

Responsible Sourcing: Strengthening Action and Advancing Proactivity on Derivatives

Action for Sustainable Derivatives
CTPA UK Webinar | November 16, 2023



ASD
ACTION FOR SUSTAINABLE DERIVATIVES

transitions



BSR



Today's Call

Agenda

1. **Setting the Scene | Increasing Urgency** (10 mins)
2. **Strengthening Action | ASD Progress & Workplan Priorities** (30 mins)
3. **Join Us | How to Participate** (5 mins)
4. **Q&A**

Speakers



Ricki Berkenfeld
Project Manager



Sarah Ceska
Project Director
Sustainable Sourcing

Transitions & BSR - A Complementary Approach

transitions

TRANSITIONS is a consultancy agency specialized in building **Sustainable Supply Chains for a various range of key commodities**. With long experience working on the **palm derivatives supply chain** for the cosmetics and oleochemicals sectors, Transitions benefit from a strong understanding of its complexities, a good reputation among its players and external stakeholders, as well as a deep expertise in building sustainable procurement models that will deliver positive impacts in the field. As an independent third-party, Transitions act as facilitators to build dialogue with direct and indirect suppliers, as well as internal and external stakeholders in order to enhance win-win improvement along the chain.



BSR is a global nonprofit organization that works with its network of more than **300 member companies** to build a **just and sustainable world**. It develops sustainable business strategies and solutions through **consulting, research, and cross-sector collaboration**. BSR has **30 years** of experience in designing, implementing, and scaling effective business-led collaborations. Our powerful global network of member companies, cross-sector collaborative initiatives, and grant-funded partnerships ensures that no company is alone in addressing sustainability challenges. BSR has expertise working with member companies across six focus areas, including **sustainable and resilient supply chains, business transformation, climate, nature and human rights**.

Agenda



- 1. Setting the Scene | Increasing Urgency**
2. Strengthening Action | ASD Progress & Workplan Priorities
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Environmental Pressure Persists

Globally, non-fire related loss of primary forest **has increased in 2022**.

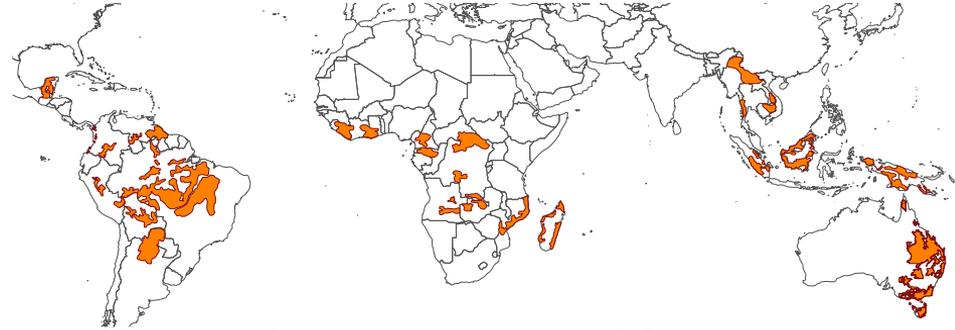
Countries where deforestation has been most significant are **Brazil, DRC, Ghana and Bolivia**. Brazil accounts for **43% of the world's primary forest loss**.

Southeast Asia has also experienced a **resurgence in deforestation**.

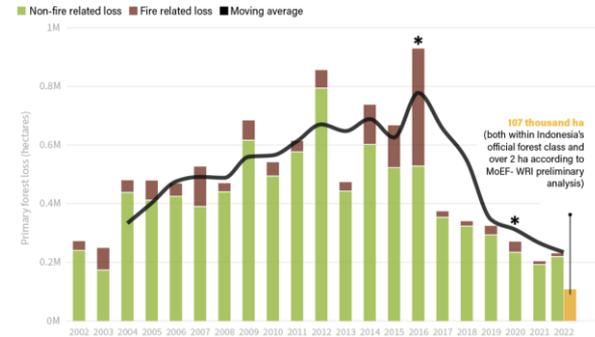
In 2022, **Indonesia** saw its **first increase in deforestation** for 5 years. One of the drivers could be Indonesia's biofuel program.

In **Malaysia**, the loss of primary forest **stabilized between 2021 and 2022**. The main land use in the area remains oil palm plantations.

New deforestation front, 2021 © WWF



Indonesia primary loss, 2002-2022 © GFW 2023



Environmental Pressure Persists

11 grievance reports on deforestation identified in 2023 by the ASD Secretariat



Example: Rawa Singkil Reserve Case

Nusantara Blog

Sumatran orangutans on the Brink:
Palm Oil Deforestation Breaks
Records in key Protected Area



- Rawa Singkil reserve: **hotspot of biological diversity**, referred as “orangutan capital of the world.”
- **Record loss** of 700 hectares of primary peat-swamp forest in 2022
- Persistent **tensions between local communities and Indonesia’s conservation agency** (conflicting community claims over land ownership and use rights in the area).
- **Three of the world’s biggest palm oil players* directly targeted** with confirmation that some of their indirect suppliers had established illegal plantations within the boundaries of the reserve.
*Wilmar, Musim Mas & GAR
- Grievances management by ASD: identification of **mills and related upstream players** connected to ASD supply chains, next steps recommendations for cascading grievances with upstream players

Longstanding Human Rights Abuses

Despite better consideration of rights and conditions of smallholders, **numerous cases of grievance remains.**

Need to **align players in the actions to be taken jointly** to mitigate, stop and prevent the perpetration of these grievances or new breaches of human rights.

Recent **European regulations** to combat forced labor and the CSDD will help to limit these abuses and problems.



Human Rights Abuses

November 2020 // May 2023



Friends of the Earth groups reject investigation into environmental and human rights violations by Indonesian palm oil company

Labor Rights Issues

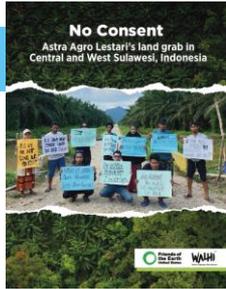
July 2021 // September 2022 // March 2022



THE GREAT PALM OIL SCANDAL

LABOUR ABUSES BEHIND BIG BRAND NAMES

Longstanding Human Rights Abuses



Example: Astra Agro Lestari (AAL) Land Grabbing Case

- AAL accused of **operating plantations without the proper permits, land grabbing from local communities**, deforestation of protected areas and planting palm outside their concession boundaries
- Report published by Wahli and Friends of the Earth in March 2022.

Open Letter from civil society



In September 2022 an [open letter](#) by several NGOs and civil society organizations called for a suspension of purchasing of AAL's products.

FMCG companies ask to suspend AAL and related mills



Actions Follow-up

- Engagement from key suppliers (Wilmar, GAR)
- [Report](#) publication from AAL acknowledging the case and related issue.
- AAL's commitment to appoint an independent third party and conduct mediation with commitment of publishing report of the result.
- [Scorecard](#) release from Friends of the Earth: ranking main consumer good companies based on their actions against AAL

Regulations Create Urgency



Due diligence at the heart of all these regulations:

Systematic and ongoing risk management process that enables companies to proactively address environmental and human rights impacts and conduct their business in a responsible manner. [AFi]



WHAT DOES IT MEAN?

Traceability and risks monitoring within your supply chain becomes legal minimum

Regulations Create Urgency

Focus on EUDR: Regulation on Deforestation-free Products



Objective of the EUDR is to ban products:

- Coming from deforested areas after December 31st, 2019
- Not produced in accordance with the laws of the country of production
- Without respect of the FPIC (Free and Prior Informed Consent) principle



EUDR feedstock scope: Palm, soy, cocoa, coffee, rubber, wood & cattle
Palm Oil Derivatives are included under the regulation scope.



Information requested to be provided

- Geographical coordinates of the production area of the material
- Risk analysis and risk mapping based on the area of production
- Risk mitigation actions based on the identified risks

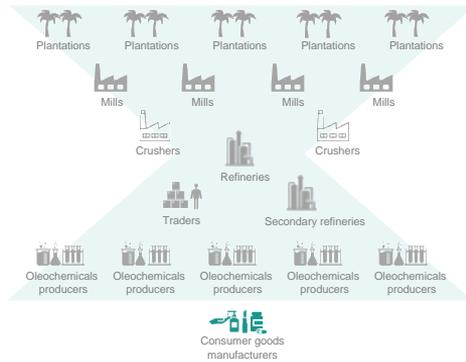


Penalties for non-compliance

- To be laid down by national law
- May include fines and confiscation of covered products

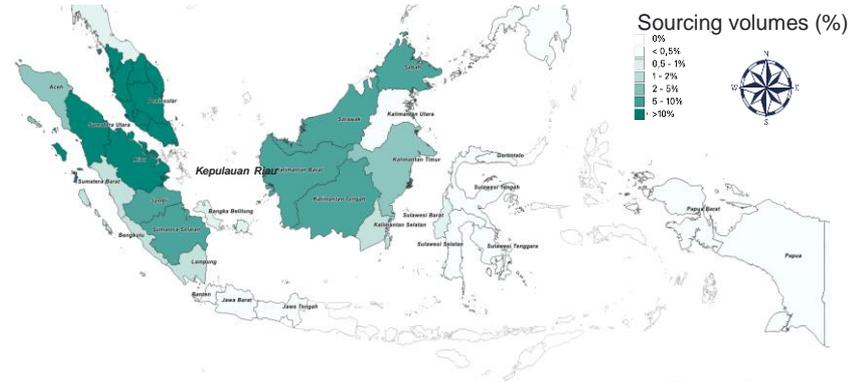


The Derivatives Supply Chain: Collaboration is Essential



Inefficient individual dynamics

- Fragmented supply chain
- Highly competitive, driven by price
- Spot sourcing and trading opacity
- Small volumes with little leverage upstream
- Increasing demand for PKO & certified sources



Shared responsibilities & urgency to act at industry level

- Connections to the same upstream players and production areas
- Potential for impact, notably on the PKO supply chain
- Important reach to 400+ suppliers and users of derivatives in global markets
- Capacity to capitalize on progress and share learnings
- Compliance with NDPE principles and growing regulations

Action for Sustainable Derivatives: Scaling-Up Efforts Through Collaboration



ASD
ACTION FOR SUSTAINABLE DERIVATIVES



A collaborative organization facilitating the production and sharing of information, data, and solutions **to accelerate transformation of the overall sector**

A shared objective & ambition: A palm derivatives supply chain that

-  **Is free from deforestation**
-  **Respects human rights**
-  **Supports local livelihoods**



ASD Vision

The longer term, positive changes in the world ASD aims for



No Deforestation

Verified no deforestation in relation to the collective sourcing areas of ASD Members.



Human Rights Respected

The human rights of the people related to the derivatives supply chain are respected and upheld.



Livelihoods Supported

The livelihoods of independent smallholder farmers are supported through inclusion in the global derivatives supply chain.

Journey Toward Collective Action

2019

2020

2021

2022

2023

2024



ASD
ACTION FOR SUSTAINABLE DERIVATIVES

18 members

450,000t
palm derivatives

23 members

825,000t
palm derivatives

25+ members

~1,000,000t
palm derivatives

30+ members

~1,100,000t
palm derivatives

31+ members

>1,100,000t
palm derivatives

Launch of ASD
with founding
members

Understanding of
the collective supply
chain, risks and
opportunities &
establishment of a
**framework for
action**

Building of **collective
engagement
mechanisms** to
create impact

**Deployment of
joint actions** to
engage the supply
chain, the market,
and transformation
in key production
areas

**Strengthening
action** and
advancing
proactivity meet
sectorial and
regulatory
expectations

Accelerating action
to transform the
sector



Agenda



1. Setting the Scene | Increasing Urgency
- 2. Strengthening Action | ASD Progress & Workplan Priorities**
 - Year 4 (2023) Results and Achievements
 - Year 5 (2024) Upcoming Agenda and Priorities
3. Join Us | How to Participate
4. Q&A

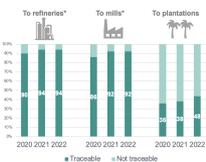
Year 4 | Strengthening Action & Advancing Proactivity

External Stakeholder Engagement & Sector Alignment

Transparency & Risk Assessment

>1.1 million tons of palm-based material mapped

Collective transparency progressed
48% to plantations



More than 400 supply chain actors engaged

Monitoring & Grievances Management

NUSANTARA ATLAS

Proactive monitoring of deforestation linked to supply chains and real-time alerts

Stakeholder alignment on priority grievances and management guidance

Supply & Market Transformation

Regulation tracking

Trader engagement

112 direct suppliers evaluated via scorecard

RSPO
Roundtable on Sustainable Palm Oil
RSPO engagement & review of P&C criteria

Positive Impact



KALEKA

Ongoing support of impact projects on the ground via collective action fund

ASD Respect Pilot responding to gender-based violence

Collaboration



Designing a field project in partnership with IRDF to promote resilient livelihoods



Completed exploratory pilot and investigating efforts on coordinated trader engagement

Consideration of additional commodities

Enhancement of human rights and consideration of climate lens in workplan

ASD Framework for Action



Transparency & Risk Assessment

Increasing transparency & consolidating a **common framework to focus efforts**



Monitoring & Grievances Management

Leveraging dynamic monitoring systems and **actively managing non-compliance**



Supply & Market Transformation

Engaging the sector & supply chain towards accessible NDPE solutions



Positive Impact

Scaling up **long-term collective action** in key production landscapes

Collaboration

Year 4 Transparency Investigation | Collective Action Leverage

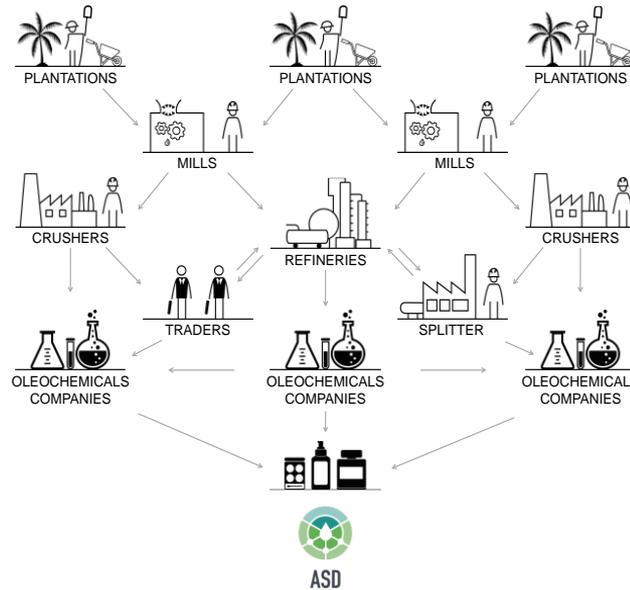


ASD

29*
users of
palm derivatives

1 100 000
tons of palm-based
materials

Transparency investigation aims to map supply chain upstream players and map related sourcing areas.

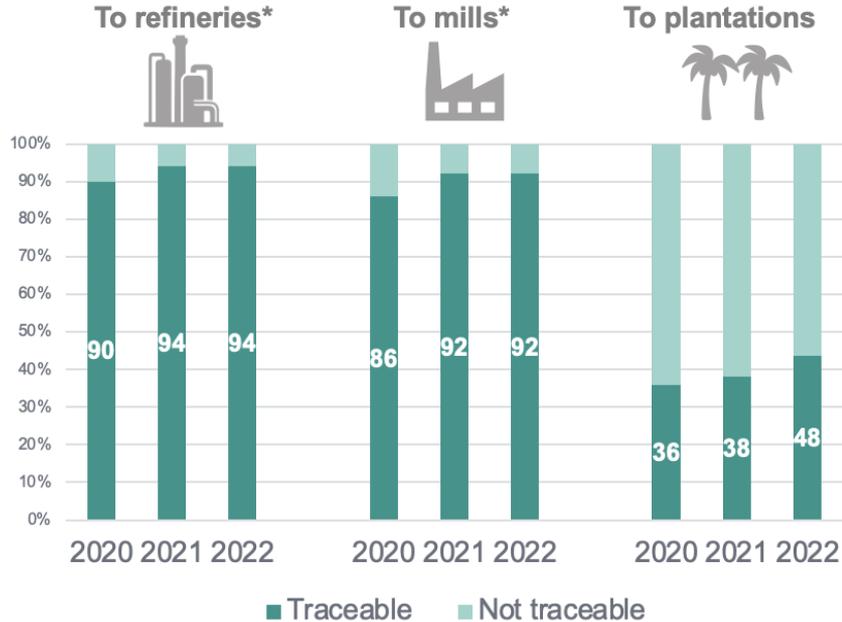


+400 suppliers
(~300 direct suppliers)
involved in a 6-month
transparency process,
with **global coverage**
(high representation in Asia,
Europe,
and North America)

**2 ASD members did not take part in the investigation as they joined ASD after the launch of Transparency Investigation*



Year 4 Transparency Investigation | Progressing Towards More Transparency



*Integrating crushing facilities

Net increase in transparency* up to plantations due to continuous supply chain players engagement and legislation strengthening

**In 2020, sector average between 1-25%*

Remaining room for improvement in terms of transparency up to refineries and mills: engagement of non-respondent/non-transparent supplier, spot trading practices

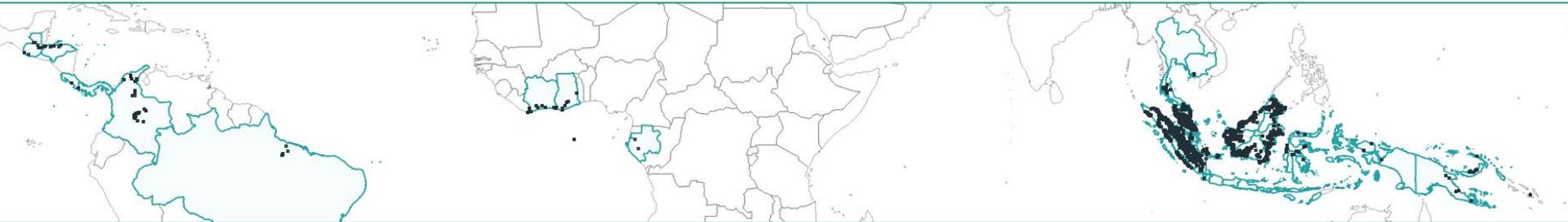
Year 4 Transparency Investigation | Beyond Supply Chain Mapping

Transparency
up to mills



2069 mills mapped

1172 (57%) mills represent 90% of traceable volumes
1703 mills (82%) are **connected to all ASD members**



Transparency among
supply chains

- **Worldwide suppliers' engagement and cooperation**
- **Trust and maturity** in the supply chain
- **Common transparency framework** to foster sector alignment
- **Continuous learnings** from prior years
- **Enhancing supply chain risk management**

From Mapping to Risk Assessment & Prioritization

Methodology to prioritize supply chain players and supply chain landscapes for action

Supply chain mapping



Risk assessment

Geographical level

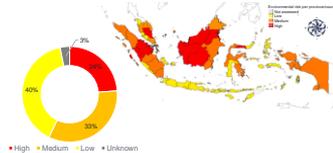
Map of province risk level, with associated weights in the supply chain

Catchment area of mills level

Location and % of risky mills in the chain

Grievance level

Identification of high risk grievances linked to ASD supply chain



Prioritization

Geographical prioritization

Focus efforts on monitoring & investment in field projects

Prioritization of supply chains players

Focus efforts engagement of upstream players



[NDPE IRF](#)

Accelerating Action



Transparency & Risk Assessment

Increasing transparency throughout palm-based derivatives supply chain & **enhancing the common framework** to focus efforts

Year 5 (2024) Priorities

- **Supply Chain Mapping & Risk Assessment** based on 2023 purchased volumes will start January 2024

- Explore opportunities for **process evolutions** to achieve transparency more efficiently
- *E.g., aligning processes with other service providers; improving transparency outputs (opportunities for automation, minimizing confidentiality, enhancing deliverable formatting); enhancing sector alignment (data reporting, transparency frequency) and fostering synergies*

Get Involved

- **Derivatives Users:** Start the process of joining ASD for the 2024 calendar year to participate in the supply chain mapping & prioritization
- **Suppliers:** Ensure responsiveness in mapping process
- **Stakeholders:** Engage in discussions regarding transparency processes, industry expectations, and opportunities to optimize allocation of resources towards action and impact
- Reach out to ASD in case of recommendations for service providers

ASD Framework for Action



Transparency & Risk Assessment

Increasing transparency & establishing a **common framework to focus efforts**



Monitoring & Grievances Management

Leveraging dynamic monitoring systems and **actively managing non-compliance**



Supply & Market Transformation

Engaging the sector & supply chain towards accessible NDPE solutions

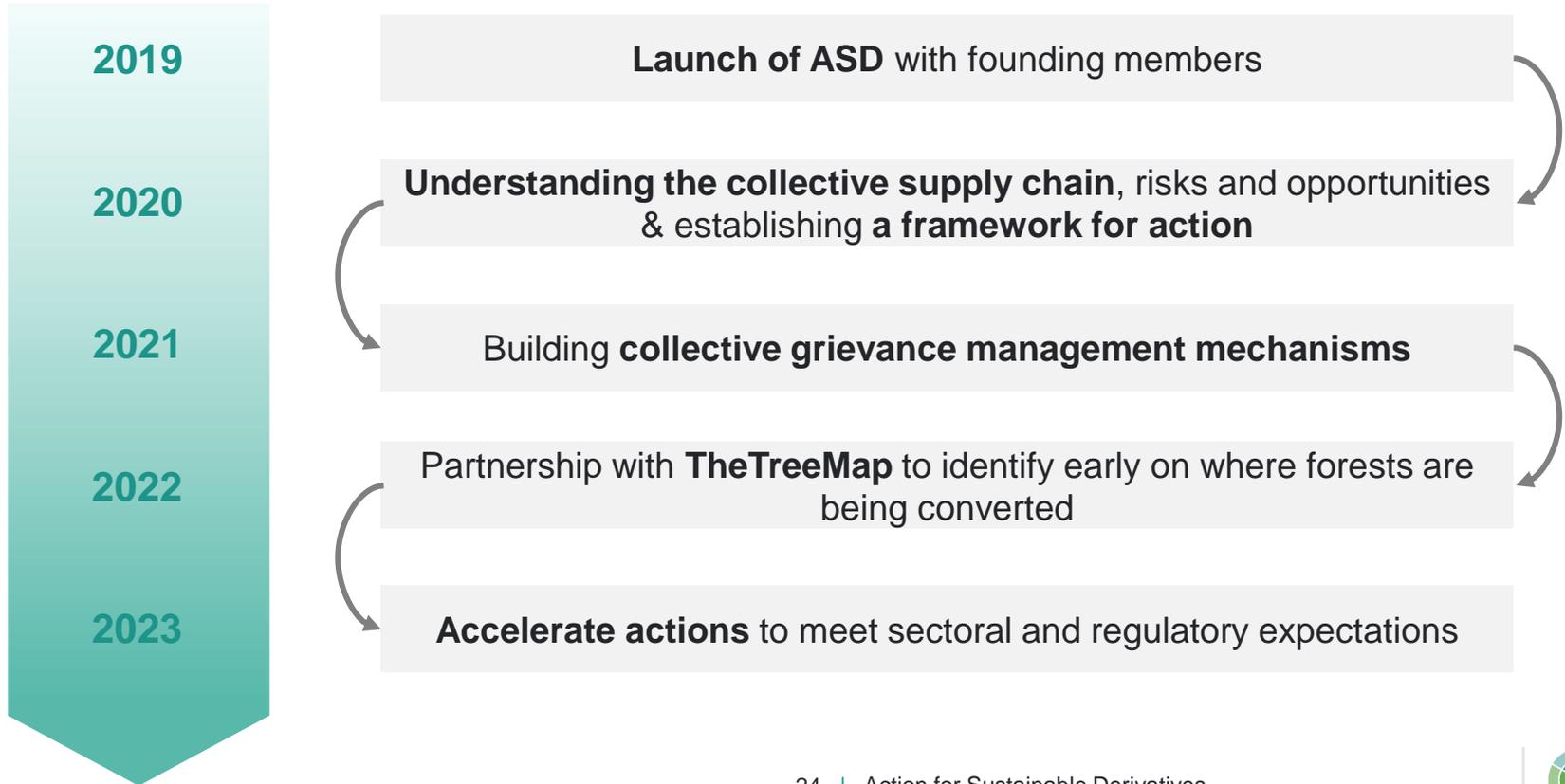


Positive Impact

Scaling up **long-term collective action** in key production landscapes

Collaboration

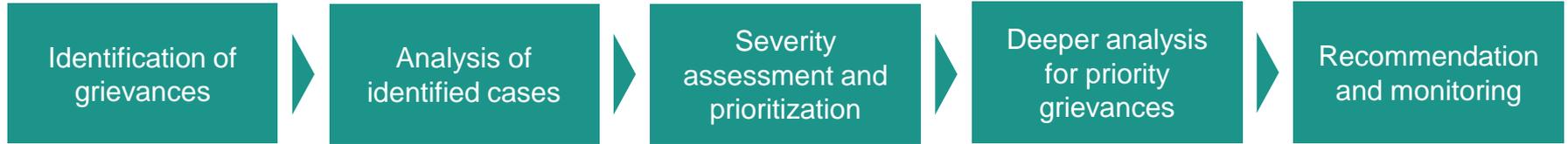
Towards Proactive Grievance Management



ASD Grievance Management



ASD supports its member by providing the right level of information so they can take actions on priority grievances.



2023 Grievances Identified

Between January and October 2023, **18 reports** of grievances have been identified.

Stakeholder Coordination

ASD continued exchange with **key external stakeholders** (civil society, experts and consultants) to discuss important active grievances and identify aligned potential action plans to resolution.

ASD Enhanced Grievance Monitoring



ASD

NUSANTARA ATLAS

Partnership with **Nusantara Atlas** to equip ASD members with a geo-platform that maps and monitors real time deforestation and fires caused by palm oil production

2023 Key Achievement

Nusantara Atlas scope extension to Peninsular Malaysia

Creation of a methodology to assess the deforestation and identify DCF volumes link to ASD members' supply chain

Analysis of the deforestation caused by palm oil plantation expansion

Augmentation ASD Grievance Monitoring



Accelerating Action



Monitoring & Grievances Management

Leveraging dynamic monitoring systems and actively managing non-compliance

Year 5 (2024) Priorities

Grievance Monitoring:

- Phase 2 with **Nusantara Atlas** to support ASD members' due diligence process in line with regulations and other future requirements by identifying volumes linked to deforestation
- Identifying opportunities to improve proactive monitoring of social grievances

Grievance Management:

- Investigate high priority grievances in collaboration with the sector
- Collectively engage key suppliers on priority grievances

Get Involved

- **Suppliers:** Ensure accurate sourcing and procurement data
- **Derivatives Users:** Reach out to ASD for support in assessing connections to verified d-free volumes
- **Stakeholders:** Collaborate on proactive monitoring of social grievances
- **Suppliers:** Ensure responsiveness and willingness to engage on priority grievances
- **Stakeholders:** Coordinate with ASD to align approaches to grievance management

ASD Framework for Action



Transparency & Risk Assessment

Increasing transparency & establishing a **common framework to focus efforts**



Monitoring & Grievances Management

Leveraging dynamic monitoring systems and **actively managing non-compliance**



Supply & Market Transformation

Engaging the sector & supply chain towards accessible NDPE solutions



Positive Impact

Scaling up **long-term collective action** in key production landscapes

Collaboration

Supply & Market Transformation Progress

Supplier Engagement

Direct Engagement via the SPI
112 suppliers evaluated through the **Sustainable Palm Index (SPI*)** during the 2022 Campaign (May – October 2023)

On-going **engagement with traders** to prepare for EUDR & CSDDD requirements for derivatives products

*SPI: Evaluation tool for reviewing the commitments, practices and achievements of suppliers of palm-derived products with regard to the NDPE principles.

Responsible Supply

Ongoing tracking and assessment of **regulations: EUDR , CSDDD, Forced Labour**

RSPO: Contributed to reviewing **P&C & joined Labour & Gender WG**



Accelerating Action



Supply & Market Transformation

Engaging the sector & supply chain towards accessible NDPE solutions

Year 5 (2024) Priorities

Get Involved

<p>Sustainable Palm Index (SPI):</p> <ul style="list-style-type: none"> Enhance further recognition & dissemination of the tool Continue alignment with industry players Increase the adherence through continuous improvement 	<ul style="list-style-type: none"> Suppliers: Share your feedback on the SPI for the next campaign Stakeholders: Engage with ASD to share initiatives, tools and seek for synergies
<p>Accelerate sector alignment to achieve NDPE and EUDR compliance as well as on human rights approaches</p>	<ul style="list-style-type: none"> Stakeholders: Partner on supply chain engagement initiatives for harmonized supply chain signals
<p>Trader Engagement: Accelerate engagement with vertically-integrated indirect suppliers to collaborate towards achieving NDPE- and EUDR-compliance on oleochemical volumes</p>	<ul style="list-style-type: none"> Traders: Engage with ASD and help consider opportunities for collaboration
<p>Responsibly Supply:</p> <ul style="list-style-type: none"> Continue engaging RSPO around the robustness of the Mass Balance model Continue tracking key regulations 	<ul style="list-style-type: none"> All: Share interest in jointly engaging with the RSPO on the MB model

ASD Framework for Action



Transparency & Risk Assessment

Increasing transparency & establishing a **common framework to focus efforts**



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Collaboration

Positive Impact | ASD Impact Fund

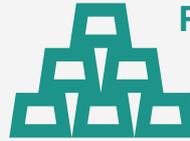
ASD IMPACT FUND

Launch in 2022



ASD

Funder Contributions:
11 contributing
members



Pooled Fund

TIDES

A Force for Social Good



Impact Reporting



Project Portfolio in prioritized
landscapes with direct ASD supply links

Positive Impact | Kaleka's Mosaik Initiative*

GEOGRAPHY & CONTEXT



- Major palm oil producing districts and sourcing region for ASD Members
- Home to indigenous Dayak communities
- Home to orangutans, gibbons, sun-bears, and hornbills

Source: Kaleka

Positive Impact | Kaleka's Mosaik Initiative

FIRST YEAR – KEY ACHIEVEMENTS



Source: Kaleka

THE MOSAIK INITIATIVE

- Completion of a blueprint for the agri-food cluster
- Socialisations & activities with villages
- Contribution to Jurisdictional Certification
- Support to processing facilities

90 hectares
of restored land

500 hectares
of forest to be protected

614 Smallholders certified RSPO
(ISH Credits)

204 Forest farmers certified SVLK

Positive Impact | ASD Respect in Palm

Objective: ASD is conducting a pilot project aimed at preventing and responding to gender-based violence and sexual harassment in palm oil concessions in Indonesia by cultivating more equitable relationships and attitudes among women and men

Status:

- Developed a **customized workplace training program** tailored to the palm context which provides women and men an overview of the concepts of gender norms, communication and harassment
- Trainings are currently underway
- Learnings will inform how to scale and expand the model



Source: UNDP

Accelerating Action



Positive Impact

Scaling up **long-term collective action** in key production landscapes

Year 5 (2024) Priorities

- **Collective Action Fund:**
 - Continued support of Kaleka Mosaik Initiative (field visit scheduled in November 2023)
 - Scale impact by adding a second project to the Fund portfolio (with a focus on Human Rights or Climate)
- Continue to support HERespect in Palm Pilot project

Get Involved

- **Stakeholders & Suppliers:**
 - Engage with ASD in case of opportunities to align and scale on-the-ground impact efforts
 - Support in diverse working groups to scale-up investments in landscape projects
- **All:** Look out for communications on this project work

ASD Scope Expansion | Coconut & Soy Derivatives

Coconut Derivatives



- ASD designed a responsible field project in partnership with IRDF to promote resilient livelihoods for smallholder coconut farmers in Davao, Philippines
- Project will kickoff Q1 2024
- ASD is supportive of the Sustainable Coconut Partnership (SCP) for a more comprehensive effort around coconut

Soy Derivatives



- ASD completed a pilot to map the soy derivatives supply chain
- Due to a lack of transparency beyond crushers in soy supply chains, ASD will pursue alternative pathways for impact, including coordinating efforts on trader engagement with other sectoral industry working groups and stakeholders

Other

?

- Additional commodities to explore TBD
- Considerations include castor oil and sugarcane

Agenda



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Get Involved

Derivatives End-Users & Oleochemical Players

Join Us!

- Start the process of joining ASD for the 2024 calendar year now in order to participate in the Supply Chain Mapping & Risk Assessment

Suppliers

Engage with Us!

- Ensure responsiveness in the Supply Chain Mapping exercise, grievances management, and other engagement activities

Industry Stakeholders

Partner with Us!

- Participate in stakeholder engagement processes / partner on supply chain engagement initiatives
- Build alignment so there are clear supply chain signals

Keep in Touch



Publication of
Annual Update
of Progress



Press Releases
on Website

<https://sustainablederivatives.org/>



Collaboration
Updates on LinkedIn



Meet at RSPO
Roundtable



Engage with a
Unified Voice

Other exciting news to come!

Visit sustainablederivatives.org and reach
out to ASD@bsr.org to get involved

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Thank You



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