



POTC

PALM OIL TRANSPARENCY COALITION

2023 Palm Oil Importer and Trader Assessment - Public Report

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Contents

1. Executive Summary
2. Introduction
3. Our approach
4. Findings
5. Member actions
6. Conclusions and recommendations



Executive Summary

The Palm Oil Transparency Coalition (POTC) was established in 2016 to address the issue of limited transparency surrounding importer commitments on No Deforestation, No Peat and No Exploitation in supply chains, and a desire originally from retailers to assess the performance of importers present in their palm supply chains.

In the years since, the POTC has evolved in both purpose and scope, as key importers of palm oil demonstrate progress in policies and commitments to securing a deforestation and exploitation free supply base. But it continues to provide variable disclosure, reporting of progress and verification of on-the-ground actions in palm oil supply chains.

2023 has seen the palm oil sector responding to updates in the regulatory landscape and developments of sector guidance frameworks across deforestation, climate, land and labour rights. In this context, the work of the POTC in holding key palm importers to account on the alignment of commitments with on-the-ground practices is more important than ever. Two main themes emerged throughout this year's POTC process:

Regulations on securing deforestation-free supply impacting importer actions in the palm sector

The EU Deforestation Regulation (EUDR) entered into force in June 2023. POTC examined the actions and changes in practice being taken by importers to ensure supply into Europe will be able to comply with the outlined requirements. As recently as December, the UK also announced further details relating to Schedule 17, The Environment Act, which requires due diligence obligations for supply to the UK. In this context, the POTC focused on assessing the impact of palm importer actions to comply with these regulations on actors in the supply chain, such as independent smallholders.

Progress towards a common framework for reporting against deforestation and conversion in palm supply chains

The 1.5°C agricultural sector roadmap agreed at COP 27, signed by several of the POTC-assessed palm importers, included a commitment for all palm volumes from these importers to sit within the 'Delivering' category of the NDPE Implementation Reporting Framework (IRF). This year's POTC process saw an uptake of the Commitments to No Deforestation, No Peat and No Exploitation (NDPE) IRF as a common framework for reporting progress in palm importer supply chains on securing a deforestation-and conversion-free supply. However, issues with verifying how these profiles are being completed and assessed at the level of on-the-ground practices in palm oil mills, means the use of this framework for reporting progress needs to be critically examined and importers held to account for the continued use of satellite monitoring and sourcing of certified palm oil volumes.

Key findings from the POTC process this year include:

- 1 There is evidence of split supply chains emerging as the challenge of achieving full smallholder traceability in order to comply with the requirements of EUDR is dealt with in practice by importers.
- 2 The perceived role of RSPO certification by importers in achieving deforestation and conversion free supply is unclear as prioritisation shifts to traceability and verification in supply chains in light of EUDR compliance.
- 3 Use of the NDPE Implementation Reporting Framework is increasing amongst importers, as securing 100% of supply from mills in the 'Delivering' category seen as the primary method for meeting DCF commitments.
- 4 NDPE IRF Land and Labour Rights methodologies present an opportunity for a common framework to identify and address human rights risks if coupled with independent verification
- 5 Importer commitments on climate are being updated in line with 1.5°C roadmap requirements but there is varied alignment across importers.
- 6 Indirect supply into importer operations remains a key gap in reaching overarching commitments on no deforestation and no exploitation.

Recommendations to importers

1. Prioritise achieving full traceability to plantation across own - and third-party supply chains, while developing robust satellite monitoring beyond own-supply to ensure risk of deforestation and conversion is adequately addressed.
2. Work with the Palm Oil Collaboration Group in the roll out of the new Independent Verification Guidance to ensure strengthened reporting of the NDPE IRF profiles in line with commitments to '100% Delivering' volumes.
3. Focus efforts on improving the standard of human rights due diligence processes within own and third-party supplier operations, and raise the standard of grievance mechanism accessibility to workers within the supply chain.
4. Ensure that where SBTi targets have been set, these have been updated with the latest Forest, Land and Agriculture (FLAG) guidance and commitments updated accordingly.



Introduction

The Palm Oil Transparency Coalition (POTC) is a group of 16 companies, together with the Consumer Goods Forum Forest Positive Coalition, who are working to critically assess key importers in the supply chain and ensure issues on deforestation and exploitation are being addressed. Since the POTC was founded in 2016, a questionnaire is shared on an annual basis with identified key importers in POTC member supply chains. The purpose is to give these importers an opportunity to update members on progress and action being taken against stated commitments on deforestation, labour, land and climate challenges in their operations. Alongside this, POTC engages and challenges importers on their responses to facilitate an open and honest level of disclosure. Whilst other initiatives work on assessing importer performance and NDPE commitments, POTC facilitates this level of openness due to its nature as a business-to-business initiative and the confidentiality granted to answers provided where desired by the importer.

In 2023, twenty globally-significant importers of palm oil within POTC member supply chains were surveyed. Based on a new cross-industry aligned structure, over 400 questions covering their company policies and commitments, implementation plans and monitoring, reporting and verification of progress were included. This report shares some of the key findings from 2023, obtained from both questionnaire responses and engagement calls between POTC and importers. The findings reflect identified issues and developments within the palm oil sector. Importer responses to the questionnaire are anonymised. However, top-level rankings of the importers against POTC advisory partner expectations are included.

The POTC is supported by expert non-governmental organization advisory partners to ensure our work is focused on the most pressing issues, and effective in driving change. The World Wide Fund for Nature (WWF) and the Forest Peoples Programme (FPP) are the two partners currently working closely with the design of this process.



Our approach



Methodology

The coalition seeks to ensure that the engagement process for importers is as simple and efficient as possible, avoiding duplication by bringing companies together to generate and share one survey which can be used for further engagement. This year, the POTC has convened and aligned over 10 different assessment organisations to produce one core set of questions on which palm importers can be assessed. The Working Group for Aligning Palm importer Performance Assessment has built on the existing work of the Accountability Framework initiative (AFI), and the core set of questions were integrated into the POTC's structure for 2023. The aim is to continue to provide a robust assessment on how importers are performing, while ensuring importers spend less time on completing questionnaires with varied structures/questions and more time addressing the identified supply chain practices and commitments within their operations.

Key steps in the process are as follows, with further detail available in Appendix 1.

1. Importer selection - 20 importers are selected for assessment by members based on known sourcing and interest.

2. Importer engagement - The questionnaire is reviewed by key stakeholders and prefilled from public information before sending to importers for filling with additional information and evidence. Following submissions, a call is arranged between the importer, interested members and 3Keel to provide greater clarity on the questionnaire response.

3. Benchmarking - Data is inserted into a scorecard, which can develop a score for the importer that is either neutral or based on NGO partner or member-specific weightings, with issues of greater importance contributing more heavily to the overall score.

Assessed Companies

All importers below were contacted and asked to respond to the questionnaire. Scores for non-respondents were populated using publicly available information and information previously shared with the POTC.



Findings



Importer performance has shifted due to integration of questionnaire alignment

The POTC has been the first member of the Working Group for Aligning Palm importer Performance Assessment in the sector to adopt the aligned questionnaire.

As a result, this year's assessment covered a range of new topics and questions, including:

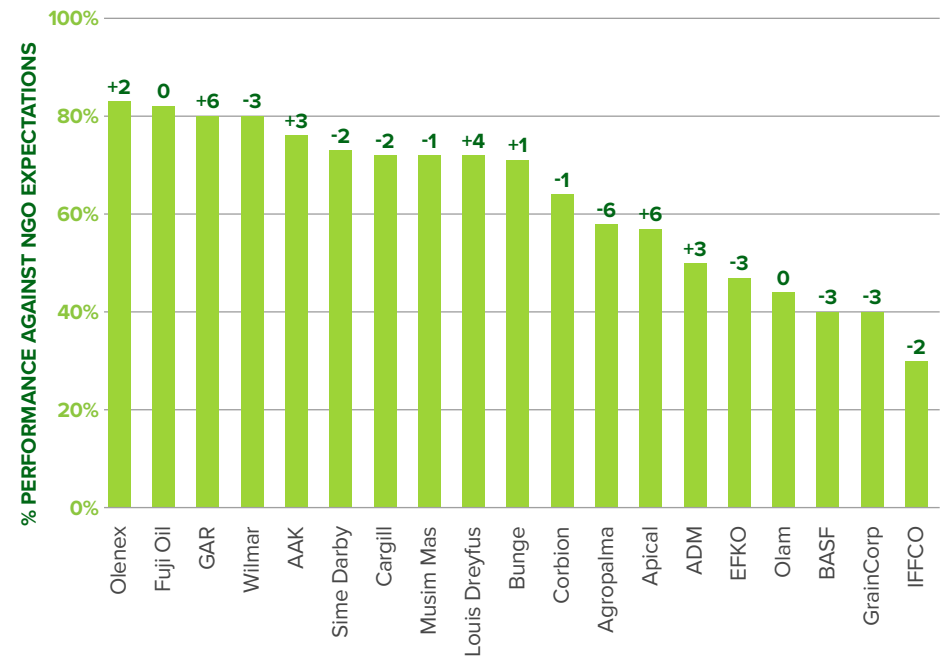
- A greater focus on **risk assessment** relating to human rights and deforestation of supply chains and engagement with high-risk suppliers
- **Management** questions including linking executive compensation to deforestation-related issues, number of personnel dedicated to implementing responsible palm sourcing programme, and frequency of board meetings to address deforestation-related issues
- Differentiating **due diligence and supplier engagement processes** between own plantations and third-party volumes
- A greater focus on **implementation and progress** of policies and commitments

Coverage of new questions has led to some significant shifts in importer rankings. Importers with notable improvements from 2022 have high traceability to both mill and plantation, have made progress on shifting supply into the "delivering" category of NDPE IRF, and have robust supplier engagement methodologies. There has been an overall increase in scores since 2022, with an average change in score of +14%. This improvement has been assessed to be in part due to the impact of the questionnaire alignment work, with questions now in an easier format to answer. The highest scoring importers consistently score very highly on their NDPE action plans, with some importers scoring over 90% in this section of the questionnaire.

What does 'best practice' look like for high-scoring importers?

For the suppliers which score highly on the POTC questionnaire, there are certain common actions and practices that underlie this:

- Importer risk assessment of their supply chains is crucial. Where suppliers are flagged as 'high-risk' for deforestation or land and labour rights abuses, this is then followed up by site visits, engagement with high-risk suppliers and time bound action plans put in place to address any identified issues.
- Furthermore, a focus on building capacity in supply chains at the supplier level, as well as having well-defined grievance mechanisms, is key.
- Finally, where importers are actively engaging with and providing support to landscape and jurisdictional approaches, this is reflected in high performance scores.



IMPORTER PERFORMANCE AND SHIFTS IN RANKING

Importers continue to fall short of advisory partner expectations in critical areas

Despite the increase in scores since last year, there continues to be room for improvement across the board. Importers continue to score poorly on the implementation portion of the questionnaire, including traceability, use of NDPE IRF profiles, and engagement in landscape/smallholder programs.

The questionnaire alignment process was an opportunity for the POTC to engage with our NGO advisory partners (WWF and FPP) to redefine the critical issues that importers should be focusing on and revisit the minimum expected responses to each question to reflect increased ambition as we move towards 2025.

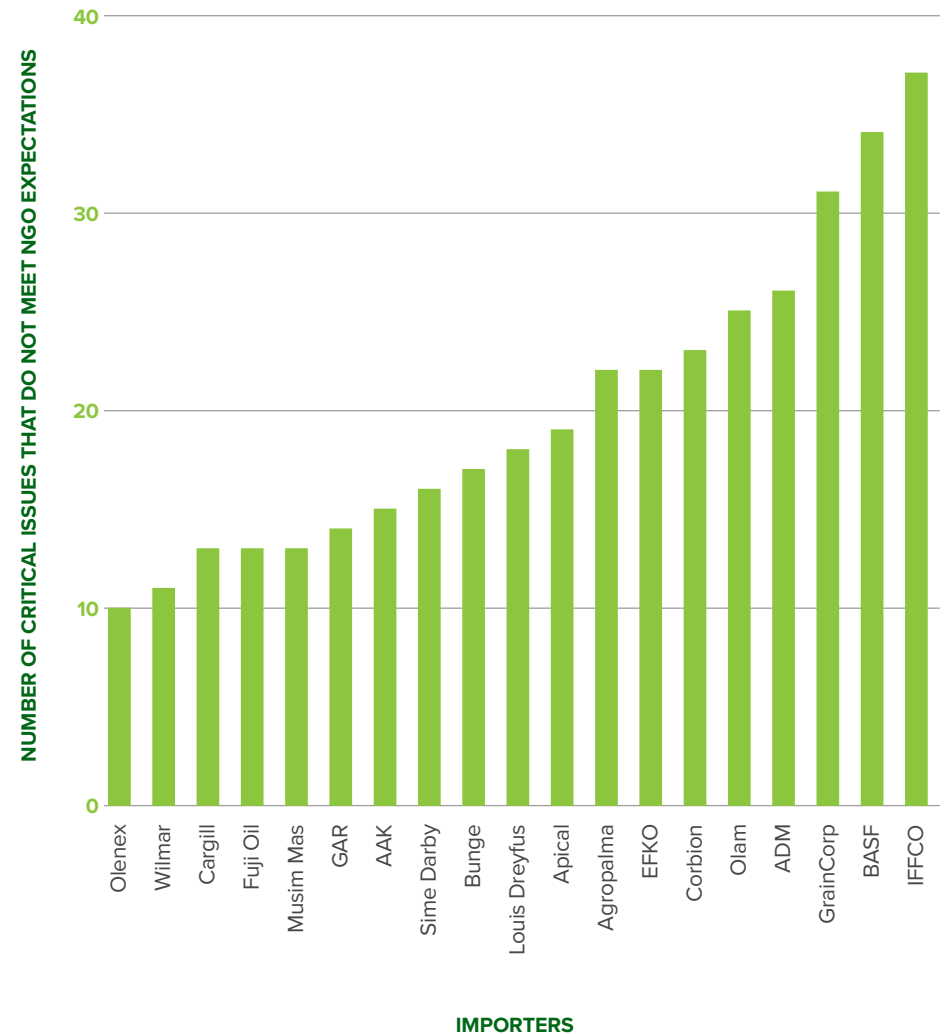
As outlined in the graph to the right, importers continue to fail to meet many of the minimum expected responses set by the advisory partners for several critical issues, including:

- Setting a target date for 100% traceability to plantation by 2025 and publication of geolocation data for supplier mills and plantations
- Developing an action plan for high-risk mills
- Having a cross-commodity grievance mechanism
- Ensuring that community land rights and Free, Prior and Informed Consent are upheld
- Providing support for scheme smallholders to achieve compliance with NDPE commitments
- Deforestation and Conversion Free (DCF) commitments and target dates before 2025 and 100% spatial monitoring of value chain for deforestation

The importers that do not address these critical areas perform the lowest overall as the critical questions carry more weight than non-critical questions. These critical issues must be a focus for importers to address in order to achieve meaningful progress toward NDPE-compliant palm supply chains.

Ranking of importer performance by critical issues as identified by NGO Partners

The graph shows the number of critical issues where importers score below the advisory partner expectations. These are split by category as outlined in the legend. In total, 70 critical issues were flagged by NGO partners.



Importers assessed have differing supply chain models

The newly aligned questionnaire has retained key features of the previous POTC questionnaires. Most importantly, the questionnaire assesses suppliers in the context of their operations by differentiating between actions taken on importer’s own plantations and those taken for volumes sourced from third parties – either through long-term contracts, spot market purchases, or traded volumes where the reporting company never has physical possession of palm volumes. Scores for own production are typically higher than for other parts of the supply chain, due to increased levels of control, with average scores 10% higher than third party/traded scores. Own production can be a significant proportion of total volumes. However, issues can still be present within own operations, as exemplified by recent high profile grievances.

When considering third party volumes, there is less visibility to plantation-level, leading to lower average scores than for own volumes. Whilst commitments typically cover 3rd party volumes, actions and monitoring is more limited, especially for traded volumes, where importers have little visibility or impact on the practices of their suppliers further upstream.

The POTC questionnaire asks importers to disclose the proportion of their total palm volumes in each of these supply chains. This data is rarely publicly available but provides important insights into importer activities. Disclosure for this question has improved since last year, although there is still very limited disclosure of traded volumes.

Trader	Own Operations	3rd party supply (long term/regular contracts)	3rd party supply (spot market)	3rd party traded
Trader A	N/A	Not disclosed	Not disclosed	N/A
Trader B	81%	0%	2%	17%
Trader C	N/A	100%	0%	Not disclosed
Trader D	N/A	100%	0%	N/A
Trader E	N/A	Not disclosed	Not disclosed	Not disclosed
Trader F	N/A	Not disclosed	Not disclosed	N/A
Trader G	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Trader H	N/A	90%	10%	Not disclosed
Trader I	13.1%	85.6%	0%	1.3%
Trader J	10%		90%	
Trader K	N/A	Not disclosed	Not disclosed	N/A
Trader L	N/A	100%	0%	N/A
Trader M	5%		95%	
Trader N	N/A	Not disclosed	Not disclosed	Not disclosed
Trader O	N/A	100%	Not disclosed	
Trader P	42%	58%		Not disclosed
Trader Q	63.5%		36.5%	
Trader R	N/A	100%	0%	N/A
Trader S	N/A	Not disclosed	Not disclosed	Not disclosed
Trader T	N/A	100%	0%	N/A

Key Themes

These key findings highlight the major developments in the palm oil sector over the last year identified throughout the engagement process. Specifically, these emerged through critical review of importer responses and additional context provided in engagement calls.

Each of these findings is discussed in detail on the following pages.



Evidence of split supply chains emerging as smallholder traceability challenge is dealt with by importers



RSPO Certification's role is unclear as prioritisation shifts to traceability and verification



NDPE IRF 'Delivering' increasingly seen as the primary method for meeting DCF commitments



NDPE IRF Land and Labour Rights methodologies present an opportunity for a common framework to identify and address human rights risks if coupled with independent verification



Importer commitments on climate and FLAG being updated in line with 1.5 roadmap requirements



Indirect supply remains key gap in reaching overarching commitments



Evidence of split supply chains emerging as smallholder traceability under EUDR addressed by importers

In last year's POTC report, it was noted that palm oil importers were ill-prepared to comply with the requirements of the EU Deforestation Regulation (EUDR), most specifically the need for full traceability back to plantation. A year on, conversations with importers reveal a shifted landscape across the board. A range of actions are being taken by companies to ensure their supply chains can comply with the requirements by December 2024, as the reality of achieving compliance with the regulation is translated into action within importers' supply chains. Importers are now dealing with volumes of palm oil from smallholders supplied to mills, who find they cannot supply the required geolocation information back to plantation in time to comply with the EUDR. As a result, split supply chains look to be emerging within, and outside, Europe.

For importers that supply the bulk of their volumes into Europe, challenges to tracing smallholder volumes means that their full exclusion from supply chains is more likely. This compares with importers with significant smallholder supply-bases, supplying into global markets. These importers indicated they have already taken steps to segregate their supply base to redirect volumes from smallholders to markets such as Asia-Pacific. As solutions to smallholder traceability have not moved fast enough to enable smallholder coordinates to flow from mills upstream to importers in time for EUDR implementation, a short-term solution will mean at the refinery level, the shifting of smallholder volumes from mills out of EU markets to other regions in order to comply.

This projected reconfiguration of palm supply chains to address the traceability requirements of EUDR may have several impacts:

1. There is a projected cost increase for the palm volumes being supplied into Europe that can comply with EUDR requirements, as costs incurred by importers shifting the supply base to comply could be passed onto customers.
2. There is a risk of de-prioritising addressing continued deforestation in smallholder supply chains, which could flow into other markets and stall industry-wide progress to halt rates of deforestation.
3. The slow pace of other market regulations, such as the delay in secondary regulations of the UK's Schedule 17, The Environment Act, as well as divergence in approaches being taken in relation to whether all deforestation (legal and illegal) and indigenous peoples' human rights - as articulated in international human rights law - are in scope of such laws, means that volumes of palm oil with the highest risk of deforestation, conversion and human rights violations could continue to be supplied into the global market.



Explainer: EUDR and challenges in compliance for palm importers for smallholder volumes

On June 23rd, 2023, the EU's Regulation on Deforestation Free (EUDR) products entered into force. The regulation means that palm oil and palm oil derivatives placed on the EU market must be proven to not have originated from deforested land and be in accordance with relevant legislation of the production country, including that governing indigenous peoples' land rights.. Deforestation under the regulation is defined as forest cleared for 'conversion to agricultural use', with a cut-off date of 31 December 2020. Article 9 of the regulation specifies that palm oil products must be traceable to the geo-location of the plots of production, which for palm oil means plantation-level visibility.

The issue facing palm importers in complying with the requirements of the regulation is due to the high proportion of supply of palm oil from independent smallholders. These farmers often supply palm fresh fruit bunches (FFB) to a sub-agent or importer, who may source from a myriad of smallholders before aggregating the supply and delivering it to the palm oil

mill. These sourcing relationships are based on informal transactions, often with little to no documentation as to where the FFB have been sourced. If this information is available, concerns around confidentiality mean this is often not shared with the palm mill, or further upstream to importers sourcing from mills. The implications for complying with the geolocation coordinate requirements of EUDR mean that even smallholders applying responsible growing practices, and not engaging in deforestation, may be excluded from importer sourcing or those volumes redirected at the mill level to markets where the requirements are not as stringent.

The solutions within their importer supply chain mills that are available to address this problem include certifying groups of smallholders to RSPO segregated supply level. However, the slow pace of this approach is a limiting factor in its efficacy. Furthermore, the need for the RSPO standard to be updated to fill the requirements of EUDR, means this is unlikely to be adopted at scale in time for compliance.

RSPO Certification role unclear as prioritisation shifts to traceability and verification

RSPO certification has historically been seen as the primary mechanism for palm oil importers to demonstrate a deforestation- and exploitation-free supply chain. Whilst the POTC has sought to understand what action importers are taking in their supply chains to address risks of deforestation and exploitation in volumes that are not certified, we have also monitored reported uptake of RSPO volumes as well as whether importers are committing to time bound sourcing of 100% certified volumes, regardless of market demand.

Discussion with importers during this year's POTC process revealed that there was a shift in prioritisation of sourcing RSPO volumes. While no importer entirely disregarded the importance of continuing to source certified volumes, it was not stated as the primary mechanism for delivering on DCF commitments. There was stagnation and, in some cases, a decrease in uptake of RSPO volumes by importers. This is accompanied by either a removal or lack of target dates for sourcing 100% RSPO volumes. Importers attribute this to a shift in focus to improving traceability to ensure a verifiable deforestation- and conversion-free (vDCF) supply chain to comply with EUDR requirements. Secondly, there was a stated lack of customer demand for RSPO volumes. Several importers also noted they will await the updates to the RSPO standard to see if it will support compliance with EUDR requirements. The RSPO commissioned a [report](#) in April 2023 to examine the gap between the RSPO Principles and Criteria and the requirements of EUDR.

The report concluded that several technical and fundamental gaps have been identified between the two systems and have stated that an 'ongoing review' will address these gaps.

This shift in prioritisation of RSPO sourcing by importers has implications that will continue to unfold as importers develop and re-structure supply chains to comply with EUDR requirements throughout 2024:

1. Whilst RSPO volumes will still be supplied into Europe, the lack of demand from other key markets may have knock-on effects for improving certification and verification of on-the-ground palm suppliers.
2. Sourcing RSPO volumes remains the most robust mechanism for ensuring land used to grow palm is not deforested, but also that the conditions in which it is produced are free from exploitation and land rights violations. While the EUDR requirement for legality of production should guarantee the minimum standard on volumes entering Europe, importers should still focus on sourcing RSPO volumes to achieve above this minimum legally required standard of exploitation-free palm.

RSPO certification trends through the years in POTC

Since 2016, POTC has identified key trends regarding the role of RSPO certification through discussion with importers:

POTC 2019
RSPO remains the primary method companies use to claim Deforestation- and Conversion-Free supply. Non-RSPO certified volumes typically do not have verifiable claims to conform with company NDPE policies.



POTC 2020
Not all downstream sectors are consistent in the demand for 100% RSPO supply, but RSPO remains the main method to claim DCF volumes.



POTC 2021
RSPO uptake has increased substantially, although limited to certain sectors and regions.



POTC 2022
Several importers report relying on RSPO certification to verify the percentage of supply that is DCF, supplemented in part with the use of third-party satellite monitoring and NDPE IRF.

NDPE IRF 'Delivering' increasingly seen as method for meeting DCF commitments

The use of the No Deforestation, No Peat and No Exploitation (NDPE) Implementation Reporting Framework (IRF) is now seen across most importers as a key mechanism for meeting DCF commitments. This is in part driven by the 1.5°C Agricultural sector roadmap, which several of the assessed importers have signed and includes a commitment to all supply being in the 'Delivering' category by 2025. The IRF profiles, designed by the Palm Oil Collaboration Group (POCG) show progress on NDPE either at a mill or refinery level and classify the supply base into various categories. Volumes in the 'Delivering' category are classified by some importers using the tool as 'deforestation-free', hence the inclusion of this metric in the 1.5°C roadmap.

The sector-wide adoption of the NDPE IRF was first identified as a critical part of importer NDPE compliance strategies in the POTC 2020 report, but it was noted that reporting was ill-defined and there was hesitancy about how this would be adopted at scale. By 2021, this lack of transparency in reporting was also highlighted as a flaw of the IRF system. This year, 12 out of 20 of the surveyed importers reported on the use of NDPE IRF profiles and reporting is becoming more consistent. For several of the largest importers, NDPE IRF was stated as the key mechanism by which they intend to meet their commitments on delivering deforestation-free supply chains.

As the percentage of supply that is in the 'Delivering' category of NDPE IRF profiles may become the main metric against which importers will be assessed, it is important to be clear what this means in terms of on-the-ground mill performance:

1. The structure of the profiles means that reporting is split out for volumes sourced by the mill from own concessions and third-party supply. The information gathered by refineries on claimed mill actions to classify as 'Delivering' is not independently verified by any third party.
2. As these profiles become more widely used and updated in the industry and the POCG's Independent Verification Guidance is rolled out in 2024, it is crucial to monitor the percentage of 'Delivering' volumes, which may drop because of changes in the methodology, and to ensure that these continue to be accurately reported on.
3. Focus on achieving full traceability to plantation, accompanied by satellite monitoring of own- and third-party supply, should be upheld by importers while the NDPE IRF protocol is strengthened to ensure commitments are met.



Explainer: 1.5°C Agricultural Sector Roadmap '100% Delivering' Commitment

Following COP 27, 14 major agricultural commodity importers and processors released an 'Agricultural Sector Roadmap to 1.5°C'. The roadmap, which encompasses palm oil, soy, cattle and cocoa outlines the commitments that importers are making to implementation mechanisms such as traceability and monitoring as well as investment in production landscapes. Within the roadmap, commodity-specific implementation plans outline what signatories must commit to achieving within their supply chains.

For palm oil companies that trade or are primary processors of palm, there is a stated ambition to 'achieve no-deforestation and no-peat supply chains' by 2025. Specifically, all signatories also commit to 'all palm oil volumes in the "Delivering" category of the NDPE Implementation Reporting Framework by 2025'. This marks a significant shift in

the central importance of the NDPE IRF as a standardised reporting framework against which to measure importer progress against commitments.

To be 'Delivering' in practice, currently a mill must demonstrate (amongst other criteria) a cut-off date of 2015 for any palm sourcing and have a system in place to guarantee third party supply is deforestation and conversion free. Included in the 1.5°C Roadmap is a stated commitment to the use of verification protocol to verify that volumes from mills and suppliers are fulfilling all the requirements to qualify as sitting within the 'Delivering' category. The POCG are working on releasing an Independent Verification Guidance procedure to verify that what is reported by refineries on the performance of mills in their supply chains matches on-the-ground practices.

NDPE IRF Land and Labour Rights methodologies present an opportunity for a common framework to identify and address human rights risks if coupled with independent verification

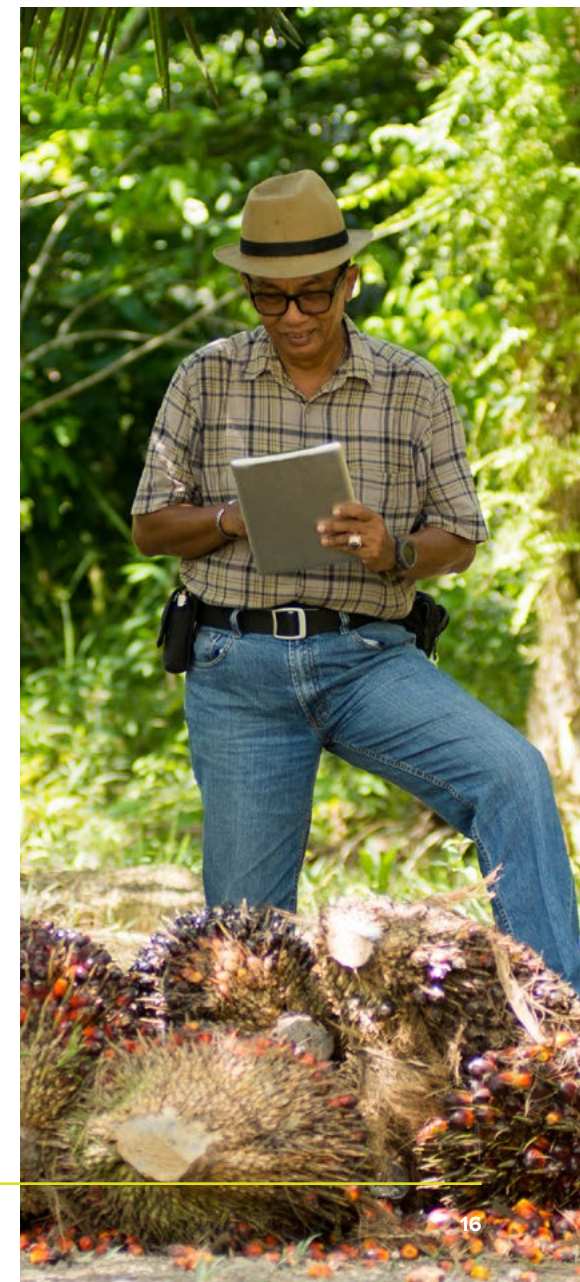
Since the beginning of the POTC in 2016, importer action on identifying, monitoring and effectively addressing risks to the rights of workers and indigenous peoples within their own and third-party supply chains has lagged behind actions taken on deforestation. The 2018 POTC report noted that new exploitation policies and assessment methods were being developed and launched by importers, but in the intervening years, the industry has seen slow and stagnated progress on achieving exploitation-free supply chains. As was highlighted in the 2022 POTC report, this is in part because importers are reluctant to set time-bound plans for meeting and verifying human rights commitments until there is a clear mechanism in place that can deliver insight and on-the-ground monitoring for infringement of workers' and community rights on and around plantations.

In this year's POTC questionnaire, importers continued to report having commitments and policies in place to address human rights risks within their own and third-party operations, but this is not followed up with a robust risk assessment method to identify the issues present, or a standardised reporting and verification method across the industry. Most importers rely on supplier-led self-assessment tools for potential social risks in the supply chain or have little more than stated intentions to implement and roll out Human Right Due Diligence (HRDD). In fact, one importer has stated a lack of confidence in meeting one of

their own targets on human rights. The NDPE IRF Land and Labour (L&L) methodologies indicate a welcome move towards an industry standard on identifying and addressing human rights risks in palm supply chains. These were first proposed by the Palm Oil Collaboration Group (POCG) in 2019, and between 2020-2022 various pilots of the methodologies were trialled with working group members who include several of the importers assessed by POTC. Based on updates from the POCG, the methodologies are now ready to be fully rolled out by early 2024 to feed into mill, refinery and company level profiles showing reported performance against policies covering both labour rights as well as indigenous peoples' customary and collective rights to land.

There are several implications for the use of these methodologies for importer disclosure on addressing human rights, land and labour rights risks:

1. Reliance on supplier-led assessment of labour and land rights risks in operations and absence of thorough HRDD means that the NDPE IRF L&L profiles could move forward progress on this intractable issue.
2. In their current form, the L&L profiles only cover supply from own-concessions, and do not have the ability for a mill to report on volumes sourced from third-party suppliers. This leaves a significant gap in how land and labour issues within third-party supply will be addressed.
3. As with deforestation and peatland profiles, there is no independent verification of mill-level results. Therefore, once profiles are created in line with the new methodologies, results should be used and analysed in this context whilst independent verification is pursued in the longer term.
4. This will also have implications for how importers can then use these profiles to accurately identify, monitor and address labour and land rights issues within both direct and indirect supply.



Importer commitments on climate and FLAG being updated in line with 1.5°C Roadmap requirements

Over a year on from the Science Based Targets initiative (SBTi) publishing the Forest, Land and Agriculture (FLAG) Science Based Target-Setting Guidance, the POTC has seen most importers updating their SBTi commitments accordingly. The guidance assists companies in setting science-based reduction targets for land-based greenhouse gas (GHG) emissions. Where importers have updated their SBTi aligned commitments using FLAG, they are also required to set an AFI-aligned DCF target for 2025, with a 2020 cut-off date for deforestation and conversion. This is significant given that for importers who have signed the 1.5°C Agricultural Sector Roadmap there is also a stated ambition to 'achieve no-deforestation and no-peat supply chains' by 2025.

Despite this progress, several importers have yet to align their commitments accordingly, or have even maintained target dates of 2030 for zero deforestation. It is not clear whether SBTi will monitor and follow up compliance for importers that have used FLAG guidance, to ensure commitments are amended in line with the stated requirements. In spite of this, most importers have submitted FLAG or non-FLAG targets, and introduced targets for Scope 3 emissions for the first time in this year's process. Where targets are not in place, several importers are working on baselining emissions for Scope 3. Across both groups, practical barriers to implementing/reporting on Scope 3 included the quality of primary data being gathered from suppliers and this is mentioned as a key focus area by several importers.

Actions reported by importers within supply chains on climate in this year's POTC questionnaire can be split into two broad categories: FLAG and non-FLAG actions. For non-FLAG, this is mostly focused on importers improving biogas capture at mills. One importer noted that they have developed a roadmap for this within their own and third-party supply, and three importers are all currently operating refineries with palm oil refinery effluent (PORE) treatment systems. For FLAG emissions, there was a focus on efforts to achieve 100% DCF volumes and encouraging of regenerative practices within the supply base. Two key implications for progress on climate commitments are:

1. For most importers, these actions (non-FLAG and FLAG) are limited to their own-supply chains. The lack of influence in third-party mills and shifting supply bases were key barriers to scaling similar technology for gas capture and to engage on regenerative agricultural schemes beyond own supply.
2. Several importers mentioned a need for industry-wide partnerships to share the cost across the value chain and achieve the required action on Scope 3 emission reduction.



Indirect supply remains key gap in reaching overarching commitments

One key point that underpins each of the key findings outlined so far in this report is the lack of importer insight, action and monitoring of practices for third party supply. Where importers grow, refine, process and trade palm volumes, there are higher levels of commitment to 100 % DCF supply, as well as greater levels of monitoring and reporting on risks within supply chains, both environmental and social. This has been continually flagged by the POTC as a fundamental issue as early as 2018, where initial importer approaches to complying with 'zero deforestation' commitments differed drastically between direct/own supply and indirect suppliers. This was further commented on in the POTC 2019 report, with clear gaps in importer policies not covering indirect supply and inconsistent risk assessment of third-party volumes. As 2025 target dates and commitments are now fast approaching this is a worrying trend that continues to emerge through this year's assessment.

Given that for several of the large palm importers assessed, indirect supply accounts for most of the palm oil volumes that are sourced and traded, this has significant consequences:

1. There is a discrepancy between stated target dates and action plans specifically for addressing this gap. One example would be one importer, who sources 90% of its supply from third party companies. It had a target date in place to reach 100% traceability to mill (TTM) by 2022 but revised this to 2024 considering challenges with indirect mill supply. Where target dates are in place for 100% traceability to plantation (TTP) by 2025, several importers have not provided any detail on how they plan to achieve this in indirect supply. Further examples can be seen in action on human right and labour risks in importer supply chains; one importer has a stated aim to introduce a Human Rights Due Diligence (HRDD) process in their own and third-party supply by 2025 however they state action is currently only taking place with direct suppliers.
2. When it comes to monitoring, reporting and verifying supplier actions in indirect supply, similar issues also arise. For many importers, third-party mills are not actively monitored for deforestation or human rights risks. For example, some importers suggest the use of satellite tracking to address this issue but don't provide clear timelines for implementation.



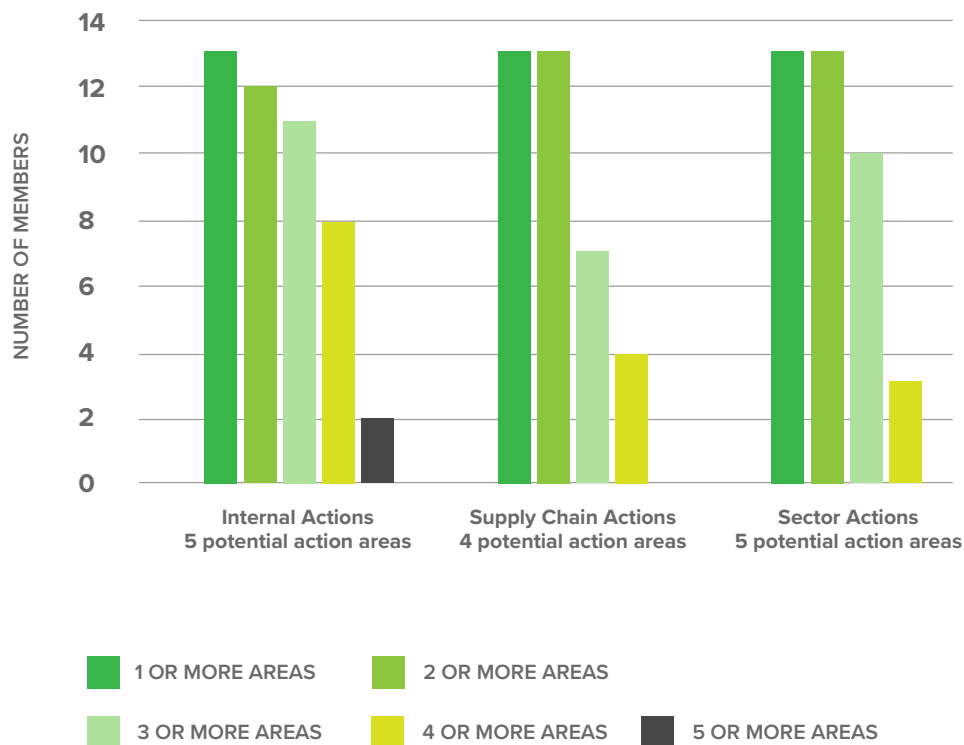


Member Actions

What we're achieving from our own actions

To increase the effectiveness of the coalition, POTC members are expected to act within their own operations and supply chain each year, as well as reporting on this progress annually. Suggested member actions include engaging suppliers on critical issues identified through the POTC engagement process, internal training and engagement with buying teams or supporting smallholder or landscape initiatives

within their supply chains. POTC members were surveyed on actions taken in 2023 internally, within their supply chain, or across the sector. Most members acted in multiple areas across each of these categories.



Key findings from the process this year:



More members engaged this year in conversations with direct suppliers particularly due to the EUDR passing to ensure readiness and compliance within palm supply chains by end of 2024.



There is an increased focus on internal engagement and training with buying teams, often in cases where policies have been updated on palm oil sourcing to ensure purchasing practices reflect member sustainability priorities.



There was a significant increase in members joining or supporting programmes on smallholders in supply chains.



There are continued high levels of engagement with NGOs and lobbying of government, including public support of EUDR and participation in consultation on the creation of UK due diligence legislation for forest-risk commodities.

Conclusions and recommendations



Conclusions

1

Shifts in overall importer performance partly due to questionnaire alignment work

Importer performance on the POTC questionnaire has shifted significantly due to the new questionnaire format and output integration from the Working Group for Aligning Palm importer Performance Assessment, specifically as a result of inclusion of new question areas and varied importer performance on these sections. In next years' assessment, comparison will be possible for importer performance on areas already aligned.

2

High percentage of NGO-identified critical issues are continually inadequately addressed by importers

Despite increases in several importer scores, most importers are failing to meet expectations on more than 50% of critical issues as defined by advisory partner NGOs, who revisited and refined the critical areas and minimum expected standards for importers to be meeting. It is key for members engaging with the results to focus on where importers are continuing to miss critical issues such as clear target dates for 100% TTP by 2025, ensuring FPIC in third party supply chains and strong DCF commitments.

3

Continued lack of disclosure on volumes from third party supply

The lack of disclosure by importers on the percentage of supply that falls into third party and third party traded volumes, makes it difficult to comprehensively assess how importer commitments align with actions and reporting, and how much of a risk is posed by continued lack of action by importers on these parts of their supply chains. POTC will continue to engage with importers to disclose this information with greater transparency in next year's process.

4

Importer action on climate and SBTi FLAG targets reveals need for cross-industry collaboration

Improved disclosure in this year's POTC process on actions taken by importers on climate across Scope 1, 2 and 3 emissions provided new insight into the challenges faced in meeting SBTi FLAG targets, particularly in addressing emissions from third-party supply chains. There has been a call for industry-wide collaboration to allow for scaling of actions taken by importers outside of their own operations to address and mitigate GHG emissions from palm supply chains.

Recommendations for importers

1

All importers should develop targets for full traceability to plantation in third-party supply chains, while developing robust satellite monitoring beyond own-supply to ensure risk of deforestation and conversion is adequately addressed

Importers should work with third-party suppliers to address gaps in traceability and improve systems for verifying reported data beyond own concessions including smallholder supply

2

Work with the Palm Oil Collaboration Group in the development and roll out of the new Independent Verification Guidance to ensure the verification of mill level NDPE IRF profiles is strengthened in line with commitments to '100% Delivering' volumes

Ensure that efforts to improve the on-the-ground verification of mill performance on the NDPE IRF does not impact on commitments to source all volumes from the 'Delivering' category

3

Focus efforts on improving the standard of human rights due diligence within own and third-party supply chains, including indirect supply. Raise the standard of grievance mechanism accessibility to workers and indigenous peoples

Within own supply chains, set targets for 'Delivering' on NDPE IRF Land and Labour profiles and ensure public reporting of results. Work with third party suppliers to go beyond self-reported assessment of labour and human rights risks in supply chains, including developing grievance mechanisms in line with effectiveness criteria of the [UN Guiding Principles on Business and Human Rights](#)

4

Ensure that where SBTi targets have been set, these have been updated with the latest FLAG guidance and commitments updated accordingly

AFi-aligned commitments to ensuring a DCF supply by 2025 should be publicly available where SBTi commitments have been updated in line with FLAG guidance, and roadmaps in place to outline how this will be implemented.



Recommendations for POTC Members

1

Continue to source RSPO SG volumes from importers but ensure that engagement goes beyond sourcing requirements to look at importer performance on key commitments and target dates

Use the critical areas identified by NGO advisory partners to prioritise and address where importers are continuing to fall short of minimum expectations

2

Increase awareness and engagement with NDPE IRF profiles and usage within supply chains and consider engaging with and calling for improved on the ground verification on profiles

Consider including NDPE IRF language such as 'Delivering' within commitments and policies, and consider commitments to source only from importers who are "100% Delivering" on both direct and indirect volumes in addition to existing commitments

3

Provide support to initiatives that will drive at-scale inclusion of smallholders in certified palm supply chains in the face of smallholder exclusion due to EUDR requirements

Continue to invest in landscape and jurisdictional projects that improve smallholder certification and traceability and collectively address human rights risks in palm supply. Assess critically the effectiveness of such projects when choosing for investment

4

Support the call by importers to scale collaborative action on addressing Scope 3 emissions from palm supply chains

Through relevant member organisations, explore how members could support action on scaling emission reduction solutions such as methane gas capture



Recommendations for civil society groups

1

Address the risk of an emerging split market under EUDR implementation, by improving smallholder market access through certification and traceability

Continue to support and provide capacity-building on projects that focus on linking smallholder certification and traceability to importer sourcing practices. Engage the European Commission on the risk of a split market and implications

2

Continue to strengthen the NDPE IRF, which has the potential to drive progress but only if importers are held accountable to continued use and transparent reporting

Monitor the impact of the NDPE IRF Independent Verification Guidance on importer commitments to '100% Delivering' volumes by 2025. Where possible, support and feed into ongoing development of the IRF profiles

3

As the NDPE IRF Land and Labour profiles are trialled, hold importers accountable for actions beyond these profiles including HRDD processes and adequate grievance mechanisms

Continue to engage with importers and challenge on progress in addressing exploitation and labour rights within own- and third-party operations



Join the POTC

The Palm Oil Transparency Coalition works to enhance transparency within the palm sector and provide information to key downstream actors to enable effective supply chain engagement. For 2024, the focus of the coalition will be working with other initiatives to enhance the information collection process and ensure that efforts are not duplicated.

For more information about joining the coalition, please contact info@palmoiltransparency.org. The coalition is open to new Members, who must be directly involved in palm supply chains, or Subscribers who are able to confidentially access the assessment materials.

Membership basics

- The POTC is a non-competitive coalition.
- Full members are responsible for the governance of POTC activities.
- Members share a commitment to ensure that activities of the POTC are conducted in full accordance with competition law.
- All members of the POTC agree that they shall not engage in any activity or conduct which could constitute a breach of competition law.
- The POTC is supported by a 3rd party, 3Keel LTD, for technical advice and project co-ordination. This includes managing confidential trader and retail data.
- NGO partners contribute to the review process and challenge POTC members to accelerate their own practices to play their part in eliminating deforestation and exploitation.



Appendix 1: Method



Engaging key growers, traders and processors

Our coalition seeks to ensure that the engagement process for importers is as simple and efficient as possible, with survey duplication minimised through different companies joining the coalition to engage collectively rather than sending individual reporting requests. This has been further advanced this year by POTC convening the Working Group for Aligning Palm importer Performance Assessment to create a core set of questions to be shared by each working group member. This core set of questions was this year piloted by the POTC, with a fully aligned set of questions to be integrated in the 2024 process. The key steps of this approach to engagement are the same as previous years and have been summarised below:

Step 1: Importer identification and prioritization

POTC members reviewed the list of importers who were assessed the prior year, to identify any suggestions for addition or removal, prioritising suppliers with significant potential for impact due to presence in the supply chain and those with particularly innovative policies and actions. As no new importers were flagged as of interest, the key list of 20 importers remained the same as the previous year.

Step 2: Research and importer review

As stated above, a review and update of the questionnaire content was conducted in line with the alignment working group outputs. A new structure was defined with importers assessed against a) Company Information, b) Progress and Commitments, c) Implementation and d) Monitoring, Reporting and Verification.

Once the questions were finalized, 3Keel conducted a desk-based review of publicly available information from a range of sources including: (1) corporate reports; (2) company websites (3) NGO and industry reports and (4) media reports. This, together with prior responses where provided, enabled the questionnaires to be pre-populated prior to being sent to importers.

Importers were asked to amend pre-populated questionnaire responses and provide additional evidence. Following response submissions, a video call was arranged between the importer, interested POTC members and 3Keel, to clarify any issues of ambiguity, discuss importer feedback and answer member questions.

Step 3: Benchmarking scorecard and performance assessment

Responses to the questionnaire were finalised based on discussion with the importer, ensuring that all affirmative responses are supported by evidence. Data is then inserted into scorecards which deliver a score for importers based on the following:

- a. a neutral weighting with all areas scored equally and no specific weightings applied,
- b. member-specific weightings,
- c. NGO weightings.

Step 1

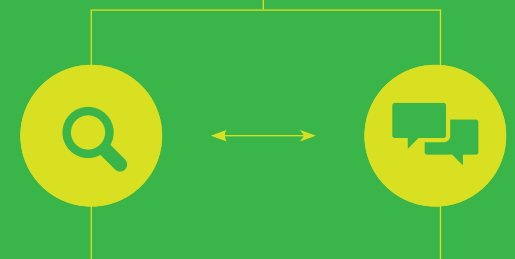
Importer identification and prioritisation with POTC members.



Top 20 Growers & Traders

Step 2

Desk-based importer research and one-to-one performance reviews with importers.



Step 3

Member-specific performance assessment and benchmarking.



Questionnaire design

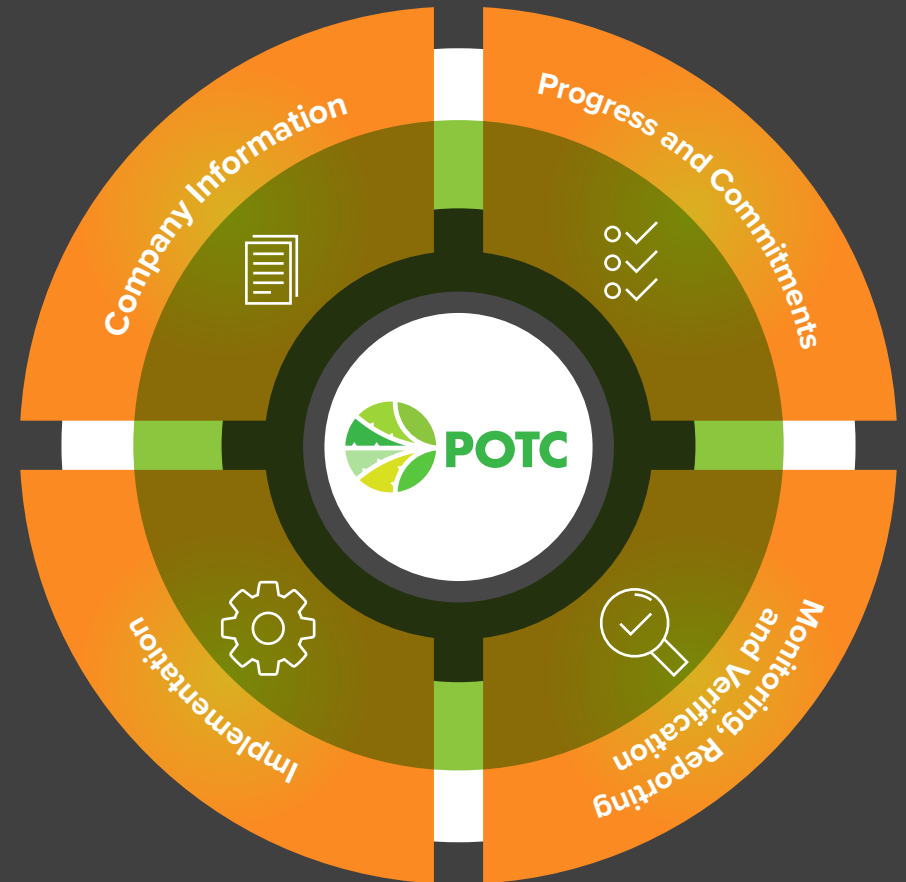
The POTC questionnaire for 2023 has undergone significant change both in terms of the overall structure and questions contained in each section. This is the result of extensive work in early 2023 by the Working Group for Aligning Palm importer Performance Assessment to align the content and format of 10 different initiative's questionnaires (see all members listed below). The end goal is to reduce the time spent by importers on completing questionnaires with varied formats and structures, and to redirect this effort to on the ground action and progress against key environmental and social issues within their supply chains. This builds upon previous efforts to align the POTC questionnaire with SPOTT and Earthwork EPI (Engagement for Policy Implementation) questionnaires, as well as the existing alignment of public reporting and benchmarking initiatives achieved via the Accountability Framework initiative's alignment process and Common Methodology, as well as alignment work carried out under the Palm Oil Collaboration Group, including on the NDPE Implementation Reporting Framework, and Consumer Goods Forum.

The new structure of the POTC questionnaire (reflected in the graphic to the right) has been streamlined to reflect importer progress against four key areas:

1. Company Information
2. Progress and Commitments
3. Implementation
4. Monitoring, Reporting and Verification

Within this new structure, questions were included for the first time on areas such as risk assessment processes in place for environmental and social issues in importer supply chains, and greater emphasis placed on progress against stated commitments on NDPE. As in the 2022 POTC questionnaire, a column was included to allow importers to state whether they were comfortable sharing responses beyond POTC members. Where marked 'yes', answers are only shared where explicit permission is given by an importer, on a case-by-case basis according to the party requesting the information.

Working Group for Aligning Palm importer Performance Assessment Members:



Our approach considers the challenges of assessing companies with complex supply chains

Many of the importers assessed by POTC are involved in a wide range of activities, from growing palm and operating mills to processing palm products into derivatives and shipping. For each of these activities, a different set of policies and actions may be applied. For example, an integrated grower-importer may have a policy regarding usage of pesticides on their own estates but may not apply this policy to palm purchases from third party suppliers. The POTC questionnaire seeks to draw out these distinctions, especially when it is made clear in publicly available materials which palm volumes policies and actions are applied to. This is done by allowing different answers for three separate supply chain functions: Own Plantations/Joint Ventures, 3rd party supply, and 3rd party traded. These supply chain functions are used in analysis and referred to throughout the report.



Scorecard weightings

As an engagement and collaboration platform, POTC is neutral and does not make any subjective judgements on which areas of action are most important or what the desired response from a trader should be on any questions. However, these judgements can be made by either individual POTC members or NGO advisory partners, with weightings used to develop an adapted set of results that can be used for further engagement with importers.

These are built into scorecard templates provided to POTC members to allow each member to have a bespoke interpretation of trader responses.

There are two key levels at which weightings can be applied:

1. Area weightings

Questions are classified into five key areas: commitments, target dates, plan, progress and verification. These are weighted equally by default, with each constituting 20% of the importer's total score. When NGO or member weightings are being applied, this can be altered so particular focus is given to one or more specific areas.

2. Question weightings

Questions can be marked as either critical or expected, based on how important it is that the trader provides the expected response. Expected responses can be selected for each question from multiple options, for example it may be expected that an importer sources at least 50% palm oil volumes as RSPO segregated, or to have an NPDE policy in place in line with AFI definitions. If a company does not meet expectations on a question marked as critical, this is highlighted within the company scorecard.

Question weighting

Question rating	Response classification
Critical	Below expectations
Expected	Meets expectations

The scores used for the analysis in this report are based on the NGO weightings, whilst neutral results are also made available to POTC members.

NGO weightings are specified by both WWF and the Forest Peoples Programme. Under these weightings, the greatest importance is given to progress and verification, to reflect the importance of importers shifting from planning to action on critical issues. The critical areas identified by the POTC advisory partners include, but are not limited to:

- Commitments by importers to achieving deforestation and conversation-free supply chains by 2025
- Target dates for full traceability in supply chains to plantation level by 2025
- Transparent publishing of importer sourcing policies
- A publicly available grievance log on importer websites
- Engagement by importers with third-party suppliers to identify, address and monitor labour issues within their operations
- Processes in place for 100% spatial monitoring for deforestation within own and third-party supply chains.
- Using a 200km distance boundary for NDPE risk assessment



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