I-SPOC

Sustainable Palm Oil Coalition for India (I-SPOC) Capacity Building Workshop 17 November 2021

Brief Summary

a) Welcome and Introduction

Rijit Sengupta, CRB welcomed the participants and set the context of the workshop. He mentioned that that over the last year, the coalition has managed to have advanced discussions on sustainable palm oil with various stakeholders. He added that the coalition has been lucky to have had the support of number of companies and it is important to now grow as a community. Furthermore, the workshop is a step forward to help members make the transition towards sustainable palm oil. He highlighted that the Steering Committee (SC) is conscious of the fact that members is at a different stages of transition towards sustainability and sustainable palm oil. While talking about the workshop, Rijit highlighted that the aim is to provide an overview of the work that the SC members have been doing and how the work can be utilized by the coalition members

b) Presentation on Responsible Sourcing by IDH

Neha Simlai, IDH started off by congratulating the team for witnessing the paradigm shift (in mindset) that the industry has been able to make on the issue of palm oil. Neha spoke about the work IDH has done with KPMG on Moving Towards Responsible Sourcing – India and Palm Oil', she highlighted the following points in her presentation

- The report also aims to build on the global scenario of sustainable palm oil, highlighting the intersections with India, demonstrating the link between palm oil imports in India and paving the way for other market like China and how all these factors interact with issues such as deforestation and human rights violation.
- This assessment can help in setting the tone for improvements in data and trigger a process to help India move towards responsible sourcing
- A need to look at a more inclusive standard neutral approach and look at all the efforts that are being undertaken in the palm sector in terms of sustainability
- India drives 11% of the global palm oil trade, which means India plays a critical role in the geo-political dialogue, trade discussion and the development of the palm oil dialogue
- Key companies that play a role are Emami Agrotech, Adani Wilmar, Ruchi Soya, GokulAgro and Gemini. This gives the Indian market a position to influence the global stage on palm oil linked deforestation, human rights violation and in the longer-term demand for sustainable palm oil
- Some of the challenges in shifting mindsets highlighted are
    - End-Consumers not interested in addressing off-shore environmental sustainability
    - No significant price differential

    - Information asymmetry in the value chain
    - No level playing field
    - Limited competitive space for agreeing on sustainability requirements
- Some of the barriers for uptake as identified in the report
    - price Implications
    - Lack of accountability and awareness on sustainable palm oil
- Recommendations as shared in the report
    - Promote centralized coordination to strengthen the efforts that CSO actors with the Government of India
    - Need for monitoring systems for tracking import details
    - Long term tariff structure can help in providing stability to sourcing risks
    - Need for a stronger regulatory push on deforestation free supply chain from India

c) Miro Board Activity

Rijit mentioned that the activity aims to identify methods that would help in collaborating together as a group. Given the situation of extra-territoriality that exists, the activity would look at highlighting possible ways to develop potential business cases along with challenges that the companies (members) face due to the complexity of Indian market and lastly looking at the support required by different actors at different levels from the coalition.

- As a potential business case, Loshim Luthra, HUL mentioned that if a company is investing in sustainable sourcing, it will gain benefits in terms of reputation as well as increase shareholder value. This will in turn help in building awareness for the consumers while emphasising on the importance of sustainable sourcing. In terms of challenges, she highlighted that there is lack of awareness about sustainable finance offerings by Financial Institutions and Banks. She added that there is a need to identify as to how to convince a company or a consumer from an investment point of view. From a long-term perspective, it is difficult to quantify the benefit (in financial terms) the company or the consumer is achieving through investing in sustainable financing and sourcing. Due to lack of awareness amongst consumers, even if a company invests in sustainable sourcing the ability and power to charge the extra amount from the consumers is very less. In terms of support required she mentioned that there could be a mandate from the government promoting some percentage to be sustainably sourced
- Talking about economy of scales, Kamal Prakash Seth RSPO shared the data of unsourced/non certified palm oil that Malaysia and Indonesia produce and supply. 7-8 million tonnes of palm oil produced in Indonesia and Malaysia is certified by RSPO but not sold in the market under the RSPO label. He mentioned that this in itself in a huge opportunity for buyers and sellers in India. If India importers and buyers were to pick a small share of the already certified sustainable palm oil, it will help in bringing down the per unit cost and the premium that the importers have to pay will also go down if the demand from FMCGs for sustainable palm oil increases. He concluded by saying that there is a high demand for non-edible side of sustainable palm oil and lack in demand for edible sustainable palm oil and we all need to work together on that as a coalition
- Girish Deshpande, P&G highlighted the need for future outlook at the level the leadership. He added that in the sustainability journey it is important to ensure that the planet and the people that work in the forest are looked after

- Rachit Dhingra, Haldirams mentioned that sustainable practices \ are extremely important at the current juncture. He added that Haldirams is making constant efforts to move towards adopting sustainable practices including uptake of sustainable palm oil
- Bhavya Sharma, CRB gave a brief summary of the pointers that were highlighted by the members as part of the activity. Some of the points as mentioned by the members are:
    - **Potential business cases** as mentioned by the members could look at increasing shareholder value with respect to sustainable sourcing, creating opportunities with increased awareness amongst consumers on sustainable palm oil and sustainability. It was also highlighted that there is a growing demand of sustainable products in India specifically within urban youth. Members emphasized that there has also been growing commitments by investors and financial institutions on sustainable finance.
    - **Challenges** as identified by the members looked at the existing lack of awareness amongst consumers regarding palm oil and sustainability. Furthermore, the cost effect of making the switch isn't accepted by the consumers. Also tracing the relevant actors and stakeholders across the supply chain is a difficult task. The members also pointed out that there is a need for stronger coordination between CSO actors working in the palm oil sector
    - Regarding **Support Needed** members highlighted that there is a need for a strong government push for responsible sourcing agenda along with the government could set up regulations on sustainable sourcing and lastly, the recent approval of the National Mission on Edible Oils – Oil Palm should be backed up with mandatory sustainability requirements

d) Presentation on Transition towards Sustainable Palm Oil – How and Why by WWF and Rainforest Alliance

The presentation aimed to highlight the need to make the transition towards sustainable palm oil and how organizations can make the transition with help of existing frameworks and guidelines. Some of the points highlighted in the presentation were:

- There has been a growing discussion on sustainable palm oil, palm oil has been a centre of concern for investors, and civil society organizations. Palm Oil production has caused mass deforestation as well as affected rights of indigenous people along with conversion of natural ecosystem and harming the wildlife
- There are number of sustainable palm oil certification bodies and initiatives like RSPO, MSPO, IPOS, ISCC that encourage sustainable palm oil production and procurement
- With a multitude of environmental and social challenges existing in the palm oil industry, there is a greater need for businesses to understand risks that are associated with conventional practices and move towards sustainable practices. There is also a need to ensure long term sustainability to avoid supply chain disruptions, companies need to step up and address sustainability challenges associated with palm oil. There would also be a push from shareholders, including investors to act on sustainable palm oil and avoid reputational and brand value risks
- Some of the companies that have been studied as part of the sustainable procurement guide and are on the path of sustainable palm oil are Unilever, AAK, Godrej (all three are I-SPOC members) and Adani Wilmar. These companies understand sustainable palm oil and are moving towards responsible sourcing through certification such as RSPO or becoming a member of industry wide platform like I-SPOC. The companies are also understanding the

need to move towards transparency and disclosure about supply chain performance by being part of studies and research related to palm oil sourcing

- The presentation also highlighted the steps that can help companies to move towards sustainable palm oil, some of them were as follows
  - Adopt and implement group level policy to source palm oil
  - Make timebound commitments to source only CSPO or POIG-verified oil
  - Ensure that the oil is purchased from a supplier that has a group level policy to source palm oil that adheres to NDPE
  - Report annually on palm oil sources, usage, non-compliance and sustainability progress
  - Support suppliers to have traceability to mill and plantation
  - Support on ground action in palm oil production landscapes
  - Join RSPO and actively contribute to their vision of making sustainable palm oil a norm
  - Participate in action- oriented sustainability platforms
  - Support policy action in producer and consumer countries in favour of sustainable palm oil
  - Facilitate awareness building activities on sustainable palm oil
  - Align company commitments and policies with existing frameworks
- While talking about tools, resources and support available for member companies to make the transition towards sustainable palm oil, Bhavit mentioned that the Supply Chain End Users Working Group is developing a Palm Oil Sustainability Framework. The aim of developing the framework is to collate existing tools, resources that will help guide member companies to take actions based on their sustainability journey. Other than that, WWF is also developing a Procurement Guide for Sustainable Palm Oil
- Another resource that is publicly available is the Palm Oil Derivative list as developed by North American Sustainable Palm Oil Network (NASPON)
- Bhavit also spoke about the AFI framework guidance, the framework is an initiative that works towards supporting companies in developing policies, commitments related to sustainable palm oil. AFI is steered by CSOs including Rainforest Alliance. The guidelines list down steps on how to develop a sustainability sourcing policy and how secondly how to implement ethical supply chain. He mentioned that there are also some benchmarking tools (like WWF POBS scorecard and SPOTT card) that help in evaluating the progress each organization is making in terms of sustainable sourcing and procurement
- Karishma gave an overview of the Sustainable Palm Oil Procurement Guide as developed by WWF – India to help companies who have just started their journey towards sustainable palm oil. The guide will support the companies in making the transition towards sustainable procurement. The guide is based upon the AFI framework principles and the major stakeholders that are targeted through the guide include importers, refiners, manufacturers, consumer good companies etc. The guide has been tailored to encourage stakeholders to take up sustainable palm oil procurement across the supply chain
- The guide also provides broad actions that are needed to be taken to ensure sustainable procurement along with highlighting areas where collaborative approach is required across different stakeholder
- The guide highlights additional actions such as
  - Become members of multi-stakeholder initiative like I-SPOC
  - Important for companies to strengthen their commitments and efforts

    - Companies need to encourage discussions on sustainable palm oil and sustainability issues in general across stakeholders
    - Build consumer awareness on issues associated with conventional palm oil
    - Certification labels to help consumer make better informed choices

e) Activity 2: Self - Assessment Activity

The activity was meant to highlight issues and expectations related to palm oil procurement in India as experienced by member companies

- On talking about the risks associated with conventional procurement of palm oil, Girish Deshpande pointed out that one of the things that the coalition might take into account is the policy, including looking at the expectations that group of member companies have, what is that the target audience is expecting that will help get clear of the task ahead of us
- WWF – India and Rainforest Alliance to develop a questionnaire based on the questions for the activity and share it with the members. Using the questionnaire/excel document the member companies can self - assess their progress towards sustainability and sustainable palm oil

f) Closing Remarks

- Kamal Prakash Seth highlighted the regional CSPO uptake across countries. Based on the data, the following points came up
    - The CSPO uptake in Europe is 41% including bio-fuels, if bio-fuels are excluded it is much more than 71%
    - The uptake of CSPO in North America jumped from 59% in 2019 to 81% in 2020
    - Malaysia is steady at 7%
    - Indonesia the largest consumer of palm oil in the world is steady at 2%
    - China the CSPO uptake moved from 4% to 6%
    - For India, the uptake started from 1% in 2019 to 2-3% in 2020
    - Latin America moved from 7% in 2019 to 10% in 2020
- The numbers as shown above constitute only 10% of the total market share. Even though RSPO market share is 19%, almost half of the products certified are not sold as RSPO because major economies in Asia do not have a demand for certified sustainable palm oil
- I-SPOC as a group needs to think on how India can catch up and how to work towards creating a difference in the existing supply chain structure