

# Palm Oil Guidance Note [2012]

This note documents Massmart's position on encouraging the use of sustainable palm oil in its private label product offering.

## **Background**

Palm oil is a product found in many food and non-food products. Because of the rapid expansion and wide-scale use of palm oil, much attention has turned towards the industry. Palm oil production has been associated with negative environmental and social issues, especially in Malaysia and Indonesia. Some of these issues include wide-scale deforestation and threats to indigenous wildlife such as the Orangutan. Multinational companies such as Nestle and Unilever have made commitments to 100% sourcing of sustainable and traceable palm oil.

In response to the environmental, social and economic issues associated with palm oil, Massmart has implemented a palm oil market assessment, a supplier engagement workshop programme, and a survey of its private label suppliers whose products potentially contain palm oil.

## **Walmart Position**

Walmart has a global focus on palm oil and is dedicated to sourcing Roundtable on Sustainable Palm Oil (RSPO) certified palm oil in its private label products by December 31, 2015. As an interim measure, Walmart supports the use of GreenPalm trading certificates.

## **Massmart Position**

At 1%, South African palm oil imports represent a small proportion of global trade. Even so, Massmart realises that the palm oil industry is growing due to the plant's high yield and low cost of production. In light of this fact, Massmart aims to encourage the use, and increase the viable availability, of sustainably certified palm oil in the South African market and its own private label offering.

Massmart surveyed its private label suppliers who potentially use palm oil in their products. Massmart found that products containing palm oil represented approximately 4% of the total private label offering. Although this survey assessment covered all 944 products supplied by Massmart's 137 private label suppliers at that time, it was subject to limitations relating to a lack of product specification data and supplier information.

Massmart will embark on a modest advocacy program with key suppliers who utilise palm oil and palm oil traders in order to viably increase the proportion of sustainable palm oil in the South African market.

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Massmart will track palm oil use in its private label products and engage with its private label suppliers in order to encourage practical use of sustainable palm oil and/or alternatives without compromising product competitiveness.

### **Action**

Although the utilisation of sustainable palm oil represents an issue of moderate concern in the context of the South African market, Massmart has committed to the following action steps:

- To the extent that is viable, Massmart will advocate the use of sustainable palm oil to key palm oil users and traders pursuant to increasing the proportion of RSPO certified sustainable palm oil in South Africa.
- Massmart will conduct private label buyer training sessions to sensitise buyers to the concerns associated with palm oil as a way of advocating the increased use of sustainable palm oil in its private label products.
- Massmart will track the use of palm oil in its private label offering through annual internal assessments of the Group's private label products.
- Given the expectation that palm oil usage is likely to increase over time, Massmart will encourage private label suppliers to disclose the use and origin of palm oil in the specifications of private label products.