

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 cultivating land previously covered with tropical forest and areas valued for their biodiversity and capacity to sequester carbon dioxide. In addition, this land is sometimes cleared by fires, which can burn out of control, causing more 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 50 million tons a year. Woolworths suppliers use just over 800 tons a year in Woolworths foods (less than 0.002%).

Woolworths' definition of palm oil includes palm kernel oil and all palm-based ingredients and derivatives.

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.

OUR COMMITMENT

It is our policy to avoid the use of unsustainable and untraceable palm oil. Our intention is to only use certified sustainable palm oil (CSPO) in our products.

We declare the type of oil used in our products in the ingredients panel of the packaging.

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.

Since 2011, we have been purchasing [GreenPalm](#) certificates to offset the tons of palm oil we used in Woolworths' food and beauty products. A payment from each certificate 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 through the 'book and claim' system¹.

We agree however, that this is just one step on the journey, and are actively working with suppliers to agree on time bound plans for conversion to 'mass balance'² supply of RSPO certified sustainable palm oil.

To speed matters up, we are engaging with local oil refineries and encouraging them to commit to importing certified sustainable palm oil and to become chain of custody certified.

We ultimately want to see all Woolworths suppliers converting to a 'segregated'³ supply of RSPO-certified sustainable palm oil, but 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 are helping our preferred independent auditors to become RSPO-accredited so they can conduct chain of custody audits on our suppliers.

Woolworths 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.

¹ The book and claim system for RSPO-certified sustainable palm oil is also known as GreenPalm. This is a certificate trading system that enables the retailer or manufacturer to purchase palm oil from an established supplier, along with a certificate for each ton of palm oil being used. A payment from each certificate goes towards RSPO-certified palm oil producers, incentivising the production of sustainable palm oil.

² 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.

³ 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.