

Sustainable Palm Oil Coalition for India (I-SPOC) Members Meeting

26 May 2021, 3 to 5 PM (IST)

1. Meeting Objective

- Overview of update & activities by I-SPOC Secretariat
 - Business and stakeholder engagement
 - Visibility of the coalition
 - Findings from Needs Assessment study
 - Forthcoming activities till December, 2021
- Update & activities overview of Supply Chain & End Users Working Groups
- Presentation on NASPON by Cameron Plese, Head of North America – RSPO
- Update & Activities overview of Government Policy & Domestic Production Working Group
- Role of Financial Institution & discussion on ToR of Financial Institutions Working Group
- Presentation on “role of financial sector in promoting sustainable palm oil uptake in India
- Closing remarks

Agenda attached at Annexure 1

2. Brief Proceedings

a) Update and Activities Overview by I-SPOC Secretariat

- **Activities Update (December 2020- May 2021)**
 - Engagement with businesses over the past 6 months; more than 10 businesses have joined the coalition as observers
 - Expanding engagement with businesses through initiating engagement with Retailers Association of India (RAI)
 - The Steering Committee (SC) felt the need to strengthen relationships between members of the coalition. The SC is planning to initiate capacity-building activities involving members and observers in a bigger role. IDH-Thee Sustainable Trade initiative would also like to use the opportunity to build a better understanding of the jurisdictional approach and SourceUp Compacts that work towards increased transparency and build on the work being undertaken by RSPO, Rainforest Alliance and others across multiple production geographies.
 - The need for developing capacity-building materials and designing activities involving members was highlighted in the Needs Assessment study
 - Outreach and awareness generation through social media is being carried out by the Secretariat. A dedicated LinkedIn page for I-SPOC <<https://www.linkedin.com/company/the-sustainable-palm-oil-coalition-for-india-i-spoc/?viewAsMember=true>> has been created and is used to spread awareness and knowledge around sustainable palm oil.
 - In terms of outreach and visibility, currently the coalition has 28 members and the SC has been engaging with 20+ observers. The idea is to build a stronger case for members to bring on board new observers especially Indian downstream actors and observers to in turn see greater value in longer term association as members.
- **Needs Assessment Study**
 - The study was carried out to understand the needs of the members and also that of the other actors in the value chain

- 12 organizations (10 businesses and 2 not for profit) responded to the questionnaire
- Broad area where support is required
 - Domestic production activities including policy engagement, smallholder trainings etc. The working group Government Policy chaired by WWF and IDH is specifically looking after policy and has now increased the scope of the working group to a more intersectional approach by also covering domestic production.
 - Targeted technical capacity-building, SC would like to propose formation of a task force comprising of few SC members and I-SPOC members (businesses), The task force will work with SC and Secretariat to develop capacity-building activities of the coalition. Two capacity-building workshops to be organized over the next 6 months along with organizing two open days, the first being in June 2021. The Open days will rely on experts from within the members that will answer questions on specific areas related to supply chain, marketing, and other technical details. Members to nominate themselves for the task force
 - Knowledge creation including designing and developing short case studies highlighting business cases
- The study also had members highlighting the priority workstreams where they would need assistance.
 - The first was technical capacity-building, the coalition to now look at how the capacity-building of downstream actors can be undertaken,
 - Secondly consumer sensitization on importance of sustainable palm oil and engaging them on the issue and thirdly market linkage and awareness and capacity building
- **Commitment from Members**
 - Members to work towards developing
 - Sustainable palm oil policy
 - Policy on sustainable sourcing
 - Operational plan for sustainable production, sourcing, trade, consumption of palm
 - Members to initiate research/activity once in a couple of years related to policy engagement on sustainable palm oil
 - The SC and the Secretariat will be happy to help interested members in developing policies, hosting events, research etc.

b) Update & Activities Overview of Supply Chain & End Users Working Group
Co-chairs: Kamal P Seth, RSPO and Madhuri Nanda/Paula de Hartog, Rainforest Alliance

- Supply chain and End users have been merged
- The combined working group has 16 members including AAK Kamani, Colgate Palmolive, Ecube Investment Advisors, Ferrero, Haldirams, Hindustan Unilever, HSBC, Karnataka Chemical, P&G, Navabharat, Galaxy Surfactants, Manorama Industries Ltd, Reckitt, Zoological Survey of London and Cheyenne Mountain Zoo and Loreal
- Some members have not given preference regarding alignment to a working group yet, requested to share their preference and nominate a nodal officer for the same
- Effect of pandemic on the work of the working group: there is an overwhelming global attention and action for green and sustainable recovery along with more finance and funding going from highest level of the government to the MNCs about how each supply

chain can be made more sustainable. This has worked in the favour of the coalition which has been promoting the idea of deforestation free supply chains in India

- Greater funding towards nature-based solutions which will also be discussed in COP 15 in China, COP26 in UK and WEF in Singapore. The coalition can be a catalyst for this transformation for companies in India along with helping in risk management
 - The group has also initiated engagement with RAI and have had two webinars with them in the past 9 months. The webinar included speakers from FMCGs in India and Retailers to make a clear point that retailers have an important role to play in transforming the market and we shouldn't only focus on FMCGs. The Group to continue working with RAI in the future
 - The consumer awareness campaign, started by RSPO in partnership with The Better India, the campaign has reached 13 million/1.3 crore social reach from September 2020 to April 2021
 - 300+ youth volunteers working in 20+ Youth for Sustainability Club (YfS) Clubs across the country focussed on SDG 12 and SDG 13
 - Another initiative that CRB, RSPO and Rainforest Alliance is supporting is the formation of the Youth for Sustainability (YfS) India Alliance. Currently, the alliance has more than 36 members. The purpose of the coalition is to make sure that the civil society organizations in India are educated about SDG12 and SDG13 and work actively on it
 - The forthcoming activities of the group includes creation of a palm oil sustainability framework and advisory for the Indian companies along with organizing multi stakeholder dialogues for sustainable procurement and NDPE commitments
 - The Palm Oil Buyers Scorecard launched by WWF in 2019, showcased that some of FMCGs companies have been rated and ranked at the global level on the basis of their uptake and progress on their commitment of sustainable palm oil and its actual procurement
 - WWF is also going to launch 2 reports globally, Sustainable Palm Oil Uptake in Asia: Where do we go from here and Palm Oil Trade from key landscapes in Asia: Risks and Opportunities for Sustainability Action
 - The Consumption Study highlights the role of MNCs and local companies in driving sustainable uptake of palm oil in Asian Markets and the Trade flow study demonstrates a new model of supply chain tracing
 - WWF is also looking at developing sustainable procurement guide for Indian Palm Oil industry. The document will provide guidance to importers/refiners, derivatives manufacturers to set sustainability goals, establish implementation systems and streamline reporting in alignment with the Accountability Framework Initiative (Afi), that WWF and Rainforest Alliance is working on together
 - As a co-chair for the group, Rainforest Alliance will be working on:
 - Developing a framework for companies to guide them on adopting sustainable palm oil
 - Advisory services for the companies to develop sustainable sourcing policies, supply chain mapping and risk assessments, and capacity building etc
- c) Presentation on NASPON by Cameron Plese, Head of North America – RSPO**
- Founded in 2017 with a focus on turning North America into a 100% CSPO Market and presently has 42 members
 - In 2015, USA membership of RSPO was 72, today they have 620 members. A lot of this has led to rapid supply chain certification leading to membership going faster
 - Some of the drivers that worked for NASPON were, ban on trans-fat, 2020 deadlines for deforestation, supply chain certification, stakeholder pressure and service orientation approach from RSPO

- Started as a credit market and have slowly moved to Mass Balance (MB) over the years. NASPON has a dedicated Working Group to look at segregated (SG) supply chain as well
- According to a survey conducted by NASPON, most of the suppliers highlighted that there isn't any demand for segregated. The downstream users however mentioned that they would like to use segregated but there is no supply. NASPON has tried to create some tools to bridge this divide, they mapped everybody who is certified for segregated in North America, which means they have the capacity to build those relationships and supply segregated if and when needed
- All members are encouraged to use the standardized vendor survey
- NASPON has also created a derivative list including 625 ingredients along with mentioning common derivative names as well
- All tools created by NASPON help to provide technical support to downstream users

d) Update & Activities Overview of Government Policy & Domestic Production Working Group

Co-chairs: Bhavna Prasad, WWF and Neha Simlai, IDH

- The group expanded its scope to include domestic production as well. The idea is now focussed on building dialogue for increased policy engagement and a more intersectional approach by also linking key government interventions on both production and consumption of palm oil in India.
- Other working group members include AAK Kamani, HUL, Rabobank, CDP and ECube Investment Advisory
- A draft report of the study commissioned through WWF is also ready. The three mechanisms as suggested/recommended by the study include government led mechanisms, public awareness mechanisms and mechanisms on sustainable trade and environment under Free Trade Agreement (FTAs)
- As part of government led mechanisms, there are different ways in which palm oil to be taken up at a larger scale from an India stand point, the idea is to establish a government led policy, so that everyone is in a level playing field and everyone is in a position to benefit from it at a larger sectoral or market transformational level. Furthermore, the idea was to explore that whether this policy should be at a pan -India level, state or non-governmental level
- Some of the policies that have been reviewed as part of the study include; legal and regulatory instruments (laws, standards ,prohibition, quotas),economic and financial instruments (fiscal instruments like tariffs, subsidies, taxes, tradable permits), communicative instruments (voluntary and mandatory product labelling, eco labelling) and procedural labelling (voluntary agreements, CSR
- Other than that, as part of government mechanisms the study also looked at policy instruments that help in promoting sustainable palm oil in India including pricing, eco labelling, tariffs, taxes, subsidies, traceability etc.
- Second element that was highlighted in the report, looks at public awareness mechanism led by the government or other entities. The idea is to have a strong framework of public awareness mechanism in place for there to be any efficacy in the policy framework
- Lastly, the report also recommended mechanisms that looked at international or sustainable trade and environment compliances under Free Trade Agreement (FTA) that we could refer to in the future
- The study also recommends policy recommendations at the producer level, refiners/processor/packer level and retailers/wholesaler level along with highlighting the nodal agency for each as well

- IDH and Solidaridad globally partner through a program that extends support of the markets related activities in India as well. IDH focuses on import regulation aimed at the reduction of global deforestation while Solidaridad builds on its domestic production ambitions for palm oil. Both organizations continue to build on a close association with Solvent Extractor Association (SEA) in India as well. IDH is working on palm along and will be expanding the portfolio of market engagement to other deforestation commodities including soy.

IDH's program in India remains strongly committed to a standard neutral approach on sustainability action and works with companies towards a process of continuous improvements. One of the key levers on this program in India has been measuring and monitoring the uptake of responsibly sourced palm oil while also working towards improving existing disclosure for volumes of over top 25 importers.

- IDH has been aware that this market has required a policy incentive of some form in order to drive the uptake of sustainable palm oil. Keeping that in mind, IDH has been working with few key government departments (NITI Aayog, FSSAI, Ministry of Agriculture and Farmers Welfare among others) to build a rationale for reporting and disclosure and also advisory support to develop a national governance structure.
- On domestic production update, the group highlighted the work that WWF and RSPO have started with smallholder farmers. The work looks at providing sustainable agriculture training and market connectivity to 50,000+ oil palm farmers in Andhra Pradesh and other regions
- As part of the pilot implementation project with Navabharat Limited and Radhika Vegetable Oils Private Limited
 - study has been conducted to identify gaps against the RSPO Independent Smallholder (ISH) Standard and the current implementation practices
 - The RSPO ISH standard document has been translated to Telugu (local language)
 - Training of Group Managers or representatives of the mills to create internal control system
 - Training the trainers – training of trainers conducted by RSPO ISH Standard for 50 representatives from three mills
 - Creation of smallholder training booklet to train smallholders on the ground by extension officers
- Way forward as listed by the group include
 - small holder trainings and capacity building programmes
 - geotagging farm locations
 - formation of groups
 - conducting trainings
 - carrying out internal audits
 - smallholder categorization
 - applying for third party audits

e) Presentation on Role of Financial Sector in Promoting Sustainable Palm Oil Uptake in India by Sourajit Aiyer, Research Consultant, CRB

- Study on the same is being carried out by CRB. It aims to highlight some of the possibilities for increasing the interest of financial institutions in India on edible oil, specifically palm oil
- The study also looks at where banks and financial institutions (FIs) stand on the topic of financing sustainable palm oil viz – viz agro commodities
- The research was broken down into two pieces;

- landscape analysis (to understand current status within banks and FIs on topic related to sustainable agro commodities in general and particularly on palm oil)
- possible routes that can be undertaken in terms of financial instruments to create an uptake of sustainable palm oil financing
- Status of palm oil: global and national
 - 70 MMT – global production volumes; 87% from Indonesia and Malaysia
 - 27 ha of land is covered by oil palm plantations
 - Only 0.3MMT is the domestic production of palm oil in India in 2019, ~3% of the total consumption
 - 8.4MMT – India’s imports of palm oil in 2020 (mainly from Indonesia and Malaysia).
 - Based on 2020 import volume and current CIF prices of CFO and RBD approx. value of India’s palm oil imports is ~\$9.8 billion
- A business-as-usual trajectory will lead to
 - 11% of global GHG emissions caused due to deforestation
 - Top 4 contributors include oil palm cultivation
 - \$1tn of corporate revenue is linked to corporate revenues related to deforestation
 - Important to list out the risks and create awareness within finance sector to illicit their interest towards investing in sustainable palm oil
- Indian institutions sampled for the study, including development banks, multilateral owned, commercially owned, privately owned were EIB, GIZ, EXIM Bank, Doha Bank , HSBC, HDFC Bank, Axis Bank, Omnivore Capital, DCB
- Initial findings
 - Some inclusion of parameters related to R&R and EHS related aspects in last decade but it is still at a superficial level
 - In terms of the response/responsibility route is to address the current state in the banking industry of all players specially of commercial banks
 - From the bank’s perspective the challenge of pitching sustainable palm oil and the greening of financial solutions around sustainable palm oil is challenging because ~0.2% of the outstanding credit goes to edible oil. Edible oils include soya, mustard and palm oil. From the banking side, exposure to palm oil is a very small portion of the book
 - Edible oil is a part of food processing segment, the segment as a whole is only 2%
 - ~13% share of agriculture and allied within Rs 92 trillion Non-food credit
 - Need to look at this as an agro-commodity concept rather than concentrating on palm oil
 - Common financing processes for palm oil
 - Whole sale term loans to palm oil buyers and processors in India
 - Letter of credit, non-fund credit to importers (also known as buyer’s credit)
 - Stock/warehouse financing for bulk- commodity imports
 - PSL – norms loans to agriculture and allied sectors
 - Collateral-based, off taker, trade receivables
 - Possible solutions
 - Regulations are needed
 - Awareness creation around financing of palm oil
 - Demand-led pull to be looked at rather than suppliers pull preferably by buyers who use sustainable shipment, letter of credits
 - Co-creating a dedicated facility in sustainable palm oil or agro-commodity in general

- Other interventions like outcome-based financing, revenue-based lending could also be looked at specifically to break new grounds
- Using transition finance as a route, something which is currently being used in decarbonization
- Redefining market tactics, product standardization, traceability and credibility

Annexure 1 - Agenda

AGENDA Fifth Members' Meeting 	
Date: 26 May 2021 Time: 1500hrs to 17:00hrs IST	
Timings	Programme Details
15:00 – 15:05	Welcome and Introductions
15:05 – 15:20	Update & Activities Overview by I-SPOC Secretariat <ul style="list-style-type: none"> - Business and Stakeholder Engagement - Visibility of the coalition - Findings from Needs Assessment Study - Forthcoming Activities till December 2021
15:20 – 15:25	Questions and Answers
15:25– 15:40	Update & Activities Overview of Supply Chain & End Users
15:40 – 15:50	Questions and Answers
15:50 – 16:05	Presentation on NASPON by Cameron Plese, Head of North America – RSPO
16:05 – 16:10	Questions and Answers
16:10 – 16:25	Update & Activities Overview of Government Policy & Domestic Production Working Group
16:25 – 16:30	Questions and Answers
16:30 – 16:50	Role of Financial Institution & Discussion on ToR of Financial Institutions Working Group
16:50 – 17:00	Closing Remarks