

Unilever's response to Amnesty International – "Palm oil in your US and global operations"

26 October, 2016

Dear Seema,

Thank you for the letter of 18 October 2016 and the issues you raised relating to global palm oil production.

We recognise that more attention needs to be paid to social issues at palm oil plantations and that current processes and policies need to be improved to ensure they address issues effectively and create more transparency. We fully understand the importance of gaining greater visibility of palm oil supply chains so issues are able to be better identified and remediated.

We therefore welcome the scrutiny and feedback from civil society organisations such as yourselves to drive the industry forward. We are under no illusion of the size of the challenge but we strongly believe that through constructive dialogue and close cooperation between all stakeholders – including rights-holders – positive change in the industry can be achieved.

Unilever's relationship with Wilmar

Wilmar is one of our key palm oil suppliers. The palm oil supplied by Wilmar goes into our products across our foods, home and personal care categories.

Wilmar is both a direct and indirect supplier to Unilever of conventional and RSPO certified palm oil – the traded palm oil from Wilmar also enters our supply chain via other refiners and processors. As the largest palm oil trader, Wilmar captures around 45% of all the palm oil traded globally. While most of the palm oil originates from Indonesia, Wilmar's palm oil also comes from their plantations and third parties in Malaysia and Africa. RSPO certified palm oil comes from both a combination of Wilmar's certified estates and also includes third party certified estates across Malaysia, Indonesia and Papua New Guinea.

In 2013, Unilever played an instrumental role in engaging Wilmar to release its sustainable palm oil policy and commit to the principles of no deforestation and no exploitation of people and communities. At that time, Wilmar's commitment represented a significant step change in the industry, especially for a company that covers 45% of the market to commit to principles that go beyond their own operations and include third party suppliers.

Since this commitment, we are aware that Wilmar has focused largely on traceability to the mill, which is an indicator of the approximate location of its suppliers of fresh fruit bunches. Wilmar has publicly reported 95% traceability to the mills for all their refiners in Indonesia and Malaysia. A list of Wilmar's mills is also available publicly on their own website and on their dashboard.

We have been in contact with Wilmar regarding the issues you have raised in relation to their supply chain and we will continue our engagement with Wilmar as they progressively take steps to close any gaps identified with you, in their supply chain. We would of course be willing to enter into discussion with you and Wilmar to discuss the issues further.



Traceability

Unilever is committed to full traceability for all the crude palm oil and derivatives 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.

Mill locations are indicative of where palm fruit is processed and 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 50km 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.

Traceability to the mill is only an intermediary step in achieving full traceability. However, at this stage we are not yet able to trace the palm oil we source back to each plantation, third party or smallholder. This is a challenge the entire industry faces. Achieving traceability to the mill is therefore an important step as we are engaging the industry towards a collective goal to achieve full traceability.

Social sustainability

A combination of the [Sustainable Palm Oil Sourcing Policy](#) and the [Responsible Sourcing Policy](#) include specific criteria that call for no exploitation of people and communities and driving positive social and economic impact for smallholders and women while protecting forests. We are working towards achieving our commitments in these areas through the following initiatives and actions:

- We ask our suppliers to adhere to Unilever's Responsible Sourcing Policy, which stipulates mandatory requirements on human rights and protection of workers;
- We support the 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;
- We are developing our policies on responsible development of new land areas;
- We 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, including equality in access to inputs, resources, training and decision-making rights in rural areas;
- We facilitate the inclusion of smallholders into the supply chain and support adherence by smallholders to the Five Principles of the Policy and we support initiatives to increase smallholder yields and incomes, and address social issues, while protecting forests. One way we do this is by adopting a landscape management approach that goes beyond traceability and a plantation-by-plantation approach to tackle complex structural challenges on the ground, including, among others, land rights and entitlement, legality, and low capacity and yields.

We are mindful of the increasing risk of forced labour perpetuating abusive conditions for migrant workers around the world. We are working with industry bodies such as the Consumer Goods Forum to eradicate forced labour focussing on palm oil in Indonesia and Malaysia and particularly on three core principles of freedom of movement, employer pays for recruitment and no coercion to work/no



debt to repay. We are also members of the Leadership Group for Responsible Recruitment, a collaboration between leading global companies and expert organisations working towards best practices in the responsible recruitment of migrant workers.

RSPO and next steps

Unilever is a founding member of the Roundtable on Sustainable Palm Oil (RSPO) and since 2004, we have worked collectively with all other members of the RSPO to drive the industry forward. RSPO still is the most widely used industry standard for sustainable palm oil and the use of certification schemes have played a pivotal role in establishing capacity building in agricultural supply chains and in working to eradicate bad practices. RSPO Next is an important development and we believe that the successful implementation of the RSPO Next (which is a higher voluntary standard) can play a significant role in the critical next stage of the journey to address both environmental and social issues in the extended palm oil supply chains including use of paraquat.

However, certification alone is not enough to resolve the prevailing environmental and social issues linked to the palm oil industry. The next logical step is to focus on improving the way we identify, prevent and mitigate negative social impacts, advance decent working conditions and ensure observation of all internationally recognised principles.

The RSPO has embarked on a continuous improvement of their audit and certification process including strengthening its Code, auditing capabilities and improving its grievance mechanism in order to more effectively tackle social issues. We are engaged with and supportive of this effort.

In addition to the above, we have started developing a roadmap for achieving supplier compliance to our Sustainable Palm Oil Sourcing Policy. In addition, we are also working towards independent verification of our palm oil supply chain, especially on high risk mills where we have identified issues including those relating to wages, working hours, environment and health and safety issues. We have developed a programme for risk verification and have piloted this through three independent assessments. To scale up verification, we are currently working on a strategy to collaborate with our peers and suppliers on this important priority. Similar issues have been found at refineries audited by independent auditors against our Responsible Sourcing Policy. Our suppliers have put in place remediation plans and we are working with industry and other stakeholders to address the root causes of these issues. When it comes to audits at plantation level – the palm oil industry currently relies on RSPO audits to identify non-compliance. The RSPO auditing process is evolving in response to the current challenges. This will help to ensure that as an industry we drive continuous improvement and closing of systemic non-conformance gaps. We believe that audit processes work best as a broader approach to collaboration, engagement and continuous improvement.

We will take action through Unilever's Grievance Procedure in relation to substantiated grievances – the Grievance Procedure sets out the way for dealing with cases of non-compliance with our Policy. The importance of effective grievance mechanisms cannot be underestimated.

We are reviewing our grievance procedures in the supply chain and are currently undertaking an independent expert review. Further, we will continue to engage with certification bodies and our suppliers to improve theirs. This is an area of focus for us as, especially in the palm oil industry, worker



voice needs to be strengthened and their right to freedom of association and collective bargaining respected.

We are and remain committed to address and resolve the systemic human and labour rights issues in the palm oil industry. Collaboration with key suppliers, governments, NGOs and the broader industry is instrumental to make this happen. We would be happy to engage in discussions with you and other key stakeholders to see how we can further improve the work we are doing in this area.

Best Regards,



Marcela Manubens

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