

Global Policy on Sustainable Palm Oil

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1. Introduction

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 raw materials 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.

2. Objective and Scope

Clariant's 'Global Policy on Sustainable Palm Oil' reflects the company's efforts to achieve a sustainable, profitable long-term business with bio-based chemical products. While it focuses on the commodity palm oil, it is aligned with other Clariant Group Policies, namely the Sustainability Policy¹ and the Human Rights Policy², as well as the company's Code of Ethics³.

For this purpose, Clariant commits to the sourcing of sustainable palm oil, palm kernel oil and its derivatives and to collaborating with its suppliers to increase transparency across the palm oil value chain.

The company's objective is to drive sustainable transformation in the palm oil industry through responsible sourcing of palm oil, palm kernel oil and their derivatives. Clariant strives to contribute to positive environmental and social impacts in palm oil producing regions, while advancing sustainable practices in the specialty chemicals sector.

This policy applies comprehensively to all palm oil, palm kernel oil and their derivatives used across Clariant's global operations. This Policy is applicable to Clariant AG and all Clariant Group companies which Clariant AG directly or indirectly controls, in particular by shareholding of more than 50% or majority of voting rights or other rights to direct management ("Clariant"). It extends throughout its entire supply chain, from direct suppliers to their complete operations and supply chains.

3. Policy Description

The shift to sustainable practices in the palm oil industry requires collaboration across several stakeholders. 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 has been 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.

In line with its long-term vision of a sustainable palm oil industry committed to 'No Deforestation, No Peat and No Exploitation' (NDPE) principles, Clariant aims to build its palm oil supply chain that is free from deforestation and conversion (DCF), respects human rights and supports local livelihoods by 2032.

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3.1. Commitments

To reach this vision, Clariant strives to:

- By 2030, transition to and maintain 100% sustainably sourced palm-based material (palm oil, palm kernel oil and their derivatives) volumes, where "sustainably sourced" is defined as covered by at least one of the sustainability frameworks and measures defined in Annex I of this Policy
- work in close collaboration with critical stakeholders such as suppliers, NGOs, and customers to promote greater transparency in the supply chain, with the aim to reach and maintain at least 95% traceability to mills by 2026 and to progressively increase traceability to plantations
- contribute to several scientific, technical and industrial bodies, e.g. as a 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. The goal is to increase the inclusion of smallholders in the value chain and support a positive impact on social wellbeing by reducing human rights risks in the labor force of smallholders
- source exclusively from suppliers compliant with the NDPE approach considering the RSPO cut-off date of November 2018 and adherent to Clariant's Supplier Code of Ethics⁴
- contribute to NGO-led multistakeholder on-the-ground projects. Such initiatives aim at promoting sustainable palm oil practices, such as protecting ecosystems, enabling farmers to achieve RSPO certification, fostering smallholder inclusion and strengthening local communities. This approach combines worker livelihood improvements through capacity building and economic development with biodiversity conservation, demonstrating our commitment to balanced environmental and social sustainability in palm oil value chains
- grow the certified products market share together with different value chain partners
- contribute to the reduction of greenhouse gas emissions in the value chain, e.g. via sourcing of RSPO certified materials and the support of landscape projects

Clariant commits to sharing progress on an annual basis through reports that detail the key metrics, time-bound implementation plans, and measurable impacts. These regular disclosures provide updates on the company's sustainability commitments, highlighting both achievements and areas for improvement in the journey towards responsible sourcing.

3.2. Supplier requirements

In line with NDPE commitments and the framework set by the Roundtable on Sustainable Palm Oil (RSPO) Principles & Criteria P&C⁵, Clariant requires the following from its suppliers:

- No Deforestation / no Conversion
 - 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 EU Deforestation Regulation⁶, the FAO⁷ and the Accountability Framework Initiative⁸
 - 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)⁹ – in compliance with the cut-off date of November 2018 set by the RSPO P&C (recognizing that companies which have publicly committed to anterior cut-off dates should abide by these)
- No Peat
 - No development on peat regardless of depth, including oil palm planting or burning in preparation for planting or re-planting

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- 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 Toolkit⁹
- No Exploitation
 - Adhere to international human rights and labor standards as outlined in Clariant's Human Rights Policy² ensuring, among others, freedom of association, elimination of forced and child labor, prevention of discrimination and worker identity document retention, and ethical recruitment practices
 - Respect indigenous peoples' and local communities' rights through proper "Free, Prior Informed Consent" FPIC implementation¹⁰, protection of customary land rights, and transparent conflict resolution processes while supporting inclusive community development
- Supporting local livelihoods
 - Inclusion of independent palm oil smallholders in the global supply chain, by promoting greater access to market and fair prices
 - Support of smallholders in implementing sustainable production practices, increasing their yields and tackling environmental and social issues, and thus improving their livelihoods
- Transparency & Traceability
 - Transparency into different layers of own supply chain and submit comprehensive information, e.g. traceability to palm oil mill and plantation levels; accordingly, Clariant encourages suppliers to increase transparency of their palm oil supply chain. Suppliers shall demonstrate continuous improvement in traceability
 - Cooperation with Clariant and sharing of supply chain information to verify supplier compliance with Clariant's policies through third party assessment
 - Prompt disclosure to Clariant of any grievances received and reporting of any breaches of Clariant's policies as soon as suppliers become aware of them

4. Monitoring and Verification

Clariant carries out systematic supply chain monitoring in order to assess and verify compliance with NDPE commitments. Among the utilized instruments are third party supplier assessments, satellite imagery analysis, and ground-level verification via cooperation partners. This approach enables systematic evaluation of supply chain compliance while maintaining flexibility to adapt monitoring methods based on specific regional and operational requirements.

4.1. Verification mechanisms

Supplier assessments: Clariant engages with its suppliers through a comprehensive Responsible Sourcing program¹¹, which includes a structured Supplier Sustainability Journey and Consequence Management Framework.

Supplier engagement is achieved through multiple channels, including bilateral meetings, digital assessment platforms and active membership in Together for Sustainability (TfS)¹², an industry initiative advancing sustainable practices. Through TfS, the company leverages two key programs: assessments conducted via Ecovadis¹³ and TfS Audits. Supplier performance is evaluated across key areas: environmental practices, labor and human rights, business ethics, and sustainable procurement. Progress is tracked against corrective action plans and targeted support, ensuring suppliers continue to advance their sustainability journey.

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Satellite monitoring: deforestation and conversion-free compliance, which for the palm commodity translates into NDPE compliance, is verified through satellite monitoring via a third-party tool. The methodology, based on the Carbon Disclosures Project (CDP) and the Consumer Goods Forum Forest Positive Coalition (CGF-FPC) approaches to calculate deforestation and conversion-free (DCF) volumes, proposes a common framework to identify deforestation and conversion of natural ecosystems due to palm oil cultivation from satellite images (please see description in Annex II).

Grievance mechanism: To drive NDPE compliance, Clariant has set up a professional grievance process together with an external partner and developed an internal guidance document. Grievance cases are assessed with third party support in order to confirm the link to Clariant's supply chain and derive appropriate actions. The governance has been established with defined roles and responsibilities at the Business Units, Sustainability Affairs and Procurement, with a cross-functional team responsible for documentation, verification, resolution, reporting, and monitoring activities.

On-the-ground assessments: Third-party assessment includes third party audits, such as NGO-led field work, TFS audits, and on-site evaluation through certification schemes such as RSPO.

4.2. Non-compliance measures

Clariant expects all suppliers to comply with the above requirements and to ensure that their upstream supply chain is aware and aligned with the standards set forth in this Policy, in order to improve the entire palm oil value chain.

To enable all internal and external stakeholders to bring any concerns to Clariant's attention, the company established the Clariant Integrity Line¹⁴ and closely monitors reports received. The Integrity Line is open to anyone wishing to report an actual or suspected breach of Clariant's Code of Ethics³ and other Policies without retaliation. In its Supplier Code of Ethics⁴, Clariant explicitly encourages suppliers and their workers to make use of the Integrity Line for asking questions or making reports, while having the option to remain anonymous.

Supplier engagement: If supplier assessment results are unsatisfactory, Clariant expects the supplier to work on a corrective action plan (CAP) and demonstrate improvements in the next reassessment. Through the TFS initiative, Clariant also has online access to many assessment scorecards and audit reports generated on behalf of other TFS members. In addition to an overall score, they contain individual scores for environmental topics, labor and human rights, ethics, and sustainable procurement. Furthermore, they provide detailed feedback on specific improvement areas and guidance on where and how to address the identified gaps.

Satellite monitoring results: Mills are classified as non-compliant with DCF requirements when any deforestation or conversion is detected through satellite imagery. In this case, the company seeks to engage with Tier 1 suppliers linked to affected mills in order to work with their upstream supply chain to improve the DCF results

Grievance management: This approach focuses on supplier engagement and industry collaborations to resolve complaints and conflicts and jointly conduct mitigation measures. The scope covers both social and environmental grievances, such as those related to land-use change. A Grievance Steering Committee regularly oversees compiled grievance monitoring results, reviews selected grievance cases and makes decisions on consequence management.

The process concludes with structured reporting channels, where, if required, social issues are escalated to the Ethics & Risk Management Committee and environmental findings to the Innovation & Sustainability Meeting.

5. Action plans and reporting

Based on the different pillars of the sustainable palm oil strategy laid out in this Policy, Clariant develops an action plan to implement its commitments, monitor progress and address any identified supply chain risks. Key topics covered in the action plan are traceability and transparency, progress on sustainably sourced volumes, supplier engagement, multistakeholder collaboration and improvement of smallholder livelihoods. The plan is annually reviewed at the Innovation and Sustainability Meeting and updated if required.

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Clariant reports about its sustainable palm sourcing strategy in its Annual Report, transparently sharing progress towards the commitments, implementation plans and related KPIs.

6. References

- ^[1] Clariant Sustainability policy [Sustainability Governance](#)
- ^[2] Clariant's Human Rights Policy [Clariant human rights commitment](#)
- ^[3] Clariant's Code of Ethics [Code of Ethics](#)
- ^[4] Clariant's Global Supplier Code of Ethics [Procurement & Suppliers](#)
- ^[5] RSPO principles and Criteria [Resources - Roundtable on Sustainable Palm Oil P&C](#)
- ^[6] [EUDR Regulation - 2023/1115](#)
- ^[7] [FAO | Global Forest Resources Assessments](#)
- ^[8] Accountability Framework. 2024. [Definitions | Accountability Framework initiative - Accountability Framework](#)
- ^[9] Highcarbonstock.org. 2025. [Resources | High Carbon Stock Approach \(HCSA\)](#)
- ^[10] United Nations Department of Economic and Social Affairs. 2021. [FPIC](#)
- ^[11] [Responsible Sourcing](#)
- ^[12] [Home - TFS Initiative](#)
- ^[13] [The leading sustainability intelligence platform for global supply chains | EcoVadis](#)
- ^[14] [Clariant International Ltd Whistleblower System | Home](#)

Annex I – Sustainably sourced palm-based raw materials

Clariant acknowledges as "sustainably sourced" all raw materials which are covered by at least one of the following criteria:

- **EUDR-compliant material:** compliance with the EU Deforestation Regulation 2023/1115 (EUDR) is ensured by sourcing materials that meet strict deforestation-free requirements, including verification that no deforestation or forest degradation occurred after December 31, 2020. Additionally, these materials must be produced in accordance with country of origin local laws covering labor and human rights, safety, environmental regulations, and land use. Each shipment requires a due diligence statement confirming both deforestation-free status and legal compliance, becoming mandatory from December 30, 2025.
- **3rd party certification:** Clariant supports sustainable palm oil production through recognized certification systems and has a large portfolio of palm-derived products that are offered as RSPO-certified, which is continuously promoted in partnership with customers and other stakeholders. In addition, in order to reach a higher % coverage, Clariant makes use of the instrument of RSPO independent smallholder credits, providing direct support to livelihoods and fostering the increased production of certified volumes, while meeting stakeholder expectations.
- **On-the-ground projects:** a well-recognized tool to support certain regions holistically (including environmental and social aspects), contributing to a positive impact on the ground and increased sustainability practices. Clariant contributes to NGO-led landscape projects in regions and provinces which are relevant for its supply chain (i.e. where mills linked to the supply chain are located and volumes are sourced from).
- **Sourcing from low-risk mills:** volumes traceable to mills sourcing from low-risk areas. Mills are categorized by analysing their 50 km radius to determine if the mill is likely to be sourcing only from low-risk areas. Suppliers are to give written confirmation that the volumes come from the above-mentioned mills.

In addition, Clariant's sourced volumes undergo satellite monitoring via a third-party tool for verification of deforestation and conversion-free (DCF) volumes. The calculation methodology follows the Carbon Disclosures Project (CDP) and the Consumer Goods Forum Forest Positive Coalition (CGF-FPC) approaches to calculate (please refer to description in Annex II). Clariant reports as sustainably sourced volumes either the sum of the previous actions stated above, or the annually measured outcome of DCF% - whichever is higher.

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Annex II – Definitions

- (a) HCV: High Conservation Value (HCV) Approach is a globally recognized methodology established in 1999 that identifies, manages, and monitors critical environmental and social values in production landscapes across all ecosystem types. It encompasses six categories covering biodiversity, rare ecosystems, ecosystem services, landscapes, livelihoods, and cultural values. Originally developed for forestry, the approach has expanded to various agricultural commodities and is now integrated into multiple certification schemes and conservation frameworks. The HCV Resource Network (HCVRN), a member-based non-profit organization with a dedicated Secretariat and Management Committee, oversees this systematic approach to sustainable land use management.
- (b) HCS: The High Carbon Stock (HCS) Approach is an integrated land use planning tool designed for humid tropical regions that differentiates forest areas requiring conservation from degraded lands suitable for development. The methodology classifies forests into four main density categories and ensures local communities' rights and livelihoods are protected throughout the process. Established in 2015, this approach has gained widespread recognition, being adopted by the Roundtable for Sustainable Palm Oil (RSPO) and acknowledged by various commodity sectors and international organizations. The HCS Approach is governed by a Steering Group and Executive Committee, with implementation support from its Secretariat.
- (c) HCSA: The High Carbon Stock (HCS) Approach is a practical toolkit that enables agricultural businesses, from farmers to global brands, to develop and source commodity crops while preventing deforestation and protecting community rights. This holistic, multi-layered methodology integrates complementary land use planning approaches, including the identification of High Conservation Value (HCV) areas rich in biodiversity and vital ecosystems, while ensuring indigenous and traditional communities' land rights are respected. The approach serves as a crucial instrument for achieving deforestation-free supply chains in tropical regions.
- (d) Satellite monitoring: third party monitoring of production areas in order to identify material traceable to origins that are verified as deforestation and conversion-free (DCF), based on mills linked to the company's supply chain and their catchment areas. The DCF volumes are calculated according to the methodology based on of the Carbon Disclosures Project (CDP) and the Consumer Goods Forum Forest Positive Coalition (CGF-FPC) approaches to calculate DCF volumes. The method 1) traces back the volumes to their production area, 2) confirms the production area was not deforested or converted after the chosen cut-off date in line with RSPO (15/11/2018), within a 10 km radius of connected supply chain mills and 3) monitors the production area. The entire volumes related to that mill are considered non-DCF if deforestation is detected in the catchment area (1 ha threshold)

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