

# Global Policy on Sustainable Palm Oil

VERSION: DECEMBER 2021

## Introduction and Scope

The further development of sustainable processes to manufacture bio-based chemical products, as well as supplying our customers with more sustainable bio-based solutions are among Clariant's key goals.

By using bio-based chemical products the industry has the potential to reduce the dependence on fossil feedstock and to help substantially reduce greenhouse gas emissions thus mitigating climate change, protecting the environment, decreasing the pressure on the planet's resources, and securing energy supply. Palm (kernel) oil and derivatives play an important role as a raw material for bio-based chemical products. However, the increased use of palm oil-based raw materials opens discussions on deforestation, loss of biodiversity and competition with food usage. Production of bio-based chemical products should not create shortages in food supply or negatively affect biodiversity or other environmental protection goals. The use of land and resources should therefore be carried out in a sustainable and efficient manner allowing for food and feed production, as well as the development of sustainable bio-based chemicals. Only then can the potential of renewable feedstock be used to deliver comprehensive societal, environmental, and economic benefits. As a producer of specialty chemicals derived from, amongst other raw materials, palm (kernel) oil derivatives, Clariant acknowledges its role as a value chain player and the associated responsibilities that arise from it.

To address these challenges, Clariant commits to the sustainable sourcing of palm oil, palm kernel oil and its derivatives and to collaborating with our suppliers to increase the transparency in the palm oil value chain supporting a value chain transformation.

Clariant has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2014 and has relevant production sites certified globally. Since December 2020, Clariant is a member of the Action for Sustainable Derivates (ASD), a cross industry initiative working to enhance responsible sourcing in the global derivatives supply chain, including increasing transparency.

Clariant's Global Policy on Sustainable Palm Oil encompasses commitments to 'No Deforestation, No Peat and No Exploitation' (NDPE). It applies to all palm oil, palm kernel oil and their derivatives that we use globally and covers our entire supply chain, from direct suppliers to their entire operations and supply chain.

## Our commitments

To achieve our long-term vision of a sustainable palm oil industry committed to NDPE principles, Clariant<sup>1</sup> strives to:

- build a palm oil supply chain that is free from deforestation and peat, respects human rights and supports local livelihoods
- work in close collaboration with our direct supply chain, critical stakeholders, and customers to promote greater transparency in our supply chain
- contribute to several scientific, technical and industrial bodies, e.g. as member of the Action for Sustainable Derivatives (ASD) and the Roundtable on Sustainable Palm Oil (RSPO), and support the development of relevant public-private partnerships in this field to increase the inclusion of small holders in the value chain and support a positive impact on social wellbeing by reducing human rights risks in the labor force of small holders
- transition to source 100% RSPO (or equivalent) certified palm-based (palm oil, palm kernel oil and their derivatives) materials by 2025 as far as commercially available on the market
- source exclusively from suppliers compliant with No Deforestation, No Peat, No Exploitation (NDPE) policies
- participate in on the ground projects (such as project SPOTS<sup>2</sup>) and foster new partnerships
- grow the certified products market share together with our value chain partners
- share our progress on an annual basis

<sup>1</sup> „Clariant“ and “we” means all legal entities wholly owned by Clariant Ltd, Switzerland.

<sup>2</sup> <https://www.clariant.com/en/Sustainability/Responsible-Sourcing/The-SPOTS-Initiative>

## Requirements for Clariant's suppliers

In line with the Roundtable on Sustainable Palm Oil (RSPO), we require the following from our suppliers:

### I. No Deforestation

- No production, sourcing or financial investments that cause or contribute to deforestation or loss of natural forest as a result of conversion to agriculture or other non-forest land use; conversion to tree plantation; or severe and sustained degradation. Deforestation-free is synonymous with zero net deforestation or no gross deforestation, as defined by the Accountability Framework Initiative<sup>3</sup>.
- No development, conversion, nor degradation, of High Carbon Stock (HCS) or High Conservation Value Areas (HCVA) as defined by the High Carbon Stock Approach (HCSA)<sup>4</sup> – in compliance with the cut-off date of November 2018 set by the RSPO Principles & Criteria<sup>5</sup> (recognizing that companies which have publicly committed to anterior cut-off dates should abide by these).

### II. No Peat

- No development on peat regardless of depth, including oil palm planting or burning in preparation for planting or re-planting.
- Protection and restoration of High Carbon Stock (HCS), High Conservation Value Areas (HCVA), and peatlands.
- Upholding of good management practices as defined per the RSPO Best Management Practices for existing plantations on peat.

- New plantings in accordance with the HCS Approach Toolkit.<sup>6</sup>

### III. No Exploitation

- Compliance with the Clariant Policy Statement on Human Rights.
- Respect of indigenous people rights including the application of the “Free, Prior Informed Consent” (FPIC)<sup>7</sup> principle.

### IV. Supporting local livelihoods

- Inclusion of independent palm oil smallholders in the global supply chain, by promoting greater access to market and fair prices.
- Support to smallholders in implementing sustainable production practices and thus improving their livelihoods.

### V. Transparency

- Transparency into different layers of own supply chain and submit comprehensive information, e.g. traceability to palm oil mill level and plantation; accordingly, encourage suppliers to increase transparency of their palm oil supply chain.
- Cooperation with Clariant to verify supplier compliance with Clariant's policies through third party assessment.
- Disclosure to Clariant of any complaints made and report any breaches of Clariant's policies, as soon as supplier has become aware.

<sup>3</sup> Accountability Framework. 2021. Definitions | Accountability Framework. [online] Available at: <<https://accountability-framework.org/the-framework/contents/definitions/?definition=deforestation>>

<sup>4</sup> Highcarbonstock.org. 2021. [online] Available at: <[http://highcarbonstock.org/wp-content/uploads/2020/09/09\\_2020\\_HCVRN\\_HCSA\\_Joint\\_Briefing\\_1.pdf](http://highcarbonstock.org/wp-content/uploads/2020/09/09_2020_HCVRN_HCSA_Joint_Briefing_1.pdf)>

<sup>5</sup> RSPO - Roundtable on Sustainable Palm Oil. 2021. Archive Modal Window | Library. [online] Available at: <<https://www.rspo.org/resources/archive/1079#>>

<sup>6</sup> Highcarbonstock.org. 2021. [online] Available at: <https://highcarbonstock.org/the-hcs-approach-toolkit/>

<sup>7</sup> United Nations Department of Economic and Social Affairs. 2021. [online] Available at: <https://www.un.org/development/desa/indigenouspeoples/publications/2016/10/free-prior-and-informed-consent-an-indigenous-peoples-right-and-a-good-practice-for-local-communities-fao/>

Clariant expects all suppliers to comply with the above requirements, to ensure that their supply chain complies and to create transparency of their entire value chain, in order to improve the palm oil value chain, especially for palm oil, palm kernel oil and its derivatives, according to the above requirements.

Clariant strives for a business culture of continuous improvement. When gaps are identified, Clariant's Guideline 'Dealing with allegations of violations of Clariant's sustainability commitment in the supply chain' will be applied, to ensure compliance.

Clariant's 'Global Policy on Sustainable Palm Oil' reflects our efforts to achieve a sustainable, profitable long-term business with bio-based chemical products.

**Other Clariant policies in this area include:**

Clariant's Global Supplier Code of Conduct<sup>8</sup>

Clariant's Code of Ethics<sup>9</sup>

Clariant's Policy Statement on Human Rights<sup>10</sup>

---

<sup>8</sup> <https://www.clariant.com/es/Company/Corporate-Governance/Code-of-Ethics#>

<sup>9</sup> <https://www.clariant.com/es/Company/Corporate-Governance/Code-of-Ethics#>

<sup>10</sup> <https://www.clariant.com/es/Sustainability/Social-Value/Human-Rights>