

# WOOLWORTHS

## WOOLWORTHS PALM OIL POSITION STATEMENT

### BACKGROUND

Palm oil is an important and versatile raw material for both food and non-food industries, which contributes to the economic development of the producing countries and to the diets of millions of people around the world. Although palm oil has the highest yield per hectare of any oil or oilseed crop, it is recognised that there are environmental and social pressures on its rapid expansion to eco-sensitive areas, particularly as palm oil can only be cultivated in tropical areas of Asia, Africa and South America.

The expansion of plantations often results in deforestation and forest degradation through conversion of forest land to cultivation, resulting in the loss of biodiversity and capacity of soils to sequester carbon dioxide. In addition, this land is sometimes cleared by fires, which can burn out-of-control, causing further environmental damage.

There are also social consequences to the rapid expansion of palm oil plantations. Many communities are displaced from the farms and land they used to live on and there are a number of labour issues on plantations, such as fair wages, child labour, safe working conditions or the freedom to unionise. It is vital that production and use of palm oil is done in a sustainable manner.

Palm oil is used in many of the products on supermarket shelves, from margarine and chocolate to ice cream, soaps and cosmetics. The reason palm oil is so popular is because:

- It has great cooking properties – it maintains its properties even under high temperatures.
- Its smooth and creamy texture and absence of smell make it a perfect ingredient in many recipes, including baked goods (such as biscuits) in particular.
- It has a natural preservative effect which extends the shelf-life of food products.
- It is also the highest-yielding vegetable oil crop, which makes it very efficient. It needs less than half the land required by other crops to produce the same amount of oil. This makes palm oil the least expensive vegetable oil in the world.

The global consumption of palm oil is approximately 65 million tons per year. Woolworths is a small player in this market, with a total footprint of around 2 000 tonnes per year<sup>1</sup> in Woolworths foods and beauty products (0.003%).

Our supply chain is complex with several layers of intermediary suppliers – plantations, small holders, crushing mills, shippers, distributors, traders, refiners, ingredient manufacturers and food suppliers. To add extra complexity, palm oil ingredients are often blended with other vegetable oils to get the desired properties.

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<sup>1</sup> Woolworths' palm oil footprint includes palm kernel oil and all palm-based ingredients and derivatives.



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## OUR COMMITMENT

It is our policy to avoid the use of unsustainable and untraceable palm oil. Woolworths has set a target is to only use certified sustainable palm oil (CSPO) in our products by 2020. We always declare the type of oil used in our products in the ingredients panel of the packaging.

## Roundtable on Sustainable Palm Oil

As the first South African company to become a member of the global Roundtable on Sustainable Palm Oil (RSPO), we're helping to promote and raise awareness of the need for sustainable palm oil production. The RSPO is a global organisation dedicated to the sustainable production of palm oil and has developed a set of standards called the Principles and Criteria that address the legal, economic, environmental and social requirements of producing sustainable palm oil. These include ensuring that no new primary forests or high conservation value areas have been cleared for palm oil production since November 2005, and that mills and plantation owners minimise their environmental footprint. They also ensure that the rights of previous land owners, local communities, plantation workers, small farmers and their families are respected and fully taken into account. While the RSPO is not moving as quickly as some would like, we believe it is still the most legitimate body helping to solve the environmental and social issues associated with palm oil.

## RSPO Credits

Since 2011 Woolworths has been offsetting the palm oil used in its foods and beauty products by supporting schemes like GreenPalm and now its replacement RSPO Credits. Woolworths buys RSPO Credits via PalmTrace.

A payment from each credit goes towards incentivising Indonesian and Malaysian palm oil producers to become RSPO-certified sustainable producers. With only 20% of the global supply of palm oil certified as sustainable, we believe Woolworths has been making a significant contribution to incentivising palm oil producers to increase their production of sustainable palm oil.

**We recognise that this is just one step on a journey, and we have therefore been actively working with suppliers to agree on time bound plans for conversion to a physical supply of RSPO certified sustainable palm oil using the 'mass balance'<sup>2</sup> supply chain system.**

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<sup>2</sup> Mass balance is a system that allows for the mixing of both certified and non-certified palm oil at any stage in the supply chain, provided that the company only sells the same amount of certified palm oil drawn from the mixed oils that they originally purchased as RSPO-certified.



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## Certified Sustainable Palm Oil

To speed matters up, we have made considerable effort in engaging with local (South African) oil refineries and encouraging them to commit to importing certified sustainable palm oil and to become chain of custody certified.

We have also facilitated the training of a local independent auditor to become RSPO-accredited so they can conduct chain of custody audits on our suppliers.

A growing number of Woolworths suppliers are already sourcing 'mass balance' certified sustainable palm oil for our products.

In 2018, Woolworths launched South Africa's first locally-made product ranges bearing the RSPO certification logo, including the WBeauty "Longmarket" soap range and all Woolworths ready-made, frozen and hot counter pies.

**Ultimately our goal is to see all Woolworths suppliers converting to a physical supply of RSPO-certified sustainable palm oil on the 'segregated'<sup>3</sup> supply chain system.** This will only be possible when the demand for certified sustainable palm oil in South Africa grows to a scale where it is viable to transport fully segregated palm oil from origin through transport, storage and refining to end product.

## TRANSPARENCY AND REPORTING

Woolworths' suppliers are expected to monitor, track and manage their palm oil usage.

We will be transparent about our progress in moving towards 'mass balance' and eventually, 'segregated' supply of RSPO-certified sustainable palm oil.

We will provide information on our progress in our annual Good Business Journey Report, available on [Woolworths Holdings Limited](#) website. We support the activities of the [CDP Forests](#) disclosure, and voluntarily participate in its annual assessment on an on-going basis.

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<sup>3</sup> Segregated palm oil comes from a system in which palm oil from certified mills is physically separated from conventional palm oil up until final refinery, and oil can be traced back to the certified mills.

