recent HCS Science Study developed by the Sustainable Palm Oil Manifesto group uses a different methodology of carbon neutrality. Unilever is actively supporting the convergence of the two methodologies to provide a single clear and ambitious standard for growers, traders and buyers on implementing their "no deforestation" commitments.

Until convergence is achieved – including through field testing – we expect companies to adopt either the HCS Approach, or to commit to a moratorium on oil palm development.

<sup>3</sup> These requirements are explained in our Responsible Sourcing Policy, which defines mandatory requirements for suppliers on issues including the fair treatment of workers, minimum age for work, prohibition of forced or trafficked labour, fair wages, respect, health and safety, remediation and rights to collective bargaining and the promotion of effective grievance mechanisms. It also includes our commitment to ensuring that land rights of communities, including indigenous peoples, are protected and promoted, and articulates a zero tolerance policy for land grabbing.



## Target

The Five Principles are the compass to help achieve our sustainable palm oil targets and are applicable with immediate effect. Mechanisms for implementation are outlined in this policy. Non-smallholder sources of palm oil in our supply chain are required to demonstrate compliance with the Five Principles by the end of 2017. Our smallholder strategy will define specific mechanisms to interpret these requirements for smallholder sources and methodologies for implementation<sup>4</sup>.

In 2015, we were the largest end user of physically certified palm oil (close to 300,000 tonnes) in the consumer goods industry. We continue to work with our partners to accelerate and reach our target of achieving 100% physically certified palm oil and its derivatives (RSPO Mass Balance, RSPO Segregated or equivalent standard that is independently verified by third party) for our core volumes<sup>5</sup> by 2019 as per the following glide path:

	2015	2016	2017	2018	2019
Total Physical Certified (RSPO MB, SG or equivalent)	19%	30%	50%	80%	100%

A particular challenge exists in reaching 100% physically certified crude palm kernel oil and its derivatives given the challenges of the palm kernel supply chain as well as the lack of availability of sustainable palm kernels (our requirement translates to approximately 10% of the total hectares under palm production). We will work closely with our partners to enhance supplies to determine a similar glide path for palm kernel oil and its derivative sourcing.

Alongside our commitment to 100% physically certified sources, Unilever will ensure that the palm oil in our supply chain is traceable to known origins that are compliant with our Policy. In 2015, we achieved 73% traceability and visibility of close to 800 mills.

## Implementation Action Plan

Our Five Principles are only effective when there is a clear implementation approach supported by actions on the ground.

### Supplier requirements

Unilever requires suppliers and their third parties to verify that the palm oil they supply to Unilever meets the Five Principles above. Adherence to the RSPO Principles & Criteria and New Planting Procedure is accepted as a form of compliance verification with this Policy, with the exception of our requirements on HCS and peat. In cases where we have identified high risk sourcing areas, third party verification will be required. This means we require:

- Supplier company sourcing policy aligned with, and/or signed commitment to, Unilever’s Sustainable Palm Oil Policy and the Five Principles at the group level; and

<sup>4</sup> We recognise that this target may be challenging for smallholders and we will work with RSPO and others to develop ways to ensure smallholders are supported. Unilever commits to drive positive impacts for smallholders included in key supplier roadmaps and will develop a specific smallholder strategy.

<sup>5</sup> Core volumes exclude derivatives of palm fatty acid distillates, which are by-products of the refining process, and tail ingredients. These represent very small volumes in our products. Core volumes also exclude materials processed by third party manufacturers and volumes purchased and used in certain markets due to market norms.



- Adherence to Unilever’s Responsible Sourcing Policy and the principles of FPIC during the land mapping process prior to new development; and
- RSPO membership<sup>6</sup> or equivalent and for all new developments to adhere to the RSPO New Planting Procedure or equivalent; and
- For key suppliers, active engagement on their approach to comply with the Five Principles across their operations, their mechanisms for delivering Unilever’s target, including certified volumes, and joint approaches to sector-wide transformation
- From 2017, upstream suppliers would be required to provide independent third party verification that the palm oil supplied to Unilever meets the Five Principles if those sources are deemed high risk.

### **Traceability to known sources**

- Unilever is committed to 100% traceability for all of the crude palm oil and derivatives that we buy. Traceability is defined as the ability to trace back to a known catchment area that is attached to a mill, including dedicated plantations, plasma smallholders and independent smallholders. We will work with our suppliers and industry partners to develop a similar traceability system for palm kernel oil and its derivatives.<sup>7</sup>
- Mill locations are indicative of where palm fruit is processed and also where palm plantations are located. As a highly perishable fruit, fresh fruit bunches must be processed within 24 hours of harvest, which companies have estimated limits plantation sourcing to a 50 km radius around the mill (noting that this differs with road density and quality). Therefore, analysing the area immediately surrounding a mill can reveal useful information regarding management practices of plantations that fall within its sourcing area, including from third party plantations, and associated and independent smallholders.

### **Risk assessment and verification**

- A risk index is applied against five environmental factors (i) fire severity, (ii) extent of forest, (iii) recent deforestation, (iv) peat, and (v) overall risk across these factors. More details on scoring can be made available.<sup>8</sup> At present, there is no standardized method of measuring social risks
- If a mill and its surrounding catchment is deemed to be high risk, then on-the-ground verification by an independent third party is required. The grievance process will come into effect when supplier non-compliance is identified.

### **Smallholders**

- Measures to drive positive impacts for smallholders must be included in key supplier engagements.
- Unilever’s smallholder strategy will complement the implementation of this Policy.

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<sup>6</sup> We recognise that alternative public commitments may be an acceptable alternative in limited cases, and also that this target may be challenging for smallholders, so we will work with RSPO and others to develop ways to ensure smallholders are supported. Unilever commits to drive positive impacts for smallholders included in key supplier roadmaps and will develop a specific smallholder implementation program.

<sup>7</sup> Palm kernels are sourced from very wide catchment areas and also have longer storage times, allowing them to be transported across longer distances from source. Palm kernels are passed through numerous traders before being crushed into oil, which makes it difficult to estimate the traceability of the supply base of palm kernels back to known crude palm oil mills. Our suppliers have identified this as a big challenge for traceability that needs to be tackled collectively.

<sup>8</sup> Using mill data generated from the Global Forest Watch Commodities platform provides a clearer picture of palm oil production and the potential sourcing risks from the catchment areas



### **Landscape approach**

- Support the development of a wider transformational approach through working in priority landscapes.

### **Compliance and Grievances**

Unilever will be transparent about its progress and provide publicly available information on an annual basis, including planned actions for the implementation of this Policy, supported by independent assurance of the Unilever Sustainable Living Plan.

Unilever's Five Principles are already effective in our supply chains. Unilever commits to the responsible handling of all complaints of breaches of these Five Principles identified in our supply chain. Unilever's Grievance Procedure sets out our procedure for addressing allegations of supplier non-compliance with our Policy. Our approach is always to engage with our supplier if a grievance has been raised against them, and where we can, to help them address any weaknesses in their policy or practices. Unilever will take any proven breaches by our suppliers seriously and where a supplier refuses to remediate the breach, Unilever will take appropriate steps to address this in a manner that upholds commitment to our Five Principles.

### **Appendix**

#### **Timeline suppliers are required to follow:**

From end 2017, all of the palm oil we source will be traceable to known origins. Upstream suppliers would be required to provide independent third party verification that the palm oil supplied to Unilever meets the Five Principles if those sources are deemed high risks.

From end 2018, all of the palm oil we source will be traceable back to a known catchment area that is attached to a mill, including dedicated plantations, plasma smallholders and independent smallholders. All non-smallholder sources of palm oil in our supply chain will be required to demonstrate compliances with the five principles of our Policy.

From end 2019, we will source all of our core volumes of palm oil from physically certified sources.

#### **Social impact:**

We are aware of the ongoing social impact issues in the palm oil industry. Addressing the challenges around implementation and verification remain a priority for us and something we will be reporting on in our annual human rights report.