



First Importer Survey

2019 Palm Oil Industry Scorecard

Public Version

Report Authors

Will Schreiber
Xana Villa García
Victoria Bentiba
Becky Hamp
Sian Allen

POTC Members



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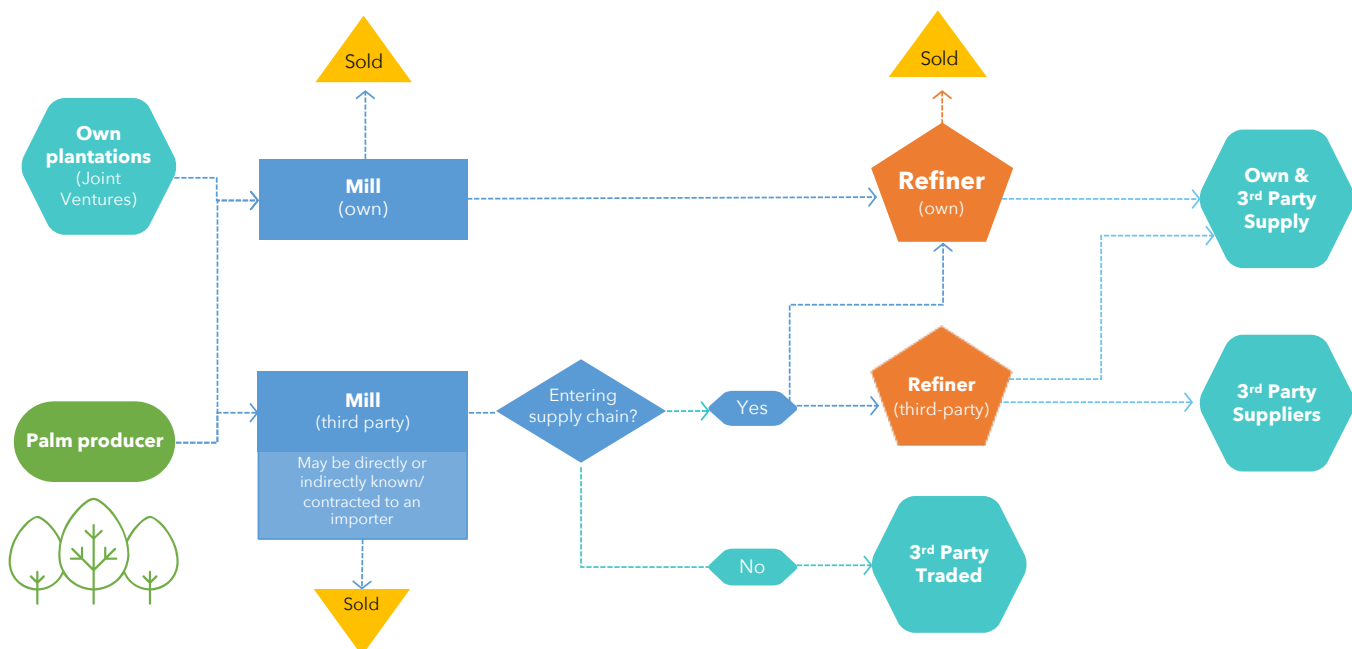
Executive Summary

Building on the findings of the 2017 and 2018 Palm Oil Transparency Coalition (POTC) scorecards, this year's assessment has drawn out a number of nuances in the performance of European, and global, palm importers due to the structure of their supply chains. As a coalition of leading responsible businesses, the POTC is a learning organisation that modifies its approach each year based on the findings and feedback of experts in the sector.

This report presents the key findings and conclusions from the 2019 'first importer' assessment of major suppliers of palm oil. This year, the number of companies assessed has been increased from ten to twelve. As was the case previously, these twelve companies were selected on the basis of the highest volume suppliers to individual POTC members. The results are presented in the context of the respective supply chain functions of the companies assessed to reflect the reasonable expectations of what palm importers and traders are ultimately able to influence when supplying palm to the market:

Palm purchasing supply model	Description
Own operations / Joint ventures	Companies with growing operations and concessions. These businesses have direct control on how their supply is produced.
Third-party suppliers	Companies purchasing palm from mills or other traders where there is no direct connection between the company we are assessing and palm growers.
Third-party traded	Companies that operate in the palm trading market without a direct connection, or handling, of the palm oil itself.

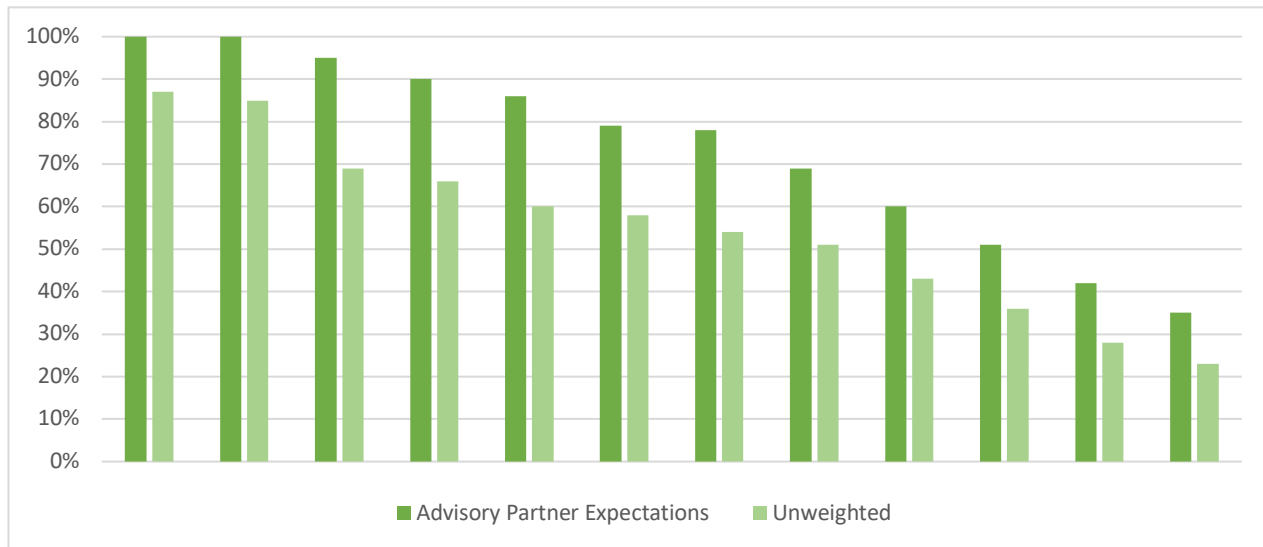
These distinctions between the different types of third-party suppliers are illustrated below in a simplified supply chain:



As illustrated above, many of the companies that have been included in this assessment will purchase palm products from a variety of sources. The degree to which their policies, monitoring, and reporting of activities within their corporate reports – and their RSPO Annual Communication Of Progress (ACOP) reports – agree is not consistent, with many only reporting on the actions within their own operations and first-tier third party supply chain. All results this year have been separated into these three categories of supply to show respective actions and progress towards responsible supply within each category.

Outside of company structures and supply chains, we have continued to see significant changes in several of the companies reviewed as they approached the 2020 milestones embodied in many of their own company commitments on no deforestation, peatland, and exploitation (NDPE). Some of these changes have included going beyond traditional traceability requirements to introduce contractual arrangements with third party suppliers on the mandatory provision of concession maps as a condition of trade, whilst others have expanded their corporate transparency through the launch of new mapping and information tools.

On the other hand, the gap between companies that are moving ahead with innovative approaches to addressing these challenges and those that are not continues to grow. As can be shown in the chart below, the range of performance between companies continues to vary greatly, both for company responses (Unweighted) and for the reasonable levels expected by advisory partners (Advisory Partner Expectations).



The changes to this year's assessment method reflected the feedback received from the palm oil sector in addition to input from expert stakeholders and organisations. Critical to this improvement process has been the welcoming of two NGO Advisory Partners – WWF and the Forest Peoples Programme – who have provided valuable contributions in two critical areas: (1) advising POTC members on the most effective actions they can take to transform the sector, and (2) supporting POTC member accountability by reviewing their collective actions to effect change using the information from this work.

POTC members have taken action since the last assessment to work with their suppliers, stakeholders and the wider sector. Every member took at least one action to affect change, with the most common activity being policy revision to increase the demand of segregated supply of non-food oils with near term time-bound targets.

Key highlights from the 2019 assessment

- RSPO continues to be the only certification system that is being relied upon by these importers for claiming achievement or progress towards their NDPE policies, but only one company is currently buying 100% RSPO certified palm. Non-RSPO certified volumes typically do not have verifiable claims to conforming with company NDPE policies.
- Of the importers that also have growing operations, all – except for one – have less than 20% of their palm supply from their own plantations, meaning third party suppliers are the primary supply channels for importers. The highest environmental and ethical policies, standards and evidence of conformance are often limited to own operations only.
- Third party traded volumes are often not included within the boundaries of company deforestation and exploitation commitments. Few disclose any information regarding these volumes, including RSPO certification status.
- Most companies have not disclosed how their approaches will change after missing their 2020 zero-deforestation targets.

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1. Introduction

The Palm Oil Transparency Coalition (POTC) is formed of companies working together to remove deforestation and exploitation from their palm oil supply chains in a non-competitive forum. For the past three years we have carried out an annual survey of the first palm importers to our supply chains, in Europe and beyond. As a coalition of companies that are often the last buyers of palm oil before they are sold to households, our assessment process seeks to identify the areas of influence we can have as a group several tiers away from the companies reviewed.

In 2019, the assessment was repeated following a similar method and approach to the previous years, however several key changes were made to reflect the nuances of the palm production and supply system and expert stakeholder input. Most importantly, this year's assessment reviewed the actions of companies relevant to the types of operations, and therefore influence, they have directly and indirectly on the sustainable practices on plantations.

It has become important to draw out these distinctions as a 'like-for-like' comparison for companies on the whole may not always be appropriate when the strongest actions that many surveys seek to address look at businesses as a whole, when the reality of their supply chains can be mixed between (1) palm **grown** within their own operations, (2) those of companies that they **source directly** into their own supply chain, and (3) palm oil that is **traded** by the business without necessarily entering any part of the company's supply chain. Some companies may have more than 30% of their supply in the 'traded' category. This distinction is shown in a simplified schematic in Figure 1, below.

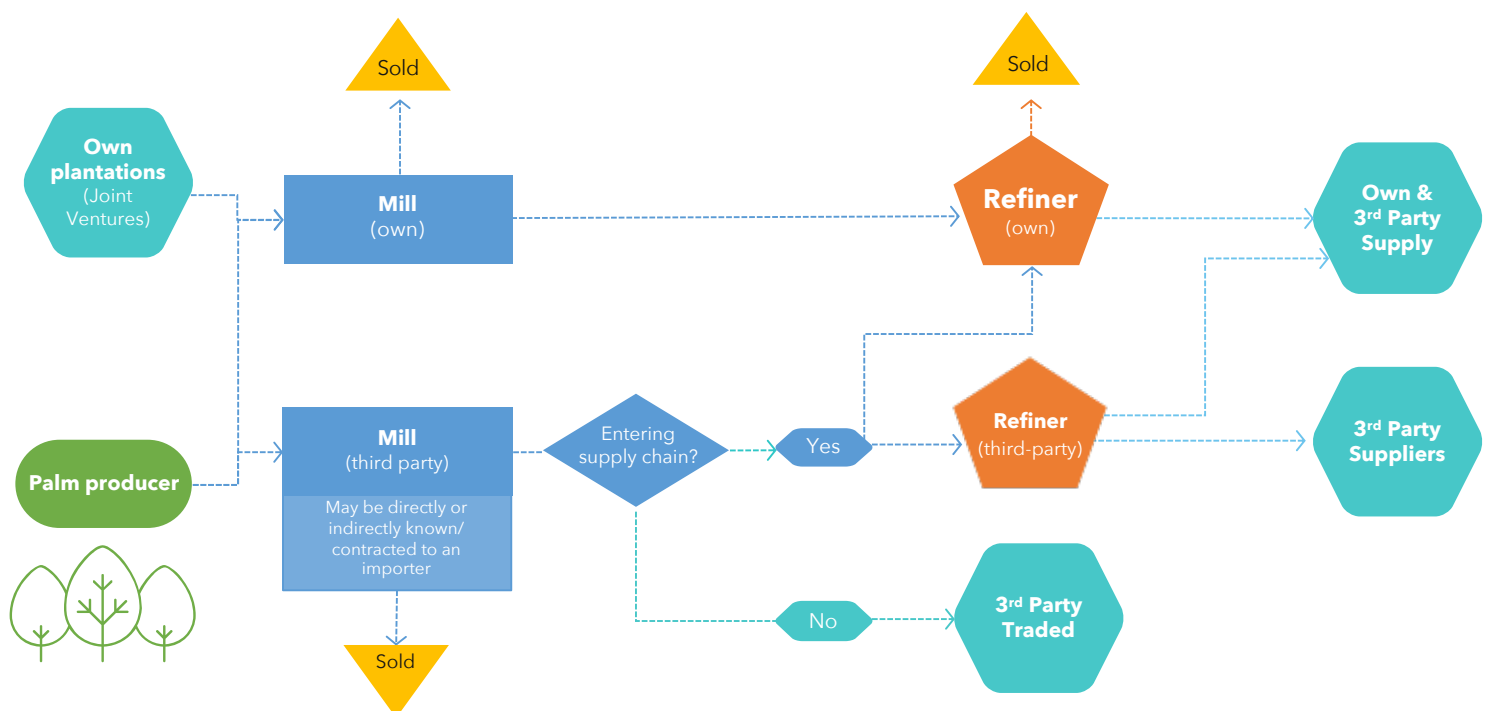


Figure 1.1 Simplified schematic of different actors and supply chains in the palm sector

These three types of supply chain configurations were assessed separately for commitments this year. Additionally, the following key changes have also been incorporated based on expert input on the current challenges facing the sector in each of the core review areas:

- **Background** – Importer activities and supply of certified responsibly sourced palm oil volumes by operation and country.

- Disclosure of both purchased and sold RSPO certified volumes, and whether this is correctly provided in company RSPO reports.
- **Ambition** – Importer commitments and targets to sourcing and supplying certified responsibly sourced palm oil to Europe and the world.
 - Smallholder transition tools and support
 - Third party supply chain commitments, engagement, monitoring, and evaluation
- **Targets** – Plans and timelines to achieve the specific commitments importers have set for themselves and the governance structure supporting their implementation.
- **Progress** – Performance to date in achieving and verifying that their policies are being implemented.
 - Environmental and social impact assessments with third-party suppliers (non-RSPO)
 - Number of ethical audits undertaken and third-party supplier engagement
 - Distance boundaries for risk assessments
 - Company protocols for ensuring compliance and addressing non-compliance
- **Verification** – Steps being taken to provide confidence in the progress reported by the business. This includes increasing transparency, traceability, and disclosing geolocation data.
 - Guarantees for traceability and zero-deforestation claims
 - Publishing concession maps and geolocation data for mills and plantations

Highlights from each importer are provided to POTC members and full importer responses have been provided separately to each POTC member using their confidential bespoke scoring criteria.

This year also marks the beginning of greater transparency of our own organisation with two key additions included in the report:

- 1) **NGO Advisory Recommendations** – WWF and the Forest Peoples Programme have assisted the POTC in asking questions and reviewing POTC member actions in order to advise members on how they can increase their impact whilst holding members to account for their own actions.
- 2) **POTC Member Actions** – Beginning in 2019, all POTC members must report on the steps they have taken to address the challenges and opportunities raised by the work of the POTC within their own supply chains.

These sections have been added to the report to provide a more complete picture of the work and actions of the POTC.

2. Key Themes and Findings

Each year we continue to see some progress within the sector as deforestation and exploitation continue to rise up the agenda. With the adoption of the revised RSPO Principles and Criteria in November 2018, we can see some companies beginning to step up their actions to address these matters on a larger scale. Adopting criteria that more expressly address deforestation within the RSPO framework, however, remains only one part of the supply challenge. The POTC continues to stress the importance of companies delivering upon their policies and commitments.

RSPO remains the primary method companies use to claim deforestation and exploitation free.

Only one of the of the companies assessed have 100% of their supply chain certified to RSPO – mass balance or segregated. Although most companies have at least 10% of their supply certified, few have more than 30%. This low level of certification is often remarked to be linked to low demand for certified materials from downstream customers, particularly for palm kernel oil and other derivatives. The views of the commercial viability of RSPO certified derivatives is significantly different between companies, with some major traders noting that RSPO certified palm oil is competitive with alternative oils, but not competitive with unsustainable palm oil. Some of the companies assessed rely solely on RSPO certification for their engagement with their suppliers on these matters, so a low degree of certification equates to a high degree of risk of deforestation and exploitation in these supply chains as limited other measures are deployed.

Mill mapping and disclosure are how companies determine risk.

Almost all companies use a form of risk assessment on the mill locations they, or their direct suppliers, source from. This requirement does not often extend to traded palm volumes that do not enter the supply chain as very little engagement occurs with the companies and the producers / mills. The traders assessed are transparent about these volumes not being included in their public documentation, but the breadth and magnitude of this gap is not often made clear and can be substantial in certain types of palm traders. This year has seen a number of traders launch new platforms for public disclosure of mills, which include the ownership structures of the companies they buy from.

The 50km risk radius is not changing.

The POTC and a growing number of NGOs have highlighted the deficiency of utilising a 50km risk radius around mills for assessing deforestation. None of the companies assessed have elected to move beyond this limited window for considering risk in 2018, nor have they stated an intention to do so in the future. As noted in the 2018 POTC report, companies without visibility beyond mills using a limited risk radius that does not adequately capture the likely plantation areas supplying that mill may be sourcing palm produced on deforested land.

Full commitments are beginning to be assessed.

One company produces a sustainability report with third party assurance covering various indicators within its No Deforestation, Peat, and Exploitation (NDPE) policy. All other companies assessed may have a third-party review for part of their report, but this is generally limited to traceability information to mill only and excludes risk assessment and management processes. Although assurance does not mean a commitment has been achieved, the presence of assurance means there has been an independent party that has questioned the processes in place to monitor these indicators and has reviewed any claims being made by the business. Other companies have not undertaken assurance, but have started to develop better monitoring and evaluation systems for their third party suppliers to assess these matters.

3. Approach

The 2019 scorecard sought to improve the quality and rate of responses of importers by adopting an approach that minimised the time and effort for importers to engage in the assessment process. This approach is summarised below:

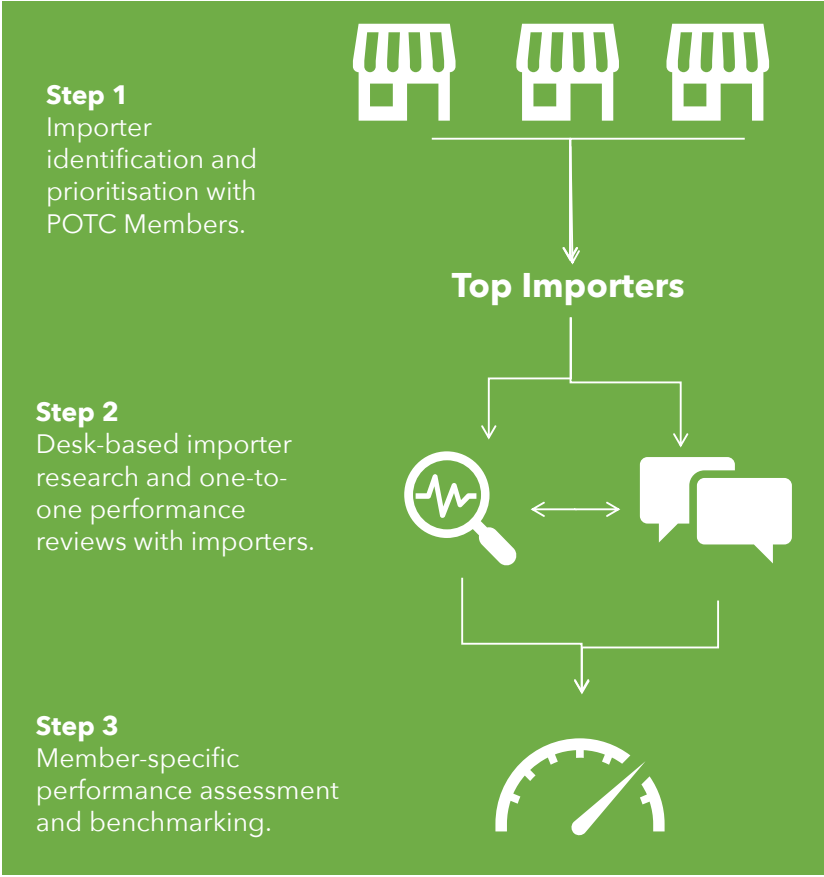


Figure 3.1 - Summary of assessment process for the 2019 Palm Oil Industry Scorecard

Step 1: Importer Identification and Prioritisation

The top twelve importers were identified by the POTC from palm oil volumes of original POTC members. This year our assessment was expanded from ten to twelve companies.

Table 3.1 - Company supply chain roles in palm production and trading

	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Grower												
Refiner												
Trader												
Ingredient Manufacturer												

Step 2: Research and Importer Review

The 2019 questionnaire built upon the findings of the 2018 review to identify emerging areas of risk and action. The following new questions were included this year:

- **Governance:** Progress on achieving 2020 commitments and steps to be taken by importers post 2020, monitoring and evaluation process for full supply chain transparency and consequences to suppliers for non-compliance with importer policy.
- **Transparency:** Disclosure of total **and** certified volumes in RSPO ACOP and approaches to disclosing status of third party traded volumes. Concession map sharing requirements as condition of supply and plantation geolocation data availability. Public reporting of identified and settled environmental and human rights grievances.
- **Environment:** Quantity of suppliers engaged in zero-deforestation policy and distance boundary for environmental risk assessments.
- **Labour:** Steps to ensure coercion and criminalization of complaints do not occur in the supply chain.
- **Communities:** Proactive dissemination of smallholder support tools and specific public policy position on land grabs and conflicts.

All questions were reviewed this year with the Consumer Goods Forum (CGF) Forced Labour Group, WWF, Forest Peoples Programme, and the ZSL SPOTT assessors to align and determine where emerging issues may be.

Once the questions were agreed, 3Keel completed a desk-based review of publicly available information on each of the twelve importers across four primary sources: (1) corporate reports; (2) company websites; (3) NGO and industry reports; and (4) Google key word searches for news associated with these businesses. This review facilitated the pre-population of the importer questionnaire with expected responses given the availability of information. Evidence and/or justifications for any pre-populated responses were provided within the questionnaire for the importer to review and revise as appropriate.

Each importer was given approximately 4 weeks to review, and add to, the pre-populated questionnaire with further information and evidence regarding their practices and progress towards achieving zero-deforestation and exploitation commitments. During this time importers were encouraged to discuss the content, questions, or process with 3Keel prior to their submission.

Ten of the twelve importers responded to the request for further information and/or reviewed the preliminary responses pre-populated in the questionnaire by 3Keel. The two companies that did not review their information were the same two companies that elected to not participate in the 2018 review.

Following the review and submission of the final questionnaire responses by the importer, a direct face-to-face or teleconference was scheduled between the importer, a representative POTC member, and 3Keel. The purpose of these meetings was primarily to open a new channel for dialogue and engagement between the POTC and importers whilst seeking clarification and feedback on the primary areas of interest identified by 3Keel based on the questionnaire.

Step 3: Benchmarking Scorecard and Performance Assessment

Responses to the questionnaire were adjusted following importer engagements to reflect any changes or updates required considering new, or lack of, evidence supporting a relevant area. All data was then inserted into POTC member-specific scorecards that provide a performance review based on the individual POTC member's expectations of palm importer progress towards their commitments. Each POTC member provides unique weighting and issue identification flags depending on what is important to their business. For example, one POTC member may wish to flag wherever an importer has received an RSPO complaint against it whereas for another monitoring the RSPO status of its suppliers may not be a priority.

The scorecard works by classifying questions and responses in accordance with POTC member expectations.

Table 3.2 - POTC member-specific scorecard variables

Question Rating	Scoring Implication	Response Classification	Scoring Implication
Critical	If response is below expectation , area is flagged as an issue to address. Performance indicator changed to red .	Below Expectation	Reduced company score.
Expected	Company receives points relevant to the level of response provided.	Meets Expectation	Equivalent points provided to response value.
Preferred	Performance indicator for area changed to blue in summary tab if company is otherwise compliant with all retailer requirements.	Exceeds Expectation	

In the assessment shown in the following chapters, importers are separated out by which part of the supply chain area they have control over and can, therefore, influence. Importers are grouped into three categories depending on how they obtain palm oil. Control and visibility of production practices is contingent on where in the supply chain the importer acts: importers with their own oil palm plantations or forming part of a joint venture; importers purchasing directly from third party producers; and importers purchasing palm oil traded by third parties.

Table 3.3 - Symbols used in assessment tables

Symbol	Answer provided
●	Condition fulfilled; question answered Yes
○	Condition partially fulfilled, caveat
	Condition not fulfilled; question answered No
N/A	Not applicable
Not Disclosed	Question unanswered, data not available

4. Survey Results: Background and Ambition

This section provides a review of how each company indicated its general ambition towards supporting zero-deforestation and zero-exploitation within the palm oil sector. Three areas are assessed:

- 1) **Certified Supply** – Commitments to source palm oil from sources that have achieved independent certification to RSPO requirements.
- 2) **Environment** – Commitments align with recognised expectations for achieving zero-deforestation and minimal negative impact.
- 3) **Exploitation** – Commitments to ensure plantations and supply chains operate fairly with workers and communities in accordance with international labour standards.

Certified Supply

Background information was obtained from the top twelve importers on the amount of certified RSPO volumes by supply chain and by market, and compared to data published in company 2018 ACOP reports.

All importers supply the European market, with the exception of one company which only supplies the Australian market (100% certified RSPO). Two companies do not disclose the RSPO certification of their palm oil. For importers who do disclose certification status of European supply, the quantity reported varies significantly, with three reporting more than half of their palm oil supplied to Europe being certified, whilst one reports less than 20%.

For the US market, certified RSPO volumes are less than for the European or Australian markets. The Asian markets have the lowest certified RSPO volume. Importers are not always able to breakdown supply by market, in which case all volumes have been added to the "Other" category.

Table 4.1 - Levels of RSPO certified supply from different geographical regions

certified RSPO	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Europe (PO)												
Europe (PKO)												
United States												
Australia												
Asia (PO)												
Asia (PKO)												
Other* (PO)												
Other* (PKO)												

*Other supply is generally Latin American supply, however, two companies indicate this as global supply

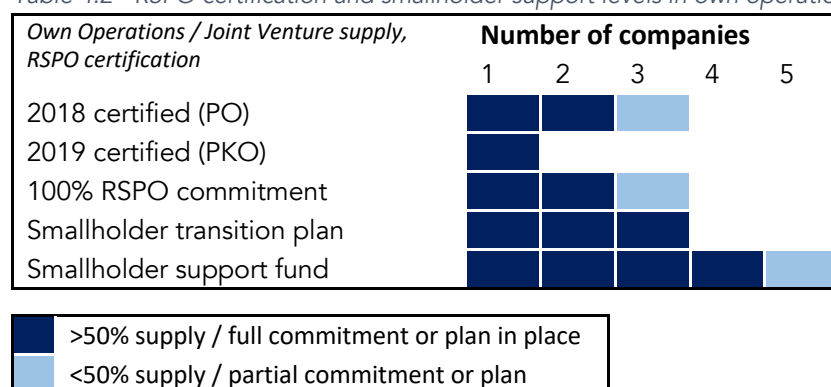
	>50% supply
	<50% supply

Own Operation / Joint Venture RSPO certification

In general, the palm oil produced directly on plantations where traders have a financial stake in them are the most likely to be declared to be adhering to company policies and to have high levels of RSPO certification. Just two companies have a commitment to purchase *only* 100% certified RSPO through own operations and joint venture supply, and one company has a commitment to *preferentially* purchase certified RSPO.

A few companies have smallholder transition plans and support funds. Although some companies do not have specific plans to support smallholders in their transition to RSPO certification; they do implement different measures, like premium payment programmes, to facilitate smallholder access to the certification process.

Table 4.2 - RSPO certification and smallholder support levels in own operations/joint venture supply



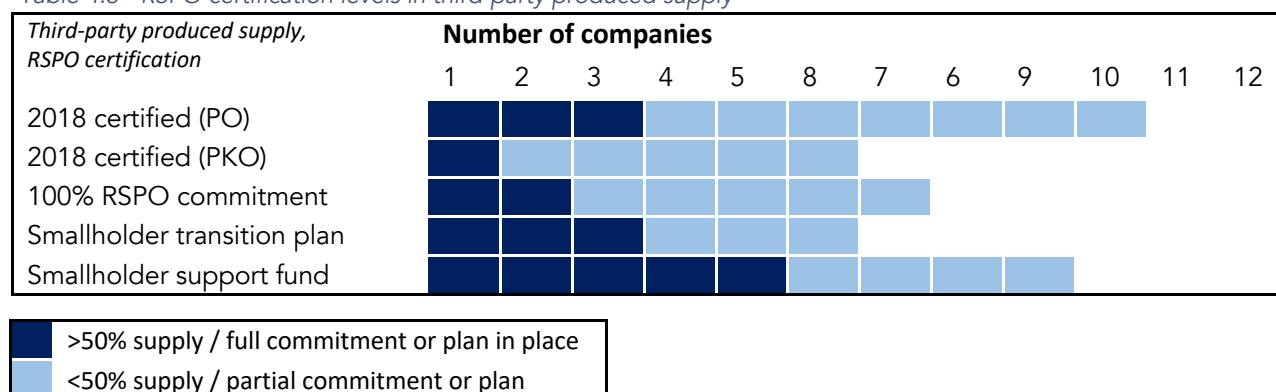
Third-party produced RSPO certification

For third party produced palm oil, just two importers are committed to sourcing *only* RSPO certified oils. Several importers indicated that they were committed to ensuring the palm oil they used is *preferentially* RSPO, dependent on continued development of certified supplies and customer investment in sustainable sourcing. Some importers have not committed to purchasing any amount of certified palm oil from third-party producers but will respond to customer demands for RSPO certified materials.

For action on smallholders, most importers referred to planned or on-going individual projects. As with own operations and joint ventures, companies support smallholders in several ways but few have public transition plans.

Few importers reported dedicated smallholder support funds, with most referring to projects indirectly supporting smallholders (e.g. providing capacity training).

Table 4.3 - RSPO certification levels in third-party produced supply



Third-party traded RSPO certification

In general, importers have little information on third-party traded palm oil, highlighting the need for traceability and visibility along the entire supply chain. Only one company discloses the certified RSPO sourced during 2018, although some have commitments to preferentially buy certified third-party traded palm oil. No importers have smallholder transition plans or funds for third-party traded palm oil, largely due to company relationships being transactional by nature.

Table 4.4 - RSPO certification levels in Third-party traded supply

Third-party traded supply, RSPO certification	Number of companies						
	1	2	3	4	5	6	7
2018 certified (PO)	■						
2018 certified (PKO)							
100% RSPO commitment	■	■	■				
Smallholder transition plan							
Smallholder support fund							

■	>50% supply / full commitment or plan in place
■	<50% supply / partial commitment or plan

Environment

Importer environmental ambitions were assessed by enquiring about whether zero-deforestation policies are consistent with the Consumer Goods Forum's (CGF) definition, including no conversion of peatland, High Carbon Stock forest and High Conservation Value areas, as well as undertaking Free Prior and Informed Consent. Importers were also asked about restoration and reforestation programmes and policies, whether due diligence is conducted on the palm oil supply chain and commitments are imposed, whether environmental and social impacts assessments are undertaken, and whether there are restrictions in place for pesticide use.

Own Operation / Joint Venture environmental ambitions

For their own operations, all importers have zero-deforestation policies consistent with the CGF definition, conduct due diligence on their supply chain, and undertake impact assessments. Most importers also have reforestation and pesticide restriction policies in place.

All importers, except one, satisfy the criteria on achieving environmental ambitions within their own operations supply chains.

Table 4.5 - Environmental ambition levels in own operations/joint venture supply

Own Operations / Joint Venture supply, environmental ambitions	Number of companies				
	1	2	3	4	5
Zero deforestation policy	■	■	■	■	■
Reforestation policy	■	■	■	■	■
Due diligence procedure	■	■	■	■	■
Environmental social impact assessment	■	■	■	■	■
Pesticide restrictions	■	■	■	■	■

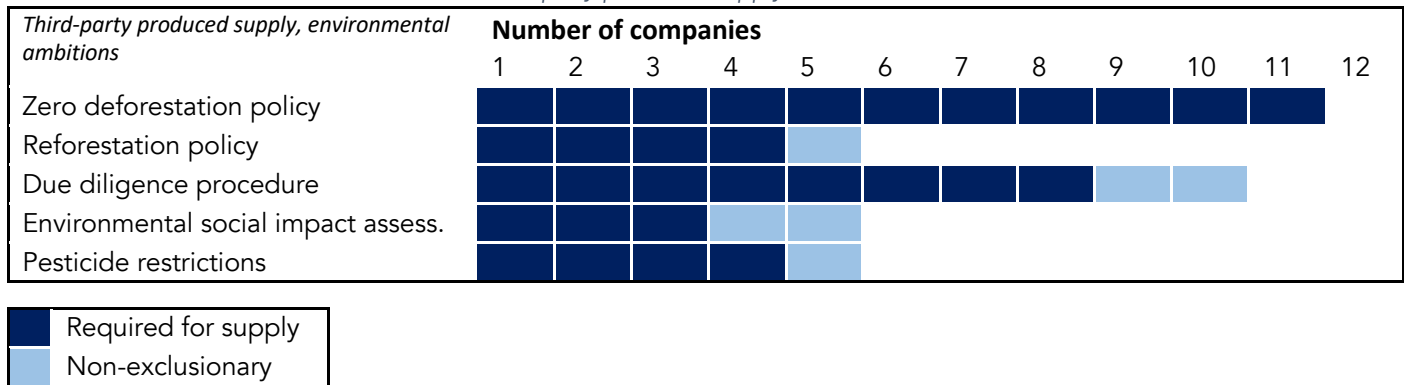
■	Required for supply
■	Non-exclusionary

Third-party produced environmental ambitions

For third-party produced palm oil, all importers, except one, have zero deforestation policies in place, although most, have no reforestation or restoration policies. Only three companies conduct environmental and social impact assessment on third-party produced palm oil. Few companies have specific pesticide restrictions in place for all of their operations.

Only three companies satisfy all criteria on achieving environmental ambitions within third-party produced supply chains.

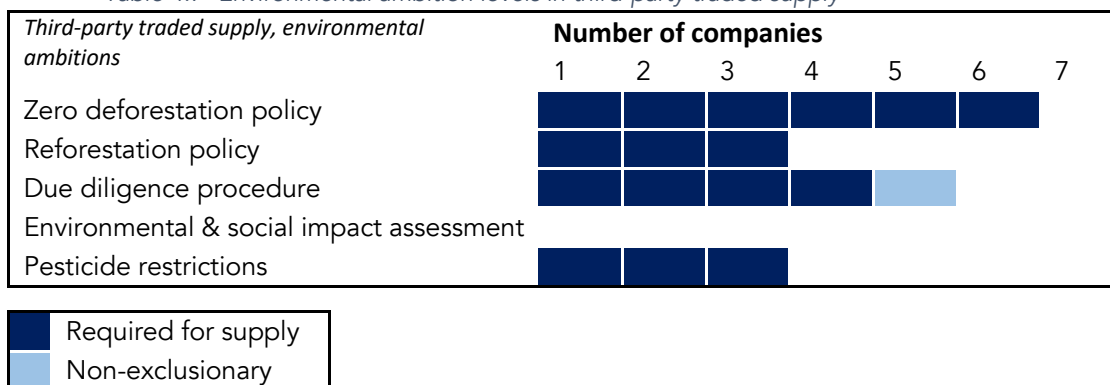
Table 4.6 - Environmental ambition levels in third-party produced supply



Third-party traded environmental ambitions

All importers, except one, have zero-deforestation policies for third-party traded palm oil. Most importers have some form of due diligence to ensure supplier compliance to policies, including some restrictions on pesticides, however, none conduct environmental and social impact assessments on their third-party traders.

Table 4.7- Environmental ambition levels in third-party traded supply



Exploitation

The prevention of exploitation can be considered at an individual worker's level or at the community level and has been assessed with a wide range of criteria, including policy definitions and action plans. A minimum standard is considered to be having a forced and child labour policy consistent with international definitions and action plans to enforce compliance throughout the supply chain.

Importers were asked about workers' rights to unrestricted access to their passports and other identification documents, having employers bear all employment costs, ensuring contracts and other materials are available in the worker's native language and being paid a living wage (which is often significantly higher than the minimum wage).

For the community perspective, importers were asked about the support given to communities through education and smallholder tools, how conflict with communities and land grab issues are addressed, and what policies are in place to ensure there is no coercion or criminalisation of complaints.

Own Operation / Joint Venture exploitation prevention

All importers with own operations have forced and child labour policy consistent with the International Labour Organisation (ILO) definition. Of these, three have specific action plans in place to monitor and address child and forced labour violations.

Worker's rights are generally respected by importers with their own plantations, although compliance with the RSPO living wage standard is scarce.

Only one company satisfies all criteria on preventing individual worker exploitation within own operations supply chains.

Table 4.8 - Exploitation prevention levels for individuals in own operations/joint venture supply

Own Operations / Joint Venture supply, exploitation prevention (individuals)	Number of companies				
	1	2	3	4	5
Definitions consistent with ILO					
Action plan child/forced labour					
Unrestricted access to documents					
Employer bears all fees					
Documents in native language					
Living wage requirement					

	Full coverage
	Inconsistent application

All importers mitigate their impacts on the communities surrounding their operations by supporting education programmes and independent smallholders, without obliging them to supply. Furthermore, three companies disseminate smallholder tools to ensure development aligns with RSPO or other standards.

All importers have an FPIC policy in place and most have policies to specifically address land grab and conflict issues. However, only two companies ensure that no coercion or criminalisation occurs of individuals or communities who lodge complaints against their operations.

Table 4.9 - Exploitation prevention levels for communities in own operations/joint venture supply

Own Operations / Joint Venture supply, exploitation prevention (communities)	Number of companies				
	1	2	3	4	5
School education support					
Independent Smallholder support					
Dissemination smallholder support tools					
FPIC policy					
Land grabs / conflicts policy					
Ensure no criminalisation of complaints					

	Full coverage
	Inconsistent application

Third-party produced exploitation prevention

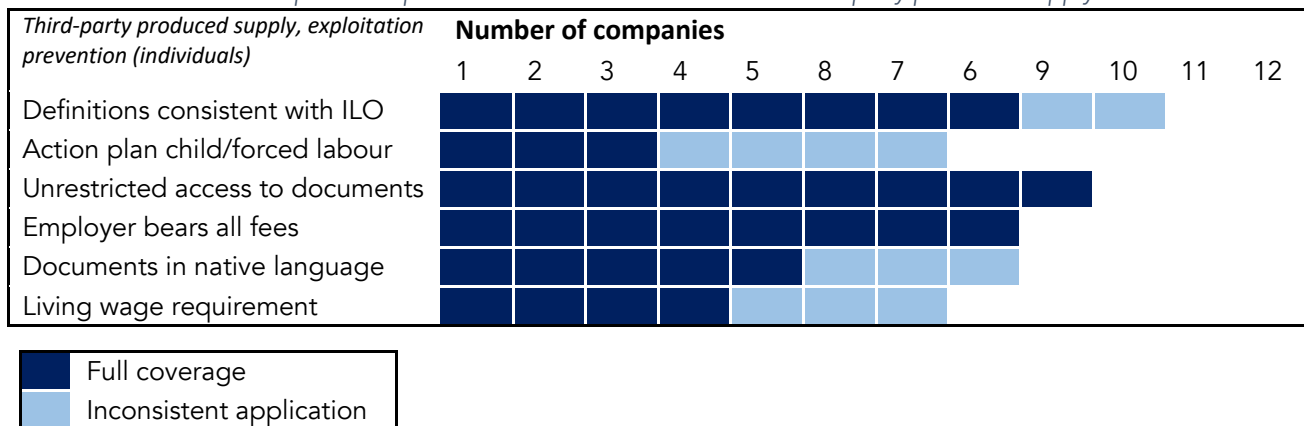
All importers should define their forced and child labour policies consistently throughout their supply chain. Nonetheless, some companies do not include restrictions on hazardous labour for young workers in-line with ILO definitions, others have policies based on good practices which build on established principles but do not necessarily align with ILO definitions, while two companies have no forced and child labour policy at all.

Only three companies have action plans in place to ensure these labour policies are implemented, while one company, which has an action plan on forced and child labour for own operations, only has a partial plan for third-party producers. Other importers ensure compliance with Code of Conduct on labour practices.

A majority of importers ensure workers in their third-party produced supply chain have unrestricted access to their passports and that the employer bears all employment fees. Policies on native language documents and living wage requirements tend to require suppliers to conform to the policy but do not necessarily require full compliance. Nonetheless, several importers require suppliers provide workers with documentation in their native language, and ensure all workers in their third-party supply chain are paid a living wage.

Two companies satisfy all criteria on preventing individual worker exploitation within third-party produced supply chains.

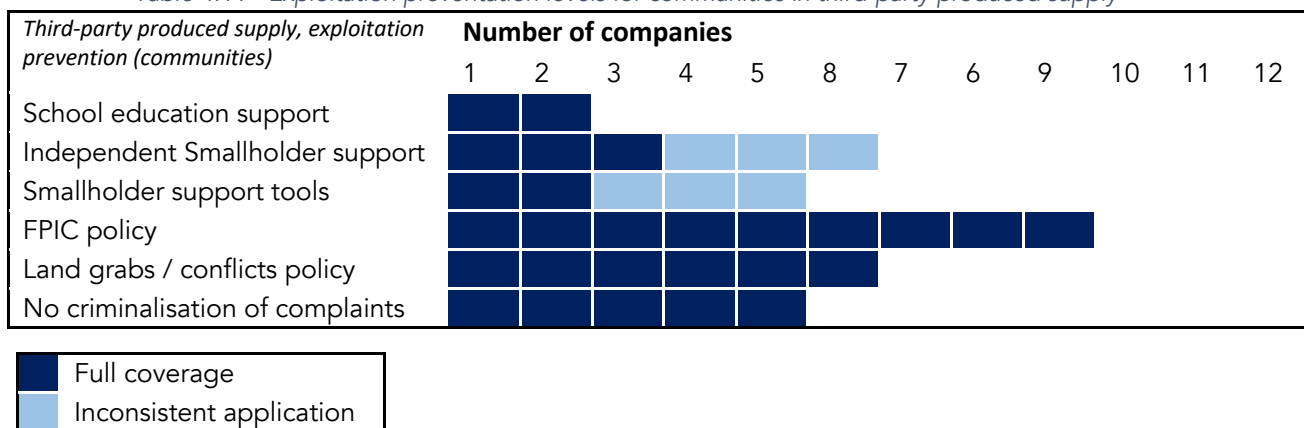
Table 4.10 - Exploitation prevention levels for individuals in third-party produced supply



The main way importers prevent exploitation of communities within their third-party produced supply chain is by conducting FPIC. Some importers also have policies on land grabs and ensure complaints are not criminalised. School support programs and other smallholder programmes for the surrounding community are rare and only two companies have specific plans in these areas.

Two companies satisfy all the criteria on preventing exploitation of communities within third-party produced supply chains.

Table 4.11 - Exploitation prevention levels for communities in third-party produced supply



Third-party traded exploitation prevention

Most importers with third-party traded supply have definitions of forced and child labour consistent with ILO and action plans to enforce this, but as with third-party produced supply; two companies do not have these definitions or policies in place. Again, most importers ensure unrestricted access to passports and oblige employers to bear all employment fees.

Two companies satisfy all the criteria on preventing individual worker exploitation within third-party traded supply chains.

Table 4.12 - Exploitation prevention levels for individuals in third-party traded supply

Third-party traded supply, exploitation prevention (individuals)	Number of companies						
	1	2	3	4	5	6	7
Definitions consistent with ILO	■	■	■	■	■		
Action plan child/forced labour	■	■	■	■			
Unrestricted access to documents	■	■	■	■	■		
Employer bears all fees	■	■	■	■			
Documents in native language	■	■	■	■			
Living wage requirement	■	■	■				

■	Full coverage
■	Inconsistent application

No importers support education programs for their third-party traded supply chain communities, and there is minimal smallholder support or dissemination of tools. Most importers have FPIC, land grab and non-coercion policies which address their entire supply chain, including third-party traded supply.

Table 4.13 - Exploitation prevention levels for communities in third-party traded supply

Third-party traded supply, exploitation prevention (communities)	Number of companies						
	1	2	3	4	5	6	7
School education support							
Independent Smallholder support	■						
Smallholder support tools	■						
FPIC policy	■	■	■	■			
Land grabs / conflicts policy	■	■	■	■			
No criminalisation of complaints	■	■	■				

■	Full coverage
■	Inconsistent application

5. Survey Results: Targets

This section provides a review of the targets each company set for themselves in achieving their own commitments. Two areas are assessed:

- 1) **Traceability and Zero-deforestation** – Timelines for achieving a transparent supply chain that conforms to company policies on achieving zero-deforestation.
- 2) **Accountability** – Internal and external accountability structures for ensuring commitments are realised.

Traceability and Zero-deforestation

Traceability remains the primary means by which companies are claiming to have achieved their NDPE goals. The logic is that companies will be able to risk assess and monitor mills to determine whether their supply chains are complying with their requirements through satellite monitoring of plantations. However, as noted in the 2018 POTC report, the distance used from mills is a key variable to determining whether or not these risk assessments accurately cover the potential plantations supplying a mill.

Most importers have set deadlines for supplying palm oil 100% traceable to mill, the majority before 2020. Only four importers have set a deadline for having full traceability to plantation.

Table 5.1 - Deadlines for palm oil traceability to mill and to plantation

Deadlines	Number of companies											
	1	2	3	4	5	8	7	6	9	10	11	12
Traceability to mill												
Traceability to plantation												

	Pre-2020
	2020, or Post-2020

Own Operation / Joint Venture target deadlines

Three importers have already implemented zero-deforestation deadlines for their own operations. One company has yet to set a deadline for zero-deforestation, no exploitation for its own operations.

Table 5.2 - Deadlines for environmental and social targets in own operations/joint venture supply

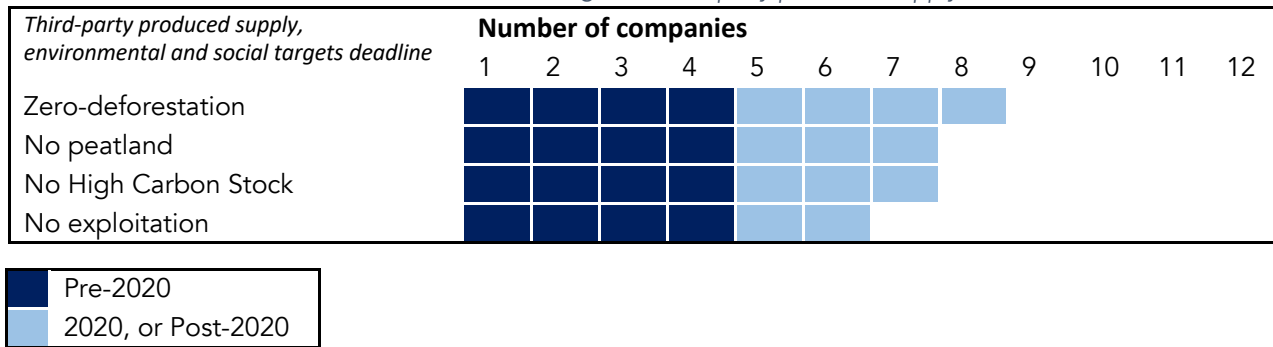
Own Operations / Joint Venture supply, environmental and social targets deadline	Number of companies				
	1	2	3	4	5
Zero-deforestation					
No peatland					
No High Carbon Stock					
No exploitation					

	Pre-2020
	2020, or Post-2020

Third-party produced target deadlines

For third-party produced palm oil, four companies have zero-deforestation, no peatland, no HCS and no exploitation policies already implemented. Several other importers have target deadlines for implementation for these policies. Four companies have not set deadlines for these environmental and social targets for third-party produced palm oil.

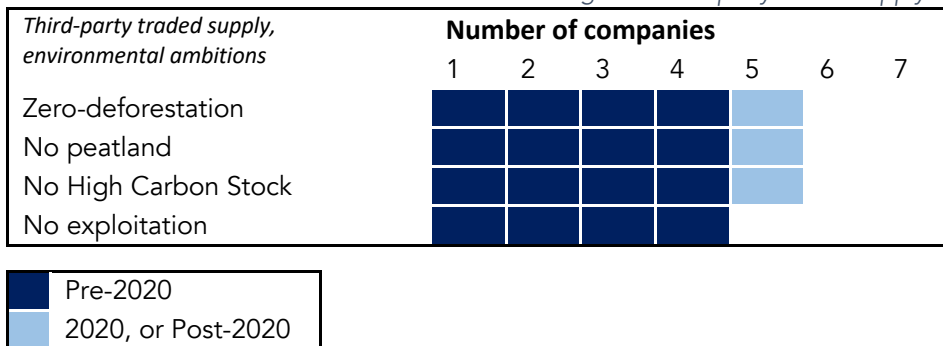
Table 5.3 - Deadlines for environmental and social targets in third-party produced supply



Third-party traded target deadlines

Overall sustainable sourcing policies tend to include the full supply chain. For third-party traded palm oil, only two companies have no deadline set for zero deforestation and no exploitation policy implementation.

Table 5.4 - Deadlines for environmental and social targets in third-party traded supply



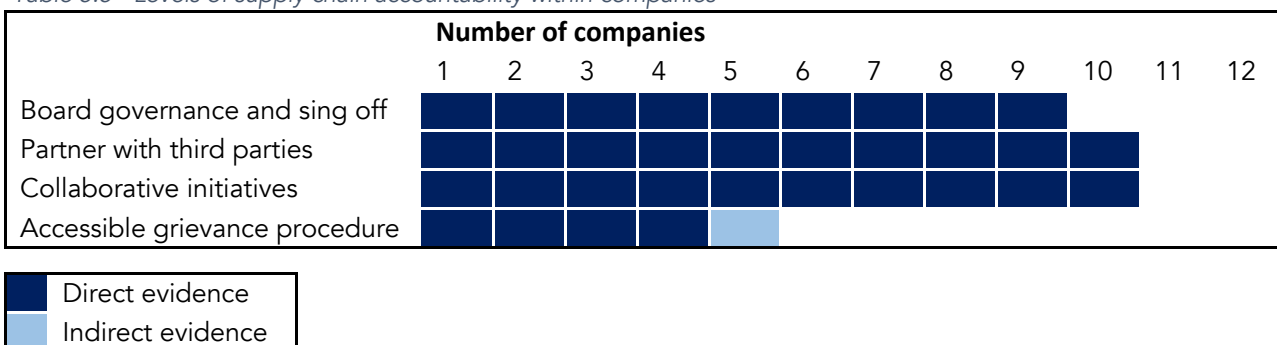
Accountability

Importers were asked about the governance and sign-off level of their environmental policies, including who within the company is ultimately responsible for implementation. Additionally, companies were asked whether they partner with independent organisations (e.g. NGOs, sustainability experts) to achieve their sustainable palm oil commitment, whether they collaborate in any initiatives on sustainable palm, and whether the grievance procedure in place is accessible.

All importers, except three, have board governance and sign off for their sustainability policies. Externally, these importers work with independent organisations to achieve some or all their PO/PKO commitments, normally either the Earthworm Foundation (formerly The Forest Trust) or ProForest. They also form part of collaborative initiatives. Four importers have grievance procedures which are fully accessible.

Four companies satisfy all criteria on target accountability within the whole supply chain.

Table 5.5 - Levels of supply chain accountability within companies



6. Survey Results: Progress

This section provides a review of how companies are measuring and disclosing progress towards their commitments. Five areas are assessed:

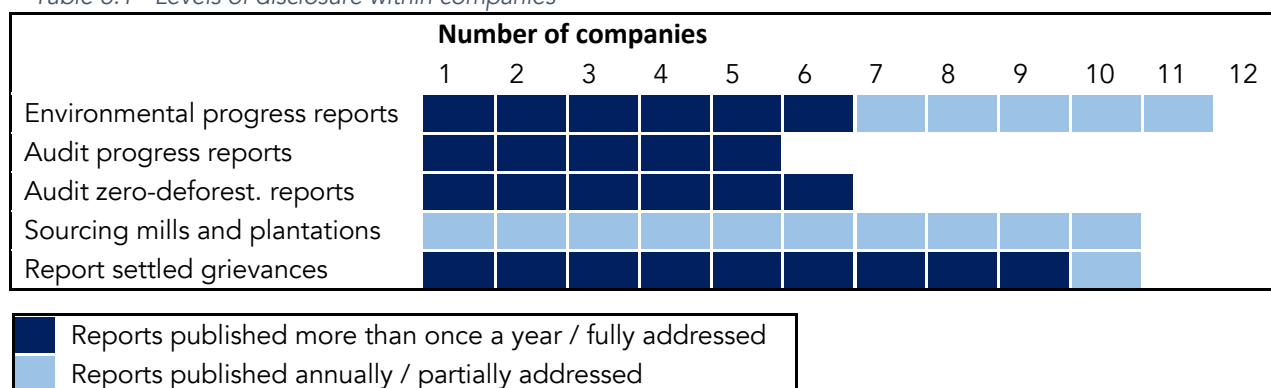
- 1) **Disclosure** – Frequency and verification of public sustainability progress reports, and publicly disclosed grievances.
- 2) **Zero-deforestation compliant** – Proportion of supply claimed as compliant with importer's zero-deforestation policy.
- 3) **Traceability** – Proportion of supply that is currently traceable to mill and plantation.
- 4) **Management Practices** – Grievance processes and risk management tools for potential breaches of company policies.
- 5) **Public Standing** – External reports of environmental and social issues within named company supply chains.

Disclosure

Importers disclosed how often public sustainability progress reports are published and if they are audited. Additionally, importers were asked if they publicly disclose sourcing mills and plantations, and whether they report identified or settled environmental and human rights grievances.

All importers except one publish progress reports, although most reports are not audited. Every importer except two publicly disclose the mills from which they source palm oil, but none report plantations.

Table 6.1 - Levels of disclosure within companies



Zero-deforestation compliance

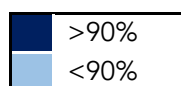
Importers were asked to report the proportion of 2018 supply, by operation and market, compliant with their zero-deforestation policy, and whether schemed or independent smallholders are also compliant. Only two companies disclose the proportion of smallholder compliant palm oil.

Own Operation / Joint Venture zero-deforestation compliance

Most information is for the European market, where all of the palm oil supplied from importers' own operations is zero-deforestation, with the exception of one which is not disclosed. Two US suppliers did not disclose volumes, one company did not disclose Australian imports, and one did not disclose Asian imports.

Table 6.2 - Compliance with zero-deforestation policy in own operations/joint venture supply, by geographical region

Own Operations / Joint Venture supply, compliant with zero-deforestation policy	Number of companies				
	1	2	3	4	5
Europe	■	■	■	■	
United States	■	■			
Australia	■	■			
Asia	■	■	■		



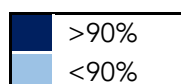
Third-party produced zero-deforestation compliance

All importers, except one, supply the European market with third-party produced palm oil. Of these, only four disclose the proportion of palm oil which is compliant with each importer's zero-deforestation policy. Disclosure for other markets is scarce.

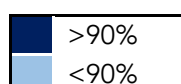
A lack of disclosure in this area may result from companies not having in place a means by which they can make these claims. Some companies state that these figures correspond to their RSPO supply volumes. In such situations no further information or claims have been made on the non-RSPO volumes achieving their NDPE policy commitments.

Table 6.3 - Compliance with zero-deforestation policy in third-party produced supply, by geographical region

Third party produced supply, compliant with zero-deforestation policy	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Europe	■	■	■	■								
United States	■	■										
Australia	■	■										
Asia	■	■										



Third party produced supply, compliant with zero-deforestation policy	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Europe	■	■	■	■								
United States	■	■										
Australia	■	■										
Asia	■	■										

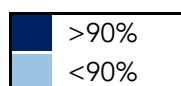


Third-party supplied zero-deforestation compliance

Only two importers disclose proportion of zero-deforestation palm oil for their third-party traded supply, and both companies disclose this for the Asian market (100% of imports).

Table 6.4 - Compliance with zero-deforestation policy in third-party traded supply, by geographical region

Third party traded supply, compliant with zero-deforestation policy	Number of companies						
	1	2	3	4	5	6	7
Europe							
United States							
Australia							
Asia							



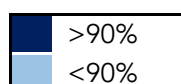
Traceability

Importers were asked how much of their current palm oil supply is traceable to mill and plantation by market.

Most importers provided traceability to mill for European imports exceeding 99% of supply. Traceability to plantation is slightly lower, although several importers report 100% traceability to plantation for European supply (but not for other regions or the group as a whole). Traceability to mill and plantation for American, Australian and Asian markets is slightly lower than for European markets. Importers cite lack of customer demand for traceable or otherwise lower impact palm oil as the reason for these differences in these markets.

Table 6.5 - Levels of PO and PKO traceability to mill and to plantation by geographical region

Traceability	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Europe mill (PO)												
Europe mill (PKO)												
United States mill (PO)												
United States mill (PKO)												
Australia mill (PO)												
Australia mill (PKO)												
Asia mill (PO)												
Asia mill (PKO)												
Europe plantation (PO)												
Europe plantation (PKO)												
United States plantation (PO)												
United States plantation (PKO)												
Australia plantation (PO)												
Australia plantation (PKO)												
Asia plantation (PO)												
Asia plantation (PKO)												



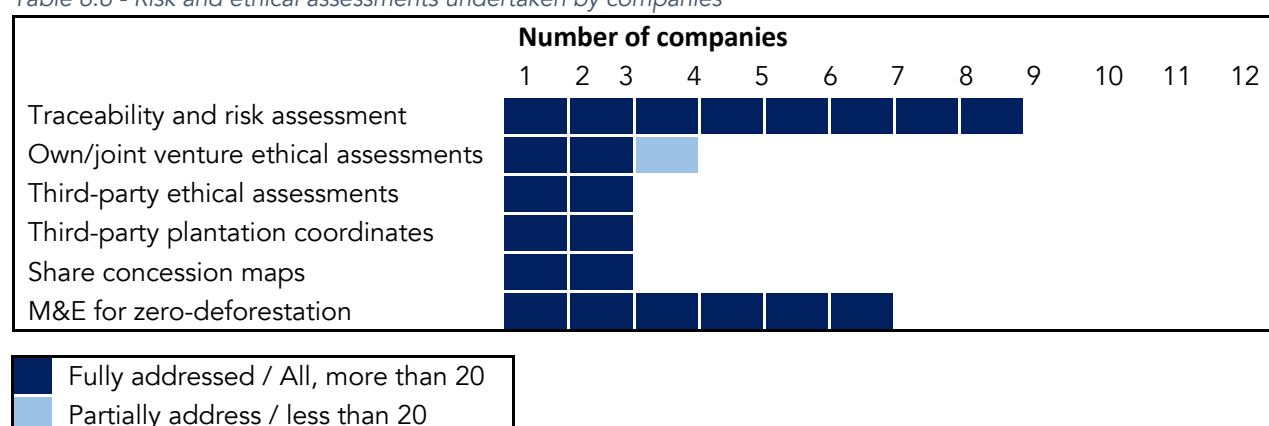
Management Practices

The POTC enquired about risk and ethical assessments to ensure compliance against zero-deforestation policies and whether suppliers are required to provide plantation coordinates or concession maps, as well as whether a monitoring and evaluation system is in place. Additionally, importers were asked to report the distance boundary used for risk assessment.

Most importers risk assess their supply chain where, at present, it is not possible to have visibility to plantation level, however, the total number of audits is very low and/or not being disclosed by companies. Only three importers have requirements in place for third-party suppliers to provide plantation coordinates and/or share concession maps as a condition of supply. Half of importers monitor and evaluate compliance to zero-deforestation.

The distance boundary used for these risk assessments and monitoring systems is 50km for all importers. This is deemed insufficient as improvements in road transport in the growing regions allow for palm bunches to be sourced from further than 50km from the mill.

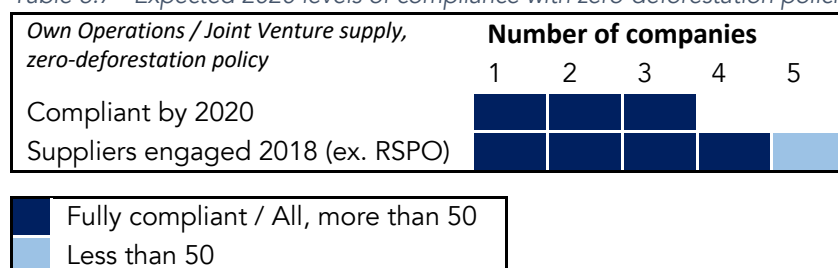
Table 6.6 - Risk and ethical assessments undertaken by companies



Own Operation / Joint Venture management practices

Only three companies expect to have own operations compliant with zero-deforestation by 2020.

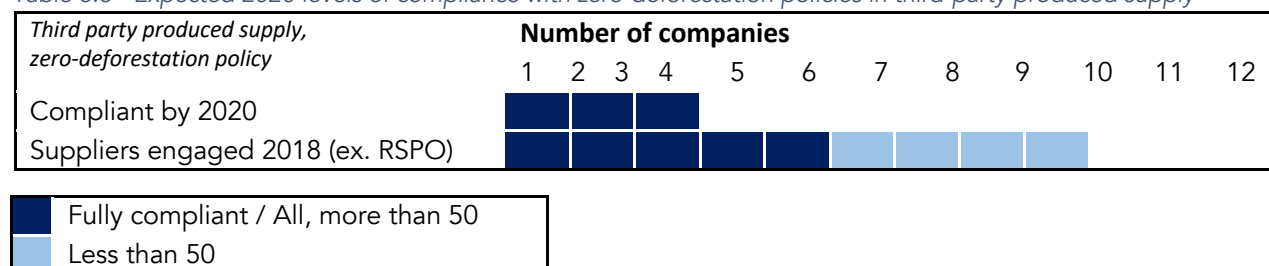
Table 6.7 - Expected 2020 levels of compliance with zero-deforestation policies in own operations/joint venture supply



Third-party produced management practices

As with own operations, most importers do not expect their third-party produced palm oil to be compliant by 2020, although all except three have engaged with suppliers to ensure compliance with policy.

Table 6.8 - Expected 2020 levels of compliance with zero-deforestation policies in third-party produced supply



Third-party traded management practices

Just three importers expect their traded palm oil to be zero-deforestation by 2020, and only two engaged third-party traders on zero-deforestation policy.

Table 6.9 - Expected 2020 levels of compliance with zero-deforestation policies in third-party traded supply

Third party traded supply, zero-deforestation policy	Number of companies						
	1	2	3	4	5	6	7
Compliant by 2020							
Suppliers engaged 2018 (ex. RSPO)							

	Fully compliant / All, more than 50
	Less than 50

Public Standing

A thorough review of the dedicated press and NGO reports was conducted to identify any negative issues associated with the top twelve importers. Additionally, the RSPO complaints database was searched to identify outstanding RSPO complaints against these importers.

Most of the importers have been mentioned in negative press reports (see footnotes on table below). Although these reports are common, they are not always able to provide great insight into the specific actions or inactions of the company in question. All companies that had public grievance logs typically had these reports included with a description of their actions taken in light of them.

Three companies reviewed this year have had new RSPO complaints lodged against them. Of these, two, have taken action to move back into compliance with RSPO. One company has partially addressed the issue and the complaint is still outstanding.

Table 6.10 - Levels of negative press reports and RSPO complaints against companies

	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Negative press reports												
RSPO complaints												

	More than one report / complaint
	One report

7. Survey Results: Verification

This section provides the results regarding the degree of transparency companies can provide their clients on the origin and certification of their palm oil.

In general, companies remain unable to provide a guarantee that the palm oil they are supplying is free from deforestation or exploitation unless it is being delivered through an RSPO segregated or identity preserved supply chain. While RSPO mass balance can support RSPO certified production equivalent to their palm oil/palm kernel oil usage, given the nature of mass balance systems, mass balance on its own is not sufficient for verifying the physical supply chain is free from deforestation.

Own Operation / Joint Venture transparency

All importers with own operations can provide geolocations for mills, and all, except one, can provide geolocation for plantations and deforestation assurance. Three companies comply with all transparency criteria for their own operations supply.

Table 7.1 - Levels of transparency in own operations/joint venture supply

Own Operations / Joint Venture supply, transparency	Number of companies				
	1	2	3	4	5
Publish concession maps					
Traceability assurance					
Deforestation assurance					
Geolocation for mills					
Geolocation for plantations					

	Full provision / review
	Some provision / review

Third-party produced transparency

Most importers can provide geolocations for mills for their third-party produced supply, but there is only partial data on geolocation for plantations. No importers publish full concession maps for third-party supply.

Table 7.2 - Levels of transparency in third-party produced supply

Third party produced supply, transparency	Number of companies											
	1	2	3	4	5	6	7	8	9	10	11	12
Publish concession maps												
Traceability assurance												
Deforestation assurance												
Geolocation for mills												
Geolocation for plantations												

	Full provision / review
	Some provision / review

Third-party traded transparency

There is little assurance of transparency for third-party traded palm oil. No importers publish full concession maps nor can provide zero-deforestation assurance.

Table 7.3 - Levels of transparency in third-party traded supply

Third party traded supply, transparency	Number of companies						
	1	2	3	4	5	6	7
Publish concession maps							
Traceability assurance							
Deforestation assurance							
Geolocation for mills							
Geolocation for plantations							

	Full provision / review
	Some provision / review

8. POTC Member Actions

In December 2018 the POTC revised its terms of reference to include a requirement for all Full Members to report annually on the actions they have taken in light of the findings from the prior year's assessment. This report is the first time the reporting requirement of this commitment has been included.

Declared members actions can be divided into the following three areas of activity, which are presented further below:

- 1) **Internal Actions** – amendments to palm policies or reporting, internal stakeholder engagement and training.
- 2) **Supply Chain Actions** – engagement with direct suppliers, industry stakeholders and palm importers and traders.
- 3) **Sector Actions** – collaborative taskforces, working groups and forums NGOs, lobbying and engagement with plantations or producers.

Actions Inside Member Businesses

All relevant 10 POTC members surveyed have existing policy commitments to source 100% RSPO certified palm oil for their own-brand products, and have taken at least one action within their business during 2019. This included amendments to palm sourcing policies or reporting requirements; engagement with internal stakeholders on learnings from the 2018 POTC Importer Assessment; and/or providing related internal trainings.



Palm Policy Review: Most members updated their palm oil policies to improve traceability, committing to source more RSPO certified palm kernel oil from Segregated (SG) or Identity Preserved (IP) supplies. Experts have advised that SG is the strongest certification for assuring zero-deforestation. This is supported by the findings of the POTC 2017-2018 annual reports. In line with this, Tesco UK has now strengthened its policy to achieve SG where feasible by January 1st 2021. Other members have also implemented time-bound targets to achieving 100% SG or IP supply across all types of palm, including palm kernel oil and derivatives.

Sharing the 2018 POTC Importer Assessment with internal Stakeholders: Half of members are applying the findings of the 2018 POTC Importer Assessment into action or KPI planning with buyers and technical teams. For example, Walgreens Boots Alliance formed a project team to enhance the traceability of raw materials using palm oil derivatives and assurance of RSPO certification.

Buyer Training: The majority of members have undertaken buyer training in their businesses or have training sessions planned for 2020. These training sessions include supporting product development and/or raw material sourcing informed by the findings of the 2018 POTC Importer Assessment.

Table 8.1 - Actions undertaken by POTC members inside member businesses

	Number of POTC members									
	1	2	3	4	5	6	7	8	9	10
Policy review or modifications										
Shared report with internal stakeholders										
Buyer training										

 Took action/s in 2019
  Future action in planning stage

Actions with Member Supply Chains

All members took at least one action in their supply chains during 2019. This included engagement with direct suppliers to discuss RSPO palm sourcing opportunities and constraints; sharing the findings of the 2018 POTC Importer Assessment with industry stakeholders; and holding discussions with palm importers and traders.

Supplier Engagement:

Half of all members are supporting their manufacturing suppliers in sourcing more palm oil and palm kernel oil from segregated RSPO certified supply. Some members report focussed ongoing engagement with direct suppliers who have not adequately responded to their policy requirements for RSPO supply or transparency. 60% of all POTC members participated in meetings with suppliers to review their submissions for the 2019 Palm Oil Industry Scorecard.

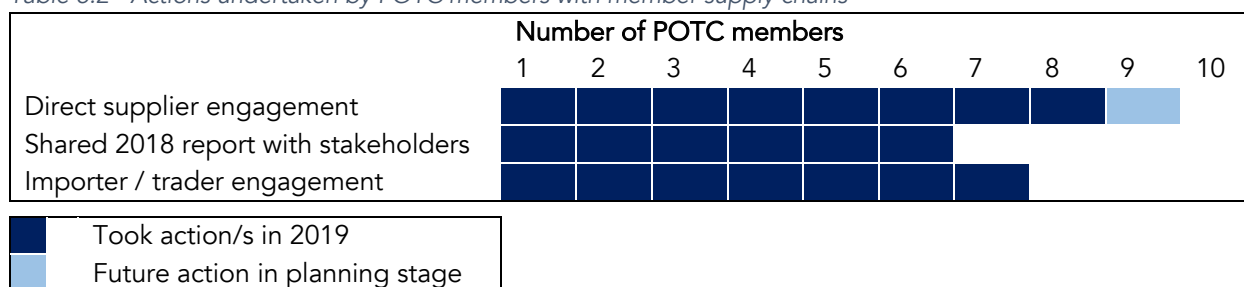
Shared 2018 POTC report with external Stakeholders:

Some members shared the findings of the 2018 POTC Importer Assessment with a broad range of industry stakeholders including suppliers, banks, investors, industry forums, the news media and NGOs.

Engaging with Traders and / or Importers:

Many members have met or have planned meetings with the companies assessed to discuss the POTC report findings and to support the traders and / or importers in developing action plans.

Table 8.2 - Actions undertaken by POTC members with member supply chains



Actions with the Wider Sector

All POTC members were active in the sector in 2019. This includes participation in collaborative taskforces, working groups and forums with a focus on sustainable palm oil; lobbying for national or international policies concerning palm sustainability; collaborating with NGOs; and engagement with plantations or producers.

Collaborative initiatives:

All members have raised awareness of the POTC across business groups with interests in the sector, including the Consumer Goods Forum (CGF), The Retailer Palm Oil Group (RPOG), and The Earthworm Foundation (EF). Engagement has also taken place through the RSPO's Alternate Board of Governors and its Assurance Standing Committee.

Lobbying:

One member reported supporting EuroCommerce in lobbying for the development of an EU policy against deforestation as part of a public consultation which contributed to a new commitment from the EU to increase their actions to protect and restore forests globally¹.

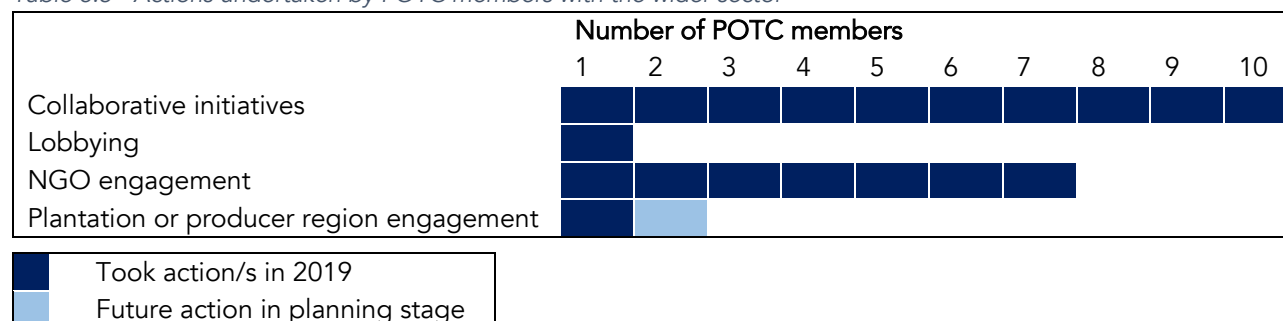
NGO Engagement:

A high number of members actively supported NGO initiatives during 2019, including the work of WWF and Mighty Earth. Some members have ongoing relationships with NGOs to work collaboratively on a range of sustainable raw materials, including palm oil.

Plantation / producer region Engagement:

Few POTC members are currently engaged in 'on the ground' work in palm production areas. One member however, has ongoing direct engagement with producers in Côte d'Ivoire through a smallholder project developed in conjunction with the NGO Solidaridad. The project focuses on the protection of natural forests and environmentally friendly cultivation methods

Table 8.3 - Actions undertaken by POTC members with the wider sector



¹ European Commission, 'Communication from The Commission to The European Parliament, The Council, The European Economic and Social Committee and The Committee of the regions: Stepping up EU Action to Protect and Restore the World's Forests, 23 July 2019. https://eur-lex.europa.eu/resource.html?uri=cellar:a1d5a7da-ad30-11e9-9d01-01aa75ed71a1.0001.02/DOC_1&format=PDF

9. NGO Advisory Partner Findings and Feedback

WWF and the Forest Peoples Programme have reviewed the outcomes of this year's assessment and have applied their own weighting criteria to determine how companies are performing using the POTC scoring criteria adjustment. This is shown in the chart below comparing the unweighted company responses with those that the advisory partners feel are appropriate current expectations for performance:

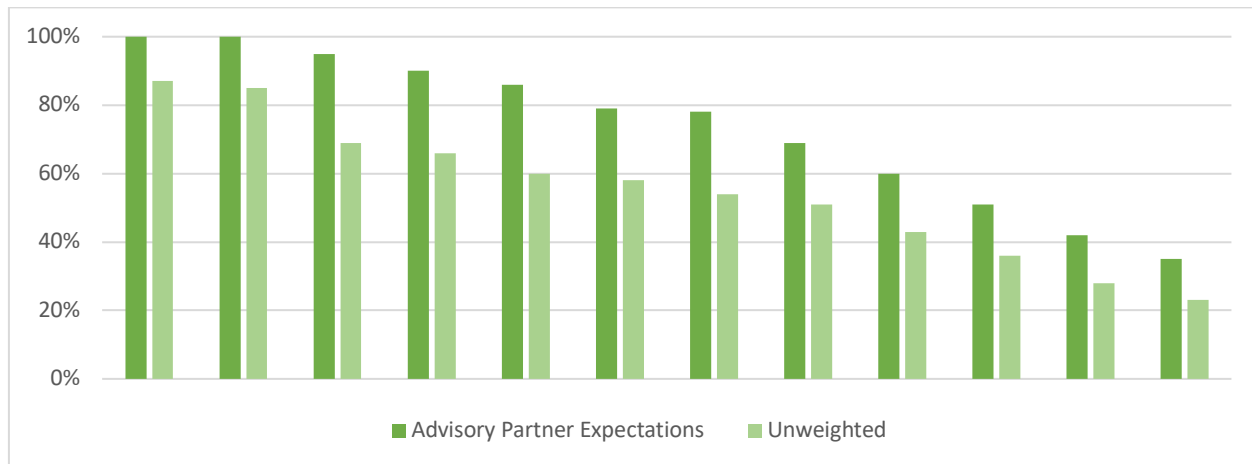


Figure 9.1 - Comparison of unweighted company responses and advisory partner expectations

Although there is no change to the order in which companies have performed relative to one another in light of these expectations, it is important to note that all companies are performing better in this framework as it recognises what actions are feasible today as opposed to where supply may be structured in the future. Two companies in this case have programmes that are consistent with NGO expectations, whereas none achieve this level when considering the unweighted scoring criteria.

NGO Advisory Recommendations for POTC Members

- 1. Support RSPO in enhancing audit requirements** - in 2020, give input into RSPO's consultation to improve the credibility of the RSPO certification process, particularly in terms of improving the quality of audit that at the moment is an area of weakness in the scheme.
- 2. Step up supplier engagement** - sustained engagement is crucial for suppliers to change. Offer 1-2-1 conversation with each member in confidence on scorecard discussion plans for utilisation of the data if useful.
- 3. Expect credible progress** - as part of conversations with suppliers, explain that you will be asking them to report what credible progress they have made on the key areas discussed, and that you will take corrective action if insufficient progress made.
- 4. Take action this year** - shift some demand from the worst performer(s) to better performers to signal seriousness as a result of the current survey data.
- 5. Greater sharing of actions taken by POTC members** - POTC members should take thoughtful action. This information can be anonymised and aggregated by the secretariat, but it needs a reasonable level of detail to be provided by members.
- 6. Senior leadership engagement** - Given the scale of the challenge and the role that unsustainable palm oil has in deforestation, rights abuse and wildlife destruction, this area needs greater resourcing from members.
- 7. Encourage growth in POTC membership** - the larger the membership the greater the shared influence.
- 8. Advocate for change** - make positive statements on the need for EU/UK regulation on deforestation risk.

10. Conclusions and recommendations

The following observations and considerations for future work for the POTC have been drawn from assessing the company responses and directly engaging with importers.

Conclusions

- **Monitoring and engagement of supply chains is increasing.**

Several traders have begun adopting advanced techniques and requirements for assessing their direct and indirect suppliers. These remain in their early stages, but some of the requirements that have been communicated indicate that some companies are considering more substantial change to their business practices (e.g. requiring the provision of concession maps as a condition of supply).

- **The gap between those addressing ethical matters and those that are not is increasing.**

Many traders reported greater progress in their efforts to better tackle exploitation in their supply chains. From active media monitoring to increasing ethical audits outside the RSPO system, there has been a marked increase in the number of actions taken by a few traders. These actions, however, are not uniform amongst the companies surveyed. Those that were poor performers in this area in 2018 remain so this year whilst others have moved further ahead.

- **Third party suppliers are not treated equally depending upon whether the palm oil is handled by the trader.**

None of the companies assessed have provided any claims that the third-party traded volumes they market are deforestation free. One company states that they assess the shipping firm after the trade has been completed for compliance with the company NDPE policies, but these retrospective assessments are based on policies only and do not generally go deeper than a review similar to what the POTC does.

Although direct suppliers have some degree of claim associated with a portion of their supply, the overall market continues to demonstrate this as being a weakness in NDPE policies with variable application rates.

- **Non-RSPO supply chains remain exposed**

This is the same conclusion found in the 2018 assessment. No evidence has been able to be produced this year to demonstrate that any volumes not certified by RSPO can lay a claim to be compliant with a company's NDPE policy. Without significant RSPO certified volumes by these traders – less than half having over 50% of their volumes – this means that much of the supply handled by these companies remains at risk of deforestation and exploitation.

Recommendations for the POTC

- **Work with RSPO to enhance credibility of its system**

About half of RSPO members fully report as part of their ACOP submissions and the auditing programme continues to have external criticisms applied. As the only certification system now aligned to NDPE principles, it is critical the governance processes are improved.

- **Define what a company that has successfully delivered its policy looks like**

Many 2020 commitments are being missed, whilst others claim they achieved them by virtue of policy launch. The POTC should have clear criteria and expectations for what 'meeting requirements' looks like as the respondent company definitions are too variable.

- **Continue pushing for an extension of the industry standard risk assessment radiuses to 250km around mills.**