

# HOW TO TRANSITION TO SUSTAINABLE PALM OIL



## Why make the switch to sustainable palm oil?

Would you buy a product for your family to use knowing that it had been produced by people working under forced or child labour conditions, or from land that was taken from local or indigenous communities?

If the answer is 'no', then ask yourself- why are you not providing the same assurance to your customers and consumers?

By starting your sustainable palm oil journey, you are:

- **Doing the right thing** – protecting the rights of people living and working on plantations, ensuring no child labour in your supply chain, and protecting highly biodiverse forests from destruction by sourcing the most productive oilseed globally. In the end, this contributes to livelihood improvement for thousands of small-scale farmers who rely on oil palm for their income.

It also minimises climate change through a reduction of CO2 emissions, reduces the use of water, and promotes waste management in an environmentally and socially responsible manner.

- **Making good business sense** – a new report by [Climate Advisors](#), a consultancy specialising in climate and financial risk in the land sector, has shown that companies within the palm oil supply chain that commit to sustainable production have higher equity returns compared to their industrial counterparts. [Roundtable of Sustainable Palm Oil \(RSPO\)](#) members outperform non-members by 24.7 percentage points.
- **Providing accountability** – to customers, consumers, and stakeholders who demand transparency in their supply chains. This will only grow as millennials become more aware of the positive impacts sustainable investments have, thus fuelling increased demand.

## Taking the first steps

Like all journeys, this may take time. Have a roadmap. It can be steep or gradual depending on your capability, budget, and appetite. **You just have to get started!**

Start the conversation with top management, keep the message aligned, and cascade it down so that all employees are on board with a sustainable approach. The message must be clear and concise. Focus on the 'why', as this is key for the start of your journey. The 'what' and 'how' will follow once the organisation is clear about the 'why'.

## How to implement a sustainable sourcing policy

Moving to sustainable palm oil is not an overnight process. Once the intent and 'why' are clear, a sustainable sourcing policy needs to be developed and implemented. It requires a series of activities and initiatives to socialise and implement the policy together with internal and external stakeholders.



## Build internal capacity

- Appoint a responsible person who can help build organisational capability
- Create a policy/commitment and share with stakeholders – independent third-party experts who can critique.

## A STEP-BY-STEP APPROACH FOR BUSINESSES:

- 01.** Join and actively participate in action-oriented sustainability platforms, such as the [India Sustainable Palm Oil Coalition \(I-SPOC\)](#) and the [RSPO](#) to understand and support industry-wide efforts towards sustainable palm oil.
- 02.** Commit to 'No Deforestation, No Peat, No Exploitation' (NDPE) policies for your company and your suppliers.
- 03.** Make an ambitious, public, time-bound commitment to buy only certified sustainable palm oil as part of your membership to RSPO. You could start with buying RSPO Credits (both independent smallholders and mills), and then move to RSPO Mass Balance, followed by Segregated and Identity Preserved supply chains. The cost of RSPO premiums is part of the cost of goods sold.
- 04.** Launch a webpage and/or other communication assets (articles, videos, graphics, etc.) to socialise your company's sustainability commitments.
- 05.** Undertake training and capacity building for your employees and suppliers to explain the policy, commitment, expectations, and key actions.
- 06.** Understand your supply chain, publish mills and their locations, and work with suppliers to ensure traceability to the mill and plantation base. Ensure supply chain transparency by publicly reporting on palm oil sources and usage, and progress and actions at least annually.
- 07.** Support sustainable production by supporting smallholders, with buyer commitments and on-ground investments, training, and capacity building.
- 08.** Identify and engage with institutional and individual investors, banks, and financial institutions who are looking to invest in companies built on sustainability principles. Several investors have applied 'Environmental, Social and Governance' (ESG) frameworks/policies and offer financial incentives for sustainability focused companies.
- 09.** Undertake public communication and outreach activities on sustainable palm oil to educate end-consumers.
- 10.** Support government and industrial policy action plans to promote deforestation-free supply chains at the national level.

# What happens when you discover a non-compliance in your supply chain?

Engage with the supplier and ask them to stop the violation, then create an action plan to mitigate the risk.

This process allows you to fix the issues whilst you still have purchasing leverage.

Blacklist is the last resort when the supplier is not willing to engage and/or is not meeting deadlines despite continued engagement.

The journey to 100% sustainable palm oil sourcing might be challenging but it has a strong business case and it is the right thing to do to make deforestation and exploitation free supply chains the norm. We are here to support you on this journey.

## TAKE ACTION

BECOME A MEMBER OF

**RSPO**

[www.rspo.org](http://www.rspo.org)

BECOME A MEMBER OF

**I-SPOC**

[www.indiaspoc.org](http://www.indiaspoc.org)

(RSPO is a founding member of I-SPOC)



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